



# **Huge Group Limited** **Reviewed Interim Results**

for the six months ended  
31 August 2021

**Unlocking Investment Opportunity**

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## Feedback

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



# CEO's Comments



**JAMES HERBST** *Chief Executive Officer*

Huge's strategy is centred on acquiring and expanding its portfolio of companies, generating returns from the receipt of interest and dividends as well as the disposal of investments at a profit. Its approach is that of investment entity as opposed to consolidated group.

Huge's vision, strategy, and policies (particularly its investment policy) are those of an investment entity. Its structure, the skills, background, and experience of its directors (regarding deal-making and mergers and acquisitions) and its recent conduct (particularly its attempts to acquire a shareholding in Adapt IT Holdings Limited) no longer justified treating Huge as a consolidated group.

International Financial Reporting Standard (IFRS) 10 is prescriptive. If an entity meets the definition of an investment entity it must report on this basis. These interim results will be the first time we do so and it is informed by the change in Huge's strategy.

Huge has five principal investments, which, if ranked by revenue, include:

- Huge Cellular, Huge Telecom, and Huge Technologies – companies that provide telephone connectivity to over 16 000 corporate customers;
- Huge Connect – a company that provides payment connectivity to the terminals of over 30 000 organisations, including First National Bank, Nedbank, and Standard Bank; the company provides connectivity to over 225 000 devices.
- Huge Networks – a company that provides data and internet services to over 2 000 customers, including customers like MediClinic, Fresenius Medical Care, and First National Battery;
- Huge Distribution – a company which imports and distributes a range of electronic equipment, and in particular the NEC range of equipment;
- Huge Software – a company which licences accounting software.

The board's strategy is to deepen Huge's exposure to cloud, software, and x-tech markets and in this regard is actively pursuing acquisitions in these markets to augment its current investment portfolio, which has a bias to connectivity.

# CEO's Comments (continued)

In the first six months of the 2022 financial year (FY2022), Huge's attention focused on Adapt IT. Huge was unable to acquire a meaningful shareholding in Adapt IT and the 2.61 million shares in Adapt IT that it did acquire were sold in August 2021. In the second half of FY2022 the board and executive team have focused on other acquisition opportunities and with stakeholder support Huge hopes to expand its portfolio of investee companies. Huge has identified several exciting opportunities, including opportunities with significant exposure to software and x-tech, and particularly fintech platforms for billing and collection, payment wallets, and digital currency.

Regarding the current portfolio, Huge Cellular settled its dispute with Cell C, Huge Telecom successfully migrated all its customers to MTN, the integration between Huge Telecom and MTN has been completed, and a new sales channel has been built. This has resulted in a meaningful improvement in sales, the fruits of which have been seen in September, October, and November. This portfolio of companies continues to enjoy high gross margins and growth in sales will leverage operating profit.

Huge Connect's market share continues to grow, particularly after winning business from inter alia Standard Bank. Huge holds preference and ordinary shares in Huge Connect and in the first half of FY2022, Huge received dividends of R19 million.

The integration of the businesses of Huge Networks and Otel Communications is largely complete. Huge Networks' revenue is nearly three times its revenue in 2019, gross margins have held steady, and the benefits of scale are starting to positively impact the bottom line. Debt is being reduced and Huge should start seeing the receipt of dividends in FY2023.

Huge Distribution was formed to import Panasonic equipment and distribute it throughout South Africa. Panasonic's decision in December 2020 to discontinue certain product lines left Huge Distribution without product to sell. Rights to import NEC product and distribute it throughout South Africa were secured in January 2021 and a new management team was hired in March 2021. It is Huge Distribution's intention to grow its range of products so that it is not reliant on a single line of product.

Huge Software has focused its attention on growing a presence in New Zealand and this initiative is starting to bear fruit. The board of Huge believes that Huge Software's accounting and ERP software suite can be leveraged through other acquisitions.

Huge's investment portfolio has been independently valued at R1.4 billion, which translates into a net tangible asset value of 896 cents per share. Before accounting for the Executive Share Option Scheme, Huge's cost, being the costs associated with Huge as an Investment Entity, as a percentage of assets under management, is 1.28%, which is below the benchmark cost for other investment companies.

Yesterday, Huge's share price on the JSE closed at 399 cents. As such, Huge trades at a 55% discount to its tangible net asset value of 896 cents per share. It is the board's view that current initiatives will contribute to the discount narrowing over time to levels customary for investment entities.

Huge's scaling of Huge Networks, its use of its listing and branding to secure the likes of new customers like Standard Bank for Huge Connect, its involvement with Huge Distribution in securing a distribution agreement from a leading international company like NEC, and its engagement with MTN to secure mobile access for Huge Telecom, demonstrates Huge's ability to identify and create value. Exactly one year ago, Adapt IT's share was trading at 262 cents. Today, it is trading at around 700 cents. Huge was first to market in identifying the value of Adapt IT.

The board of directors believes it can continue to identify and create value for Huge shareholders and that this will translate into an increasing net asset value over time.

# Investment Philosophy

Huge owns and acquires meaningful interests in the converging connectivity, cloud, software and x-tech markets, all centred on the following values:

- A focus on the **strategic oversight** of our existing investments and expanding our portfolio through acquisition.
- **Amplifying value** by leveraging customer 'real estate' and the scale of the broader Huge ecosystem.
- **Empowering and supporting** of our co-investors who lead the businesses.
- **Facilitating collaboration** between our investment entities.

We have the right people to carry out our mission.

Huge:

- Invests where it identifies **growth** potential, **cash flow** generation, increased **dividend yields** and long-term **value appreciation**.
- Prioritises "brown field" investments, which are more **stable, established businesses** in terms of cashflow & revenue growth.
- "Green field" opportunities will not be overlooked either, should the **risk/reward trade-off be acceptable**.
- **"Backs the Jockey"**, demanding experienced managers that have "skin in the game" who can be trusted to operate the investee entity.

Huge is not constrained by a particular size of investment or targeted shareholding. As such, acquiring 100% is not critical to the investment strategy.

Huge focuses on:

- **Maintaining and growing** a portfolio of equity interests:
  - in local and foreign companies;
  - in listed and unlisted companies;
  - with solid historical track records;
  - exhibiting attractive growth potential that are cash generative and yield above-average investment returns;
  - that are not limited by size, spread & stage in the business lifecycle.

Huge will also engage in corporate finance activities, in addition to acquisition and disposal activities relating to its investee entities.

Investments will be structured so that they are:

- Free standing;
- Ring-fenced from risk; and
- Separately monitored.
- Pursuing investment in entities where **founders or key management hold meaningful interests**, or with other chosen financial investors who share proportionately in the risk and reward of the investee entity.
- **Exerting meaningful influence** by being able to nominate directors to investee entity boards and, where appropriate, to appoint a financial director and/or managing director.
- Oversight, rather than seeking day-to-day managerial responsibility of an investee entity.
- **Applying a hands-on investment approach** to assist the management teams of its investee entities by providing strategic input and guidance.
- Providing **treasury services** to its investee entities in any way, shape or form.

# Investment Committee

## Duarte da Silva Chairman

Duarte is the former CEO of **Macquarie First South**, an executive director at **Merrill Lynch** and the regional head of operations at **Macquarie**. He was a top rated technology analyst and provides invaluable experience and deal-making knowledge.

**Independent Non-Executive Chairman of Huge Group**



## Brian Armstrong Member

Brian has over 30 years of experience in the telecommunications industry. He was the Group Chief Operations Officer & Commercial Officer at **Telkom SA**, as well as the VP for the Africa & Middle East region for **BT Plc**.

**Independent Non-Executive Director of Huge Group**



## Craig Lyons Member

Craig co-founded, managed and lead two South African investment firms, and has a strong track record in the local technology investment industry.

**Independent Non-Executive Director of the Board of Huge Group**



## Dennis Gammie Non-Executive

Dennis was the CFO at **Aveng Group**, financial director at **Murray & Roberts Materials** and an **Imperial Group** subsidiary.

**Independent Non-Executive Director of Huge Group**



## Vincent Mokholo Non-Executive

Vincent has a long history with **Huge**. He is an ex-chairman of the board, deputy MD of **Huge Telecom** and a director of **Ambient Mobile**, a Huge investee company.

**Non-Executive Director of Huge Group**



# Investment Monitoring Team

## James Herbst CEO

James has built Huger from the ground up, starting the Company in 2007. He has extensive finance, deal-making and legal expertise, and is actively engaged in all stages of our investment process. His commitment to Huger is unmatched and he leads by example.



## Andy Openshaw COO

Andy joined Huger in March 2019 and has been instrumental in the structuring of, and continued growth across, the Company and its investee entities. Prior to his appointment, he was the CEO of the Reunert Communications Cluster, ECN.



## Samantha Sequeira CFO

Samantha joined as CFO in March 2019. She has overseen the Companies' transition from a consolidated group of companies to an investment entity, and has worked tirelessly to ensure the financial reporting is accurate, comprehensive and informative. Samantha is a CA(SA) and the former Financial Director of Virgin Mobile South Africa.



## Darren Armstrong Senior Investment Analyst

Darren has been with Huger since the start of 2019. He holds an honours degree in finance and accounting from the University of Cape Town.



# Investment Portfolio

Huge manages an investment portfolio worth **R1.4 billion**.

The investment portfolio is made up of businesses within in the converging connectivity, cloud, software and x-tech markets.



# Investment Portfolio

(continued)

## INVESTMENT SECTOR FOCUS AREAS

### Cloud Services

**The cloud** is a vast network of servers around the globe which operate as a single ecosystem. Instead of accessing data from local or personal servers, you can **access it online from any connected device at any time, in any location**. These servers store and manage data, run applications, deliver content & services like music & video streaming, webmail, software and social media.

### Software

If you are on your computer or phone - either online or offline - you are using one or many of thousands of **software apps**. These apps provide endless opportunities for innovation, improvements in efficiency & productivity and could even redefine entire industries. **Software is everywhere around us** and will only become more pervasive and important in the future.



huge  
group

### Connectivity

**Connectivity** is the ability to connect and communicate with other computers, computer systems or people. **Fast, effective and safe data transfer** facilitates modern life, using four dominant data formats – text, voice, audio and video.

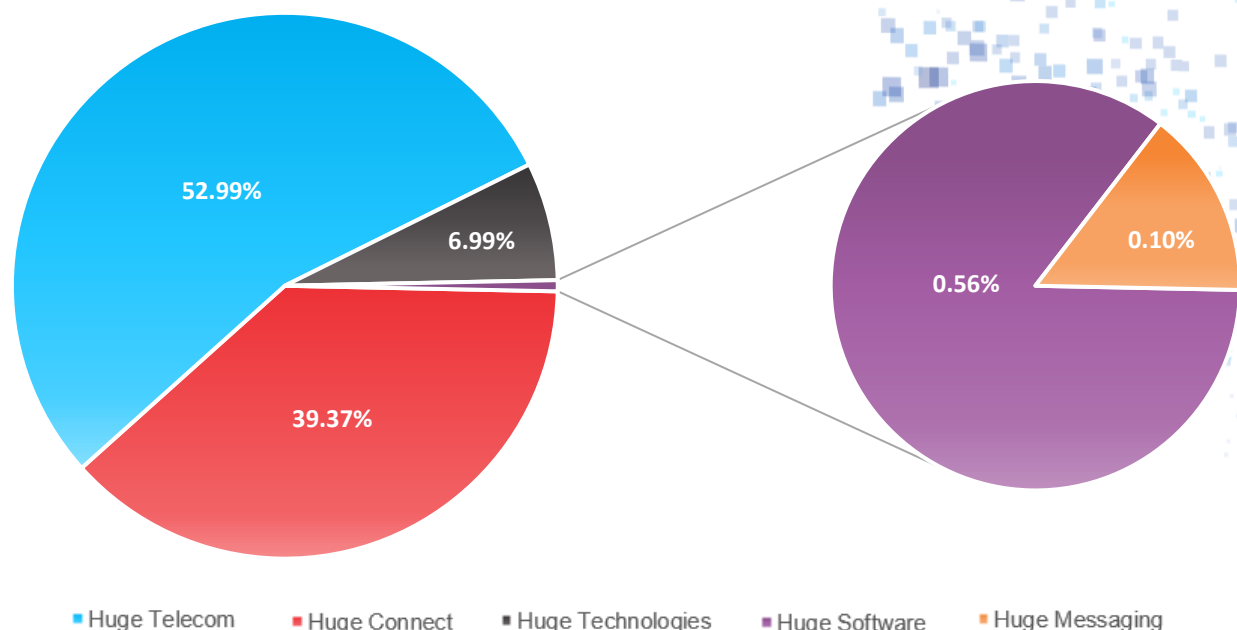
### xTech

**xTech** is the high-growth area where digital and other emerging 21st century technologies intersect with traditional sectors, **creating new value and disrupting traditional markets**. Fintech, health tech, ed-tech, agritech, insure tech, etc.

# Investment Portfolio

(continued)

Huge manages an investment portfolio to the value of **R1.4 billion**, as at 31 August 2021 including the following investee entities categorised by value:



**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. Included in the Huge Telecom investment is:

- **Huge Networks** which 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 Services** which is a cloud telecommunications intelligence and management solutions provider which supplies telecommunications management services to customers throughout South Africa; and
- **Huge Cellular** which is engaged in the procurement and supply of voice connectivity.

Following Huge Telecom's successful navigation of the various lockdown iterations of the Covid-19 pandemic in 2020 and early 2021, HY2022 was focused on refining the Huge Telecom strategy, notably by developing and launching new products and sales channels to position the company for growth.

New products launched include providing a full PBX turnkey solution, including PBX installation, servicing, sales, and rentals. All Huge technicians have now received advanced NEC installation certification, positioning Huge Telecom as a national accredited NEC solution provider in South Africa.

Huge Telecom's Unlimited voice B2B GSM connectivity solution, with higher static ARPU's, is also proving popular, and now comprises 6.5% of the base at the close of HY2022 (1.3% at 28 February 2021), increasing the total base ARPU.

Huge Telecom launched a direct sales team in HY2022. Direct sales consultants are now operating in all the major centres across South Africa, are positioned to sell directly to customers that require full maintenance PBX rentals with GSM connectivity. This new sales channel is already bringing significant new business to Huge Telecom, and we are confident we will see further and substantial sales increases in the short to medium term.

Finally, post-Covid-19, Huge Telecom is seeing increased business activity and believes that this trajectory will continue. Huge Telecom's fixed annuity income makes up 61% of total revenue year-to-date which amounts to R84 million, with a growing GP% of 76% and EBITDA margin of 43%.

# Investment Portfolio (continued)

## Huge Telecom (continued)

Huge Networks adopted a strategy during HY2022 to concentrate on the growth of fixed annuity revenue. New and existing niche opportunities were targeted by the team as well as sourcing other opportunities that match the criteria of the Huge Networks business model and strategy. A new voice platform has been adopted, which will improve margins significantly on the company's Voice over IP offering. The fixed annuity revenue grew by 3% in the first half of 2022 to 85% of total year-to-date revenue of R52 million. The Huge Fibre To The Home (FTTH) base grew steadily and the Huge Fibre To The Business (FTTB) base gained significant traction. Huge Networks also introduced free bandwidth upgrades to all its customers on the FTTH offering. As these free upgrades can only be done when the network and infrastructure allows for increased traffic, significant capital investment has been injected into the infrastructure over the last year to ensure resilience of the network. While growing the Huge Fibre initiatives, Huge Networks managed to roll out a Fixed Wireless Access product which will be the main focus and drive for the second half of 2022. Early indications suggest that the offering is being well received by the market. During HY2022, Huge Networks focused on its VOIP offering by introducing a VOIP only solution. Huge Networks is steadily growing revenue in order to increase its EBITDA margin, which is currently at 10%, whilst driving change to increase the GP margins at 32%. Huge Networks are in the final stages of launching a fully comprehensive Security offering to its existing and potential new customers.

**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. The company has also expanded into other markets, including connectivity for ATMs, integrated points of sale (225 800 currently in the market), medical/script verifications, telemetry applications (The Internet of Things (IoT)), micro-lending applications and cash vaults.

While business in South Africa has been through tough times over the last 18 months, due to both the Covid pandemic and more recently the riots in KwaZulu Natal and Gauteng, Huge Connect has through customer focus, support, and where necessary, through financial assistance, managed to prevent customer failure and limit customer losses. An enhanced sales drive and a competitive product offering assisted in new customer growth as markets returned to the new normal. Focus on staff health, working from home efficiencies and other cost management programs has allowed Huge Connect to maintain the company's bottom line profitability through these times.

Looking forward and with the introduction of new products/solutions (including Layer 2 and 3 Fixed LTE, and a new customer SIM management portal), combined with providing the highest levels of service, security, redundancy and uptime to customers and partners, positive growth in sales and the subsequent annuity revenue will be maintained and improved.

Huge Connect's fixed annuity revenue makes up 92% of total revenue year-to-date and amounts to R77 million, with a maintainable GP% of 50% and an EBITDA margin of 47%.

**Huge Technologies** develops billing software and also acquires, develops and manufactures connections 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 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 software is moving from an accounting only software system to a full Enterprise Resource Planning (ERP) system, giving the company a specific direction within a niche market in which to sell. The system has had a major upgrade over the past five years to be compliant to the new standards of web applications in the market. In the past two years there has been a major focus on the business structure and efficiency, resulting in cost savings as well as better client support and engagement structures and improved solution development timelines.

There are still many opportunities to be grasped in the South African market as well as in international markets. Huge Software has had successes in New Zealand and is penetrating the large Australian market. The company is partnering with various consultants to ensure future leads and opportunities come its way.

Huge Software's fixed annuity income makes up 75% of total revenue year-to-date, with a strong GP% of 75% and EBITDA margin of 41%.

# Investment Portfolio (continued)

## Remaining investee companies in Huge's portfolio include:

- Huge Capital
- Huge Distribution
- Huge Media
- Huge Messaging
- Huge Payments
- Huge Soho

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

**Huge Distribution** is a provider of NEC, Yealink and Yeastar PABXs to the South African market. Huge Distribution experienced many notable changes in the 2022 financial year. The business has been led by new executive management team that contributed to the restructuring of the business along with tightening of controls and the significant reduction of opex costs. The most notable change was the business obtaining the distribution rights of NEC in Southern Africa, this after Panasonic announced their withdrawal from the telecommunication market. Huge Distribution, under new management, is in the process of expanding its product offering and looks forward to offering Business Partners exciting new products in the future. The business has a strong presence in the market and is in the process of expanding and growing its Business Partner network countrywide. Many notable companies have already partnered and many more are in the process of doing so. A leaner more customer focused Huge Distribution has emerged, with a strong foundation and operational procedures and protocols in place along with a focus on service delivery, Huge Distribution will continue to grow and build stronger and better partnerships with both suppliers and customers.

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

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

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

**Huge Soho** is engaged in managed telecommunication services.

The subsidiary company held by Huge and consolidated under IFRS10 is **Huge Management** which fulfills a treasury function.

# Interim Financial Results

INDEPENDENT AUDITORS REVIEW REPORT ON THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL RESULTS



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To the shareholders of Huge Group Limited

## Report on the Condensed Consolidated Interim Financial Statements

We have reviewed the condensed consolidated financial statements of Huge Group Limited contained in the accompanying interim results report, set out on pages 15 to 35, which comprise the condensed consolidated interim statement of financial position as at 31 August 2021, and the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six months then ended, and selected explanatory notes.

## Director's Responsibility for the Condensed Consolidated Interim Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial results of Huge Group Limited for the six months ended 31 August 2021 are not prepared, in all material respects, in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

*Moore Johannesburg Inc*

**Moore Johannesburg Inc.**  
**Registered Auditors**

**Per: CA Whitefield**  
Partner  
Registered Auditor

24 November 2021  
Johannesburg

50 Oxford Road  
Parktown  
Johannesburg  
2193

# Interim Financial Results

(continued)

## FINANCIAL HIGHLIGHTS

		Investments held amount to <b>R1.4 billion</b>
Headline earnings per share increased by <b>427%</b> from 6.57 cents to 34.63 cents	Net asset value per share increased by <b>46%</b> from 595 cents to 869 cents	Net tangible asset value per share increased by <b>324%</b> from 205 cents to 869 cents
	Fair value gain on investments amounting to <b>R69 million</b>	Dividends received amounting to <b>R19 million</b>



# Interim Financial Results (continued)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2021

Figures in Rand	Notes	Reviewed 31 August 2021 (6 months) R'000	Unaudited 31 August 2020 (6 months) R'000
<b>Gain from financial assets at fair value through profit or loss</b>	<b>1&amp;3</b>	<b>68 875</b>	-
<b>Investment income</b>	<b>2</b>	<b>26 019</b>	<b>702</b>
<b>Interest income</b>		<b>6 645</b>	<b>702</b>
Interest received on loans	3	6 573	-
Finance income		72	702
<b>Dividends received</b>	<b>3</b>	<b>19 374</b>	-
<b>Gross profit from sale of goods/services</b>	<b>3</b>	<b>3 300</b>	<b>142 089</b>
Revenue		3 300	231 298
Cost of sales		-	(89 209)
<b>Other income</b>		<b>417 490</b>	<b>4 017</b>
Gain on loss of control of subsidiary companies	4	416 115	-
Gain on sale of property, plant and equipment		-	780
Other income	5	1 375	3 237
<b>Expenses</b>		<b>(21 741)</b>	<b>(117 668)</b>
Selling and administration expenses	6	(17 662)	(71 434)
Executive share-based payment expense	7	(3 729)	(24 094)
Movement in credit loss allowance		-	(4 180)
Loss on sale of investments held	1	(309)	-
Loss from equity accounted investments		-	(25)
Depreciation and amortisation		(41)	(14 384)
Depreciation on right-of-use assets		-	(3 551)
<b>Profit before finance costs and taxation</b>		<b>493 943</b>	<b>29 140</b>
Finance costs	8	(4 615)	(7 770)
Finance costs on lease liabilities		-	(986)
<b>Profit before taxation</b>		<b>489 328</b>	<b>20 384</b>
Income tax expense	9	(12 834)	(8 896)
<b>Profit for the year</b>		<b>476 494</b>	<b>11 488</b>
<b>Attributable to:</b>			
Owners of the parent		476 494	11 428
Non-controlling interest		-	60
<b>Earnings per share information (cents)</b>	<b>10</b>		
Basic earnings per share		273.31	6.92
Diluted earnings per share		270.89	6.91
Headline earnings per share		34.63	6.57

Huge has provided the users of these financial results with a comparable Statement of Comprehensive Income of the current reporting period and the previous reporting period. As of 1 March 2021, Huge's strategy is centred on acquiring and expanding its portfolio of companies, generating returns from the receipt of interest and dividends as well as the disposal of investments at a profit. Its approach is that of investment entity as opposed to consolidated group (details provided in notes 1 and 4). The only entity that is consolidated under Huge is Huge Management Proprietary Limited, the entity that provides a treasury function to Huge's underlying investee activities. Investments in investee companies and associates are now measured as; investments at fair value and reported as such in the Statement of Financial Position. In the previous reporting period, the financial statements included the subsidiary companies results for the period that were consolidated in accordance with IFRS10. Refer to note 4 for further details relating to the loss of control of subsidiary companies.

# Interim Financial Results (continued)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2021

Figures in Rand	Notes	Reviewed 31 August 2021 (6 months) R'000	Audited 29 February 2021 (12 months) R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		88	306 745
Right-of-use assets		-	12 014
Goodwill		-	607 694
Intangible assets		-	23 908
Investments held	1	1 381 211	-
Other financial assets		427	420
Loans to associate companies		-	63 676
Loans receivable	11	182 797	633
Trade and other receivables	12	20 470	20 561
Contract assets		-	2 665
Deferred tax		7 979	41 966
		<b>1 592 972</b>	<b>1 080 282</b>
<b>Current assets</b>			
Inventories		-	82 105
Loans receivable		-	439
Contract assets		-	1 623
Trade and other receivables	12	32 968	63 712
Current tax receivable		-	509
Cash and cash equivalents		10 790	29 462
		<b>43 758</b>	<b>177 850</b>
<b>Total assets</b>		<b>1 636 730</b>	<b>1 258 132</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
<i>Equity attributable to holders of parent</i>			
Share capital		18	16
Share premium		614 513	599 931
Share-based payment reserve		38 338	34 610
Change in holding reserve		-	52 474
Revaluation reserve		-	21 863
Accumulated profit		856 230	305 398
		<b>1 509 099</b>	<b>1 014 292</b>
Non-controlling interest		-	(49 971)
		<b>1 509 099</b>	<b>964 321</b>

Note 4 details the impact on the change in nature of business from a consolidated group to an investment entity. Note 4 highlights the movement between the two financial reporting periods due to this change in nature of business.

# Interim Financial Results (continued)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

as at 31 August 2021

Figures in Rand	Notes	Reviewed 31 August 2021 (6 months) R'000	Audited 29 February 2021 (12 months) R'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	13	82 808	100 777
Lease liabilities		-	10 969
Deferred tax		-	73 694
		<b>82 808</b>	<b>185 440</b>
<b>Current liabilities</b>			
Deferred income		-	34
Loans payable		-	300
Interest-bearing liabilities	13	38 699	51 263
Current tax payable		-	1 515
Lease liabilities		-	4 864
Trade and other payables		6 124	38 218
Bank overdraft		-	12 177
		<b>44 823</b>	<b>108 371</b>
<b>Total liabilities</b>		<b>127 631</b>	<b>293 811</b>
<b>Total equity and liabilities</b>		<b>1 636 730</b>	<b>1 258 132</b>
Number of ordinary shares in issue ('000) <sup>1</sup>		173 628	162 098
Net asset value per share (cents)		869.45	594.90
Net tangible asset value per share (cents)		869.45	205.26

<sup>1</sup> Number of ordinary shares in issue are the total number of ordinary shares in issue less treasury shares held by Huge Group.

# Interim Financial Results (continued)

## CONDENSED CONSOLIDATED STATEMENT OF STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2021

		Share capital	Share premium	Share based payment reserve	Change in holding reserve	Revaluation reserve	Accumulated profit	Non-controlling interest	Total equity
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Figures in Rand</b>	<b>Notes</b>								
<b>Audited Balance as at 1 March 2020</b>		<b>17</b>	<b>611 867</b>	<b>3 906</b>	<b>52 474</b>	<b>-</b>	<b>273 103</b>	<b>(60 254)</b>	<b>881 113</b>
Profit for the six month period		-	-	-	-	-	11 428	60	11 488
Share issue expense		-	(60)	-	-	-	-	-	(60)
Share buy-back		-	(7 147)	-	-	-	-	-	(7 147)
Share-based payments raised		-	-	25 315	-	-	-	-	25 315
Distribution of treasury shares previously held		-	2 458	(2 458)	-	-	-	-	-
<b>Unaudited Balance as at 31 August 2020</b>		<b>17</b>	<b>607 118</b>	<b>26 763</b>	<b>52 474</b>	<b>-</b>	<b>284 531</b>	<b>(60 194)</b>	<b>910 709</b>
Profit for the six month period		-	-	-	-	-	27 140	3 786	30 926
Other comprehensive income for the six month period		-	-	-	-	21 863	-	-	21 863
Share buy-back		(1)	(10 512)	-	-	-	-	-	(10 513)
Share-based payments raised		-	-	(24 093)	-	-	-	-	(24 093)
Executive share-based payment raised		-	-	34 610	-	-	-	-	34 610
Sale of treasury shares previously held		-	819	-	-	-	-	-	819
Share-based payment reserve reclassification		-	2 505	(2 670)	-	-	165	-	-
Transaction with non-controlling interest		-	-	-	-	-	(6 437)	6 437	-
<b>Audited Balance as at 28 February 2021</b>		<b>16</b>	<b>599 930</b>	<b>34 610</b>	<b>52 474</b>	<b>21 863</b>	<b>305 399</b>	<b>(49 971)</b>	<b>964 321</b>
Profit for the six month period		-	-	-	-	-	60 379	-	60 379
Loss of control of subsidiary companies	4	1	1 182	-	-	-	416 115	49 971	467 269
Issue of shares	1	1	20 397	-	-	-	-	-	20 398
Share buy-back	14	-	(6 534)	-	-	-	-	-	(6 534)
Executive share-based payment raised	7	-	-	3 728	-	-	-	-	3 728
Specific repurchase of shares	14	-	(462)	-	-	-	-	-	(462)
Transfer between reserves <sup>1</sup>	4	-	-	-	(52 474)	(21 863)	74 337	-	-
<b>Reviewed balance as at 31 August 2021</b>		<b>18</b>	<b>614 513</b>	<b>38 338</b>	<b>-</b>	<b>-</b>	<b>856 230</b>	<b>-</b>	<b>1 509 099</b>

<sup>1</sup> The change in holding reserve and other comprehensive income have been transferred to retained earnings due to the loss of control of subsidiary companies detailed in note 4.

# Interim Financial Results (continued)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 August 2021

Figures in Rand	Notes	Reviewed 31 August 2021 (6 months) R'000	Unaudited 31 August 2020 (6 months) R'000
<b>Profit before taxation</b>		<b>489 328</b>	<b>20 384</b>
Adjusted for non-cash movements		(500 785)	56 282
Adjusted for working capital movements		2 610	(34 599)
Net finance costs		(6 566)	(6 102)
Dividends received	2	19 000	-
Tax paid		-	(3 765)
<b>Net cash from operating activities</b>		<b>3 587</b>	<b>32 200</b>
<b>Cash flows from investing activities</b>			
Purchase or property, plant and equipment		-	(18 825)
Proceeds from disposal of property, plant and equipment		-	894
Purchase of intangible assets		-	(1 827)
Proceeds from sale of investment	1	17 405	-
Repayment of loans to investment entities		17 522	-
Advance of loans to investment entities		(22 967)	-
Loans to associate companies advanced		-	(1 195)
Loans to associate companies repaid		-	-
Advances of loans receivable at amortised cost		-	221
Loss of control of subsidiary companies	4	(15 046)	-
<b>Net cash used in investing activities</b>		<b>(3 086)</b>	<b>(20 732)</b>
<b>Cash flows from financing activities</b>			
Capital raising expenses		-	(60)
Specific share repurchase	14	(462)	-
Share buy-back	14	(6 534)	(7 147)
Sale of treasury shares previously held		-	-
Proceeds from interest bearing liabilities		-	20 000
Repayment of lease liabilities		-	(21 167)
Loans receivable advanced		-	-
Loans receivable repaid		-	-
Lease payments		-	(4 012)
<b>Net cash used in financing activities</b>		<b>(6 996)</b>	<b>(12 386)</b>
<b>Total cash movement for the year</b>		<b>(6 495)</b>	<b>(918)</b>
Cash at the beginning of the year		17 285	39 261
<b>Total cash at end of the year</b>		<b>10 790</b>	<b>38 343</b>



# Notes to the Interim Financial Results

## Directors' responsibility

The directors of the Company take full responsibility for the preparation of the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been reviewed.

## Board approval

These condensed consolidated interim financial statements were authorised for issue on 24 November 2021 by the board of directors and published on 24 November 2021. The auditor's review report is available for inspection at the company's registered offices.

## Preparer and supervisor of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements for the period ended 31 August 2021 were prepared under the supervision of the Chief Financial Officer of the Company, SL Sequeira CA(SA).

## Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 August 2021 are prepared in accordance with the requirements of the JSE's Listings Requirements (**Listings Requirements**) for interim financial statements and the requirements of the Companies Act, No 71 of 2008 applicable to interim financial statements. The interim financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (**IFRS**), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (**FRSC**), and do also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 28 February 2021, which have been prepared in accordance with IFRS.

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

## Principal accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements comply with IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements other than those mentioned below:

### New accounting policy adopted: Change in nature of business (IFRS 10)

As of 1 March 2021, Hüge's strategy is centred on acquiring and expanding its portfolio of companies, generating returns from the receipt of interest and dividends as well as the disposal of investments at a profit. Its approach is that of investment entity as opposed to consolidated group.

Hüge's vision, strategy, and policies (particularly its investment policy) are those of an investment entity. Its structure, the skills, background, and experience of its directors (regarding deal-making and mergers and acquisitions) and its recent conduct (particularly its attempts to acquire a shareholding in Adapt IT Holdings Limited) no longer justified treating Hüge as a consolidated group.

International Financial Reporting Standard (IFRS) 10 is prescriptive. If an entity meets the definition of an investment entity it must report on this basis. These interim results will be the first time we do so and it is informed by the change in Hüge's strategy.

Hüge's adoption of this accounting treatment has been confirmed by an independent expert and the auditors. In accordance with IFRS10 (B101), when an entity becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary that shall continue to be consolidated in accordance with paragraph 32. The investment entity shall apply the requirements of paragraph 25 and 26 (Loss of control) to those subsidiaries that it ceases to consolidate as though the investment entity had lost control of those subsidiaries at that date. The only entity that is consolidated under Hüge is Hüge Management Proprietary Limited, the entity that provides a treasury function to Hüge's underlying investee activities. The impact on future financial reporting periods cannot be reliably measured as the fair value of the investments at that time would be required in order to compute the fair value implications.

# Notes to the Interim Financial results (continued)

## Change in accounting policy: Associate companies (IAS28)

Management has elected the IAS 28 exemption relating to its investment in associate. Huge accounts for its associate at fair value from 1 March 2021. Huge Soho is now accounted for at fair value. The cost of the investment as at 1 March 2021 was nil and the fair value of the investment, based on the net asset value valuation method, was nil as at 31 August 2021. Therefore, there was no impact on the financial results relating to this change in accounting policy. The impact on future financial reporting periods cannot be reliably measured as the fair value of the associate would be required at that time in order to compute the fair value implications.

## Note 1 – Investments at fair value

The fair value of the investments held as at 1 March 2021 were calculated by an independent expert, Managhan Proprietary Limited, in accordance with IFRS13. The valuation assumptions utilised as at 1 March 2021, for the loss of control of subsidiary companies' calculation, are detailed below:

Unlisted Investments	Economic interest	Primary valuation method	Fair value hierarchy	Significant and key inputs	Relationship of unobservable inputs	01 March 2021 Fair value R'000
Huge Capital	100%	Net assets	Level 3	Attributable NAV		-
Huge Connect (Ordinary shares)	84%	Income approach	Level 3	Maintainable earnings model	WACC 19.25% Terminal growth 2.34% Revenue growth 8.93% Sustainable GP margin 63.71%	72 616
Huge Connect (Preference shares)	100%	Dividend discount	Level 3	Dividend payable Average coupon rate	Required rate of return 8.44%	458 394
Huge Distribution	75%	Income approach	Level 3	Maintainable earnings model	WACC 19.95% Terminal growth 2.34% Revenue growth 45.30% Sustainable GP margin 22.63%	8 583
Huge Media	96%	Net assets	Level 3	Attributable NAV		-
Huge Messaging	100%	Net assets	Level 3	Attributable NAV		1 244
Huge Payments	100%	Net assets	Level 3	Attributable NAV		-
Huge Software	75%	Income approach	Level 3	Maintainable earnings model	WACC 20.74% Terminal growth 2.34% Revenue growth 3.92% Sustainable GP margin 88.64%	6 298
Huge Technologies	100%	Net assets	Level 3	Attributable NAV		89 544
Huge Telecom <sup>1</sup>	100%	Income approach	Level 3	Maintainable earnings model	WACC 19.45% Terminal growth 2.34% Revenue growth 30.23% Sustainable GP margin 66.07%	672 946
Huge Soho	49%	Net assets	Level 3	Attributable NAV		-
The CI Trust	100%	Net assets	Level 3	Attributable NAV		28
<b>Total Holdings</b>						<b>1 309 653</b>

<sup>1</sup> The Huge Telecom valuation includes Huge Networks and Huge Services as subsidiary companies of Huge Telecom. Huge Networks contributes R34.44 million to the Huge Telecom valuation of R672.96 million.

### Primary valuation methods:

- **Income approach** calculates the market value of the ordinary shares of a business based on the value of the cash flows that the company to be valued can be expected to generate in the future.
- **Net asset approach** calculates the market value of the ordinary shares of a business by adjusting the asset and liability balances on the balance sheet of the company to be valued to their market value equivalents. The approach is based on the summation of the individual piecemeal market values of the underlying assets less the market value of the liabilities.
- **Dividend discount method** is a quantitative method used for predicting the price of a company's stock based on the theory that its present-day price is worth the sum of all of its future dividend payments when discounted back to their present value. It attempts to calculate the fair value of a stock irrespective of the prevailing market conditions and takes into consideration the dividend pay-out factors and the market expected returns. This method falls under the income approach.

### Key valuation components:

#### Risk-free rate

The risk-free rate is the rate that investors would require on a risk-free asset. The risk-free rate we have used is approximated by the Average Bond Yield of Bonds with a maturity of 10 years or longer as quoted by the South African Reserve Bank on 31 August 2021 of 9.43%.

# Notes to the Interim Financial results (continued)

## Note 1 – Investments at fair value (continued)

### Key valuation components (continued)

- Systematic risk premium or market premium**

The average systematic risk for a listed company in South Africa today is considered to be between 5.30% and 7.20% per annum, according to the 2019 PWC valuation methodologies survey. A systematic risk premium of 6.25%, which is the average thereof, was applied.

- Beta**

A beta analysis was conducted of listed companies in the telecommunication sectors in emerging markets. An unlevered beta of 0.92 was determined for Huge Telecom, Huge Connect, Huge Networks and Huge Distribution. This is based on the average beta of 291 listed emerging markets companies in the telecom equipment sector, 140 listed companies in the telecom services sector and 65 listed companies in the telecom wireless sector. The levered beta of each specific entity listed above is calculated based on the target debt: equity ratio of the related entity. An unlevered beta of 1.46 was determined for Huge Software. This was based on the average beta of 408 emerging markets companies listed in the software systems and application sector.

- Small stock premium (SSP)**

Small companies have additional risk characteristics that are not fully captured by the standard estimates of beta. The small stock premium takes account of the lack of size and diversification of the company compared to its listed competitors. The small stock premium is based on the PWC guideline per the 2019 valuation methodology. Based on the size of the listed company, measured by market capitalisation on 10 March 2021 of R1.11 billion, a SSP of 1.79% was applied.

- Weighting of Debt and Equity**

The target debt equity ratios applied in the respective Weighted Average Cost of Capital (**WACC**) calculations of the entities are consistent with the ratios applied at FY2020 and FY2021.

- Cost of Debt**

The current terms of the Futuregrowth facility are JIBAR plus 400 basis points. The 3-month JIBAR rate at valuation date (31 August 2021) was 3.68%. During FY2020, the executive management team created a centralised treasury function. This treasury function operates through Huge Management and is responsible for providing capital to Huge's investee companies. The objectives of this centralised treasury function include reducing the cost of debt and improving the internal oversight of investee company borrowing and lending. The function provides the investee companies with a single point of contact for their borrowing requirements, and it simplifies and speeds up the process of raising the necessary debt capital. This function creates efficiencies in the cash management processes and allows the investee companies to focus on important objectives relating to business strategies and growth. It also allows Huge to leverage the strong relationships it has with its lenders and the experience of the executive management team in cashflow management and funding processes. The debt-to-equity ratio of the Company is 8%. This provides Huge with a strategic advantage in pursuing and structuring acquisitions.

The fair value gain on investments, subsequent to the change in nature of the business on 1 March 2021, to 31 August 2021, amounted to R68.87 million (unlisted investments of R71.56 million and listed investment of (R2.68 million)).

	01 March 2021 Fair value R'000	31 August 2021 Fair value R'000	Fair value Gain/(loss) R'000
<b>Unlisted Investments</b>			
Huge Capital	-	-	-
Huge Connect (Ordinary shares)	72 616	19 471	(53 145)
Huge Connect (Preference shares)	458 394	524 327	65 933
Huge Distribution	8 583	-	(8 583)
Huge Media	-	-	-
Huge Messaging	1 244	1 341	97
Huge Payments	-	-	-
Huge Software	6 298	7 680	1 382
Huge Technologies	89 544	96 499	6 955
Huge Telecom	672 946	731 893	58 947
Huge Soho	-	-	-
The CI Trust	28	-	(28)
<b>Total Unlisted Holdings</b>	<b>1 309 653</b>	<b>1 381 211</b>	<b>71 558</b>

# Notes to the Interim Financial results (continued)

## Note 1 – Investments at fair value (continued)

### Listed investment in Adapt IT

In accordance with the SENS released on 2 August 2021 detailing the results of the offer to Adapt IT shareholders (the **Offer**), announced that Adapt IT shareholders holding 2.61 million Adapt IT shares, representing 1.9% of Adapt IT's total ordinary share capital, excluding treasury shares, accepted the Offer. Accordingly, Huge delivered 3.579 million Huge shares and a total fractional entitlement in cash of R39.52 in settlement of the Offer consideration. The 2 612 719 Adapt IT shares were subsequently sold on 6 August 2021 for a sale consideration of R17.72 million. The investment was valued utilising the quoted share price on the Johannesburg Stock Exchange (**JSE**) and details are summarised below:

	Number of shares '000	Price per share	Total fair value R'000
<b>Listed Investments</b>			
Huge Group shares issued 23 July 2021	3 579	5.70	20 397
Less: Adapt IT shares held	2 613	6.78	17 714
<b>Fair value loss to date of sale</b>			<b>(2 683)</b>
Adapt IT shares sold	(2 613)	6.66	(17 405)
<b>Loss on sale of Adapt IT shares</b>			<b>(309)</b>

### Sensitivity analysis for the investment valuations as at 1 March 2021

The valuation was tested for sensitivity to a range of valuation inputs and assumptions. The inputs tested, which in our view, would have the largest impact on value, include:

- Weighted Average Cost of Capital (**WACC**) used to discount future cash flows;
- The Terminal Growth Rate, applied in the calculation of the Terminal Value;
- Expected Revenue Growth rate over the five year forecast period; and
- Forecast Gross Profit Margins.

The table below sets out the results for the sensitivity of the valuation to changes in the above variables for Huge Telecom, being the largest investment held. "High road" and "low road" case scenarios have been applied.

Assumption	WACC	Terminal Growth Rate	Revenue Growth	Sustainable GP Margin
High road	18.45%	3.00%	31.23%	68.07%
Low road	20.45%	2.00%	29.23%	64.07%
Equity Value	R'000	R'000	R'000	R'000
High road	708 534	666 360	690 329	667 106
Low road	576 093	624 598	589 211	593 766

Based on the assumptions applied in the base case with a WACC of between 18.45% and 20.45%, the value of 100% of Huge Telecom (excluding Huge Networks) is estimated to be in the range of R576.09 million and R708.53 million. Based on the assumptions applied in the base case with a WACC of between 16.36% and 18.36%, the value of 50.03% of Huge Networks) is estimated to be in the range of R32.20 million and R37.01 million.

The valuation of the Huge Connect Preference shares, being the second largest investment held was tested for sensitivity. There is only one valuation input that will have an impact on the value of the Preference Shares, which is the Required Rate of Return applied. This is based on the Coupon Rate as stipulated in the Contract, which is linked to the Prime Rate. A 0.5% increase in the assumed prime rate will reduce the value by R25.65 million, whilst a 0.5% decrease in the assumed prime rate will increase the value by R28.88 million to R487.27 million.

# Notes to the Interim Financial results (continued)

## Note 1 – Investments at fair value (continued)

The fair value of the investments retained as at 31 August 2021 were calculated by an independent expert, Managhan Proprietary Limited, in accordance with IFRS13. The valuation assumptions utilised as at 31 August 2021 are detailed below:

Unlisted Investments	Economic interest	Primary valuation method	Fair value hierarchy	Relationship of unobservable Significant and key inputs	31 August 2021 fair value R'000
Huge Capital	100%	Net assets	Level 3	Attributable NAV	-
Huge Connect (Ordinary shares)	84%	Income approach	Level 3	Maintainable earnings model WACC 17.38% Terminal growth 3.00% Revenue growth 6.72% Sustainable GP margin 62.02%	19 471
Huge Connect (Preference shares)	100%	Dividend discount	Level 3	Dividend payable Average coupon rate	524 327
Huge Distribution	75%	Income approach	Level 3	Maintainable earnings model WACC 17.36% Terminal growth 3.00% Revenue growth 30.99% Sustainable GP margin 23.00%	-
Huge Media	96%	Net assets	Level 3	Attributable NAV	-
Huge Messaging	100%	Net assets	Level 3	Attributable NAV	1 341
Huge Payments	100%	Net assets	Level 3	Attributable NAV	-
Huge Software	75%	Income approach	Level 3	Maintainable earnings model WACC 18.87% Terminal growth 3.00% Revenue growth 20.12% Sustainable GP margin 86.78%	7 680
Huge Technologies	100%	Net assets	Level 3	Attributable NAV	96 499
Huge Telecom <sup>1</sup>	100%	Income approach	Level 3	Maintainable earnings model WACC 18.06% Terminal growth 2.34% Revenue growth 21.74% Sustainable GP margin 70.88%	731 893
Huge Soho	49%	Net assets	Level 3	Attributable NAV	-
The CI Trust	100%	Net assets	Level 3	Attributable NAV	-
<b>Total Holdings</b>					<b>1 381 211</b>

<sup>1</sup> The Huge Telecom valuation includes Huge Networks and Huge Services as subsidiary companies of Huge Telecom. Huge Networks contributes R35.62 million to the Huge Telecom valuation of R731.89 million.

### Sensitivity analysis for the investment valuations as at 31 August 2021

The table below sets out the results for the sensitivity of the valuation to changes in the above variables for Huge Telecom, being the largest investment held. "High road" and "low road" case scenarios have been applied.

Assumption	WACC	Terminal Growth Rate	Revenue Growth	Sustainable GP Margin
High road	17.06%	3.00%	22.74%	72.88%
Low road	19.06%	2.00%	20.74%	68.88%
Equity Value	R'000	R'000	R'000	R'000
High road	762 319	724 160	753 749	718 640
Low road	638 346	682 773	642 148	661 235

Based on the assumptions applied in the base case with a WACC of between 17.06% and 19.06%, the value of 100% of Huge Telecom (excluding Huge Networks) is estimated to be in the range of R638.35 million and R762.32 million. Based on the assumptions applied in the base case with a WACC of between 14.51% and 15.51%, the value of 50.03% of Huge Networks) is estimated to be in the range of R33.11 million and R38.84 million.

The valuation of the Huge Connect preference shares, being the second largest investment held was tested for sensitivity. There is only one valuation input that will have an impact on the value of the preference shares, which is the required rate of return applied. This is based on the coupon rate as stipulated in the contract, which is linked to the prime rate. A 0.5% increase in the assumed prime rate will reduce the value by R30.32 million, whilst a 0.5% decrease in the assumed prime rate will increase the value by R34.29 million.

# Notes to the Interim Financial results (continued)

## Note 2 – Investment income

Investment income is made up of dividends received and interest income.

Dividends received for the current reporting period relate to preference dividends received from Huge Connect in relation to the preference share subscription agreement concluded in FY2020 amounting to R19.37 million.

Finance income for the current reporting period mainly consist of:

	R'000
Interest on loans	6 573
Interest on trade receivables	46
Interest from financial institutions	26

## Note 3 - Revenue

Revenue comprises of gains from financial assets at fair value through profit or loss, dividends, interest and fees amounting to R98.12 million.

	R'000
Gain from financial assets at fair value through profit or loss	68 875
Dividends	19 374
Interest on loans	6 573
Revenue from sale of goods/services (fees)	3 300

## Note 4 – Loss of control of subsidiary companies

The gain on loss of control of subsidiary companies relates to the change in nature of the business of Huge as detailed on page 21 (New accounting policy adopted: Change in nature of business (IFRS 10)).

In accordance with IFRS10 (B101), when an entity becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary that shall continue to be consolidated in accordance with paragraph 32. The investment entity shall apply the requirements of paragraph 25 and 26 (Loss of control) to those subsidiaries that it ceases to consolidate as though the investment entity had lost control of those subsidiaries at that date.

### Paragraph 25 states that:

If a parent loses control of a subsidiary, the parent:

- derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position.
- recognises any investment retained in the former subsidiary and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. That retained interest is remeasured, as described in paragraphs B98(b)(iii) and B99A. The remeasured value at the date that control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or the cost on initial recognition of an investment in an associate or joint venture, if applicable.
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest, as specified in paragraphs B98–B99A.

### Paragraph 26 states that:

Paragraphs B97–B99A set out guidance for the accounting for the loss of control of a subsidiary.

# Notes to the Interim Financial results (continued)

## Note 4 – Loss of control of subsidiary companies (continued)

### Paragraph B98 states:

If a parent loses control of a subsidiary, it shall:

- a) derecognise:
  - i. the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and
  - ii. the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them).
- b) recognise:
  - i. the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control;
  - ii. if the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution; and
  - iii. any investment retained in the former subsidiary at its fair value at the date when control is lost.
- c) reclassify to profit or loss or transfer directly to retained earnings if required by other IFRSs, the amounts recognised in other comprehensive income in relation to the subsidiary on the basis described in paragraph B99.
- d) recognise any resulting difference as a gain or loss in profit or loss attributable to the parent.

	Huge Connect R'000	Huge Distribution R'000	Huge Media R'000	Huge Messaging R'000	Huge Payments R'000	Huge Software R'000	Huge Technologies R'000	Huge Telecom R'000	The CI Trust R'000	Total R'000
<b>Investment at fair value raised</b>	<b>531 010</b>	<b>8 583</b>	<b>-</b>	<b>1 244</b>	<b>-</b>	<b>6 298</b>	<b>89 544</b>	<b>672 946</b>	<b>28</b>	<b>1 309 653</b>
Less: Net asset value	(73 246)	7 293	6 413	(1 244)	(5 864)	(1 255)	(102 372)	(65 571)	(28)	(235 874)
Less: Goodwill	(345 537)	(9 076)	-	-	(3 268)	(4 463)	-	(245 350)	-	(607 694)
Less: Non-controlling interest removed	(56 474)	(1 627)	(2 148)	-	-	364	-	9 915	-	(49 970)
<b>Gain/(loss) on loss of control of subsidiary companies</b>	<b>55 753</b>	<b>5 173</b>	<b>4 265</b>	<b>-</b>	<b>(9 132)</b>	<b>944</b>	<b>(12 828)</b>	<b>371 940</b>	<b>-</b>	<b>416 115</b>

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

	<b>Cash balances 1 March 2021 R'000</b>
Huge Connect	16 242
Huge Distribution	1 718
Huge Media	26
Huge Messaging	1 417
Huge Networks	3 916
Huge Payments	512
Huge Services	175
Huge Software	247
Huge Technologies	114
Huge Telecom	(9 388)
The ConnectNet Incentive Trust	67
<b>Total</b>	<b>15 046</b>

# Notes to the Interim Financial results (continued)

## Note 5 – Other income

Other income for the current reporting period includes recoveries of R0.88 million and a lease modification of R0.50 million.

## Note 6 – Selling and administration expenses

Selling and administration expenses for the current reporting period mainly consist of:

	R'000
Salaries	6 374
Legal fees	2 678
Consulting and professional fees	2 557
Non-executive fees	1 497
Statutory and listing fees	1 032
Insurance	905
Audit fees	780
Leave pay provision	354

Legal fees as well as consulting and professional fees mainly consists of transaction costs relating to Adapt IT.

## Note 7 – Executive share-based payments

The Company concluded Executive Share Option Agreements (the **Option Agreements**) with JC Herbst, AP Openshaw and SL Sequeira on 29 August 2019 and the Option Agreements were approved by the shareholders of Hugel on 26 February 2020. Detail relating to the Option Agreements can be found in the 2021 Integrated Annual Report.

This reporting period's expense amounts to R3.73 million (HY2021: R24.10 million), leaving R3.65 million to be charged to future statements of comprehensive income. During HY2022 the executives did not elect to exercise their options.

## Note 8 – Finance costs

Finance costs for the current reporting period mainly consist of finance costs related to ZAR200 Million Facility. A total of R4.61 million was raised during the current reporting period.

## Note 9 – Income tax expense

The income tax expense for the current reporting period is made up of deferred tax movements mainly linked to the fair value adjustments on investments held and deferred tax assets on assessed losses brought forward.

## Note 10 – Earnings per share

Earnings and headline earnings per share for the current reporting period is calculated as follows:

Figures in Rand	Audited 31 August 2021 (6 months) R'000	Audited 29 February 2021 (12 months) R'000	Unaudited 31 August 2020 (6 months) R'000
<b>Weighted average number of shares in issue</b>	<b>174 342</b>	<b>164 365</b>	<b>165 248</b>
Normalised profit attributable to equity holders of the parent	480 223	73 178	35 522
Executive share-based payment expense (IFRS2)	(3 729)	(34 610)	(24 094)
Profit attributable to equity holders of the parent as reported	476 494	38 569	11 428
<b>Basic earnings per share (cents)</b>	<b>273.31</b>	<b>23.47</b>	<b>6.92</b>
<b>Weighted average number of shares in issue</b>	<b>174 342</b>	<b>164 365</b>	<b>165 248</b>
Profit attributable to equity holders of the parent as reported	476 494	38 569	11 428
Gain on disposals of plant and equipment	-	(1 939)	(795)
Loss of control of subsidiary companies	(416 115)	-	-
Impairment of plant and equipment	-	11 530	-
Taxation effects	-	(2 686)	223
Adjusted profit attributable to equity holders of the parent	60 379	45 474	10 856
<b>Headline earnings</b>	<b>34.63</b>	<b>27.67</b>	<b>6.57</b>

# Notes to the Interim Financial results (continued)

## Note 10 – Earnings per share (continued)

Treasury shares previously held by Huge Telecom amounting to 9.46 million have moved from treasury shares to external shares due to the change in nature of business and loss of control of Huge Telecom as a subsidiary company. This has increased the weighted average number of shares in issue from the prior reporting period.

Normalised profit attributable to equity holders of the parent is profit attributable to equity holders of the parent adding back the executive share-based payment expense raised in the relevant reporting period. As at 28 February 2021, the Board was of the view that the expense was a non-cash IFRS charge unrelated to the actual operating performance of the Company as a consolidated group and therefore the normalised profit was a better representation of the Company's actual operating performance. The reference to normalised profit is the responsibility of the Board and is provided to the shareholders to illustrate the operating performance of the Company had the Company not had to raise the executive share-based payment expense relating to the Executive Share Option Agreements. Due to its nature, it may not fairly present the profit attributable to the equity holders of the parent.

## Note 11 – Loans receivable

Loans receivable are made up as follows:

	Loans receivable R'000
Huge Cellular	13 937
Huge Distribution	29 261
Huge Media	549
Huge Payments	112
Huge Software	5 697
Huge Technologies	34 962
Huge Telecom	98 279
<b>Total</b>	<b>182 797</b>

## Note 12 – Trade and other receivables

Non-current trade and other receivables relate to previous trade and other receivables that are no longer current in nature and have therefore been reclassified to non-current assets. This includes a receivable from Huge Connect amounting to R20.47 million. Current trade and other receivables mainly consists of preference dividends receivable from Huge Connect amounting to R23.71 million and an arrangement fee receivable from Huge Networks amounting to R4.88 million.

## Note 13 – Interest-bearing liabilities

Interest-bearing liabilities relate to the ZAR200 Million Facility. The loan bears interest compounded quarterly at three-month JIBAR plus 4.0%. The final repayment date is the 5th anniversary of the first utilisation date of 20 December 2023. There is a capital moratorium for calendar year 2021.

## Note 14 – Share premium

### Share repurchase programme

During the current reporting period, the Company repurchased 1.59 million Huge Shares amounting to R6.53 million at an average price of 410 cents per share. The shares will be delisted subsequent to 31 August 2021.

### Specific share repurchase

Following the announcement on 4 March 2021, the Company repurchased 0.10 million Huge Shares amounting to R0.46 million at an average price of 450 cents per share under the specific share repurchase agreement with Praesidium Capital Management Limited. The shares will be delisted subsequent to 31 August 2021.

# Notes to the Interim Financial results (continued)

## Note 15 - Impact of the COVID-19 pandemic

The Directors have assessed the impact of COVID-19 on the historical and future potential performance of the individual investee companies and the impact is not considered to be material. The individual investee companies have retained and are 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 investee companies' revenue generating capacity is annuity in nature and has increased over the past few years. This investment in annuity revenue provides a source of stability, particularly as the impact of COVID-19 continues to affect the local and global economy. Included in the assessments performed, were the assessment of lease agreements held by the investee entities, as well as the Company around obligations. No concessions were negotiated and no amendments to the lease agreements were made as a result of COVID-19. A substantial assessment of trade and other receivables was performed by the investee entities as well as the Company, no material impact relating to credit loss allowances was computed. Loan receivables were assessed in terms of recoverability due to the performance of the relevant borrower in terms of the potential going concern of the borrowing entities as a result of COVID-19 and the results show that the loans are recoverable, and the repayment thereof has not been impacted by COVID-19.

The health and safety of the staff at Huge and its investee companies continues to be a priority. Employees are permitted to work from home and strict protocols are in place for those who are unable to work remotely. The individual investee companies will be pursuing a hybrid working policy, with a mix of on-site and work from home solutions, for staff. A COVID-19 vaccination policy is also under development and will guide the start of the hybrid working conditions. We anticipate that this policy will be in place by the end of FY2022.

## Note 16 - Financial Instruments & Financial Risk Management

The Board has overall responsibility for the determination of the Company'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 finance function. The Board receives quarterly 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 for the Company as well as its Investee Entities.

### Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company'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 Company consists of debt, which includes ZAR200 Million Facility as well as equity as disclosed in the statement of changes in equity on page 18.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure, and it adjusts the capital structure, in the light of changes in economic conditions and the risk characteristics of the investments held.

In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new Shares, or sell assets to reduce debt.

### Debt covenants

Huge continues to enjoy the support of Futuregrowth through the ZAR200 Million Facility. As at 31 August 2021, the Company's aggregate net debt position is R129.96 million as it relates to Futuregrowth. At 31 August 2021, the Company's aggregate debt to EBITDA ratio is 1.33. In terms of the Facility, the Company'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 Company's aggregate debt to EBITDA ratio is less than 2.5 times. With R21.55 million cash reserves, the Company is in a favourable position for fueling sustainable growth.

### 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 investments, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

The Company's exposure to liquidity risk is that there may be insufficient funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

# Notes to the Interim Financial results (continued)

## Note 16 - Financial Instruments & Financial Risk Management (continued)

### Liquidity Risk (continued)

The Company 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 weekly basis. Liquidity needs are monitored in various time bands, on a 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 Company maintains cash balances at appropriate levels.

Funding for long-term liquidity needs is secured by an adequate amount of committed credit facilities.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and cash and cash equivalents.

### Exposure to credit risk

The carrying amounts of financial assets represents the Company's maximum credit exposure. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers other factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due.

Huge has established a credit policy, under which each new customer is analysed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. Huge's review includes external ratings such as credit scoring (TBD47) and Compuscan, financial statements, credit agency information, industry information and bank references. Credit limits are established for each customer and are reviewed quarterly. Any sales exceeding these credit limits require approval from management in accordance with policy. Huge continuously monitors the potential default by its customers and other counterparties and incorporates this information into its credit risk controls.

Huge limits its exposure to credit risk from trade receivables by only generating revenue from its investments in terms of dividend income, fees, interest, gain on sale of investments and gains from financial assets as fair value through profit or loss. Huge has a substantial understanding of each investment entity, its policies, processes, fair valuation and risk management in terms of liquidity and credit risk. Each investment entity is in a position to service its obligations and those to Huge, which have been assessed internally from a Company perspective by the Investment Monitoring Team as well as verified by external independent experts during the interim audit and interim valuation of the underlying investment entities.

Where necessary, Huge 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.

Huge does not require collateral in respect of trade and other receivables. Huge does not have trade receivables for which no credit loss allowance is recognised where it is not in possession of collateral.

Huge 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 independent discounted cashflow valuation information about customers which includes forward looking information) 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.

# Notes to the Interim Financial results (continued)

## Exposure to credit risk (continued)

Huge uses a credit loss allowance matrix to measure the expected credit losses (**ECL's**) of trade receivables from customers, which comprise mainly of investment entities. 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 relevant levels are applied to the ageing brackets for trade and other receivables where there is indication of potential default.

As at 31 August 2021, management assessed the trade and other receivables and potential impact due to COVID-19 and this economic event did not significantly impact Huge. No adjustments or additional ECL's were required in this regard and all trade and other receivables have been assessed as recoverable without the requirement for ECL's to be raised during the current reporting period based on the outcome of the assessments and exercises mentioned above.

## Financial guarantees

On 14 November 2017, Huge provided a financial guarantee to Futuregrowth in terms of the ZAR30 Million Facility which has a term of 4 years at JIBAR plus 450 basis points. The capital amount advanced will be repaid at the end of the 4-year term at a final redemption date of 28 February 2022. The financial guarantee contract is initially measured at fair value.

The fair value of the guarantee is the present value of the difference between:

- The net contractual cashflows that would have been required without the guarantee (being an additional 50 basis points); and
- The net contractual cashflows required under the loan (rate of JIBAR plus 450 basis points)

The lifetime probabilities of default in terms of the loan are 3%, 2.5%, 2%, 1.5% respectively for the 4-year term loan. On 1 March 2021 and 31 August 2021, the probabilities that Huge Technologies will default on the loan in the next 12 months is 1.5%.

Huge has determined that, overall, there has not been a significant increase in credit risk. The computation of the fair value of the financial guarantee as well as the ECL's in relation to the financial guarantee is quantitatively immaterial and qualitatively immaterial as there have been no historical defaults in terms of the loan and there are no indicators that default will occur.

# Notes to the Interim Financial results (continued)

## RELATED PARTY TRANSACTIONS & BALANCES

Relationships	At 31 August 2021
Subsidiary companies	Huge Management
Associate companies	Huge Soho
Investee companies	Huge Capital Huge Connect Huge Distribution Huge Media Huge Messaging Huge Payments Huge Software Huge Technologies Huge Telecom
Subsidiary of investee company (Huge Telecom)	The ConnectNet Incentive Trust Huge Services Huge Networks
Associate of investee company (Huge Telecom)	Huge Cellular
Members of key management (the <b>Executive</b> )	JC Herbst AP Openshaw SL Sequeira

Relationships	At 28 February 2021 and At 31 August 2020
Subsidiary companies	Huge Capital Huge Connect Huge Distribution Huge Management Huge Media Huge Messaging Huge Networks Huge Payments Huge Services Huge Software Huge Technologies Huge Telecom
Trust under the control of Huge	The ConnectNet Incentive Trust
Associate companies	Huge Cellular Huge Soho
Members of key management (the <b>Executive</b> )	JC Herbst AP Openshaw SL Sequeira

# Notes to the Interim Financial results

## RELATED PARTY TRANSACTIONS & BALANCES

### Related party balances

Loan accounts – Owing by investee companies and subsidiary / associate of investee company

Figures in Rand	Audited 31 August 2021 (6 months) R'000	Audited 29 February 2021 (12 months) R'000
Huge Cellular	13 937	61 269
Huge Distribution	29 261	-
Huge Media	549	-
Huge Payments	112	-
Huge Software	5 697	-
Huge Soho	-	2 407
Huge Technologies	34 962	-
Huge Telecom	98 279	-
The CI Trust	-	-
<b>Total</b>	<b>182 797</b>	<b>63 676</b>

Trade receivable/(Trade payable) – Owing by investee companies and subsidiary / associate of investee company

Huge Connect	20 505	-
Huge Distribution	6	-
Huge Media	118	-
Huge Messaging	6	-
Huge Networks	12	-
Huge Payments	3	-
Huge Services	3	-
Huge Software	1 398	-
Huge Telecom	921	-
Huge Telecom	(21)	-
<b>Total</b>	<b>22 951</b>	<b>-</b>

Trade receivable/(Trade payable) – Owing by/(to) associate company

Huge Soho	11	-
<b>Total</b>	<b>11</b>	<b>-</b>

Dividends receivable – Owing by investee company and associate of investee company

Huge Connect	19 374	-
<b>Total</b>	<b>19 374</b>	<b>-</b>

# Notes to the Interim Financial results

## RELATED PARTY TRANSACTIONS & BALANCES

### Related party transactions

Interest income - Received from investee companies and subsidiaries/associates of investee companies

	Audited 31 August 2021 (6 months) R'000	Unaudited 31 August 2020 (6 months) R'000
<b>Figures in Rand</b>		
Huge Cellular	421	115
Huge Distribution	1 018	-
Huge Media	367	-
Huge Payments	6	-
Huge Software	238	-
Huge Technologies	348	-
Huge Telecom	4 175	-
<b>Total</b>	<b>6 573</b>	<b>115</b>

Dividends received – From investee company

Huge Connect	19 374	-
<b>Total</b>	<b>19 374</b>	<b>-</b>

Management fees received – From investee company

Huge Telecom	3 300	-
<b>Total</b>	<b>3 300</b>	<b>-</b>

Recoveries – From investee companies and subsidiary/associate of investee company

Huge Cellular	7	-
Huge Connect	181	-
Huge Distribution	32	-
Huge Media	14	-
Huge Messaging	29	-
Huge Networks	62	-
Huge Payments	14	-
Huge Services	14	-
Huge Software	46	-
Huge Technologies	7	-
Huge Telecom	384	-
<b>Total</b>	<b>790</b>	<b>-</b>

Recoveries – From associate company

Huge Soho	29	29
<b>Total</b>	<b>29</b>	<b>29</b>

# Supplementary Information

## Subsequent Events

### COVID-19

The directors have assessed the potential impact, including the impact of the pandemic on Huger's performance and liquidity in the short to medium term. The going concern assumption, as adopted in the preparation of the interim financial report, remains applicable.

### Financial guarantee

On 4 October 2021, Huger Group signed as guarantor over the Huger Telecom overdraft facility with FirstRand Bank Limited amounting to R15.00 million. The computation of the fair value of the financial guarantee as well as the ECL's in relation to the financial guarantee is quantitatively immaterial and qualitatively immaterial as there have been no historical defaults in terms of the loan and there are no indicators that default will occur.

### Litigation

In accordance with the announcement released on SENS on 20 October 2021, the board informed shareholders that, as of Wednesday, 20 October 2021, Huger Cellular, a company affiliated with Huger, and Cell C Service Provider Company Proprietary Limited, a company affiliated with Cell C Limited, concluded an agreement that settled (the **Settlement**) their respective disputes (the **Disputes**) with the other.

The Settlement did not have a material effect on the earnings and headline earnings of Huger for the current reporting period nor will it have an effect on the future earnings and headline earnings of Huger.

The Settlement is also expected to have an immaterial impact on cash flows and the current cash position of Huger.

The market perception of the value of an ordinary share of Huger may have been negatively impacted by the Disputes. The Board is of the view that the Settlement should have a positive impact on the valuation of Huger.

### Share Repurchase Programme

Subsequent to the reporting period, the Company repurchased 0.57 million Huger Shares amounting to R1.95 million at an average price of 345 cents per share. The shares will be delisted prior to 28 February 2022.

### Dividends

The Board is cognisant that these are very uncertain times, and it is prudent to preserve cash. Ordinary shareholders are advised that the Board has decided that no interim dividend will be declared (HY2021: nil).

### Going Concern

The Board has undertaken a detailed review of the going concern capability of the Company (and all of the investee entities 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 Investee Entities to continue as a going concern.

Based on these facts, the Board believes that the Company is a going concern and will remain a going concern for the 12-month period that follows the date of approval of the Interim Financial Results.

### Other matters

The directors are not aware of any other significant matters or circumstance arising since the end of the reporting period, not otherwise dealt with in these Interim Financial Results, which affects the financial position of the Company or the results of its operations to the date of this report.

# Supplementary Information

(continued)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2021

Figures in Rand	Notes	Audited 31 August 2021 (6 months) R'000
<b>Gross income from operations and investments</b>		<b>515 375</b>
Dividends received	3	19 374
Interest received	2	6 645
Loss on sale of financial investments and shares	1	(309)
Fees and sundry income		4 675
Gain on loss of control of subsidiary companies	4	416 115
Fair value adjustments to investments	1&3	68 875
- Unlisted – Ordinary shares		5 625
- Listed – Ordinary shares		(2 683)
- Unlisted – Preference shares		65 933
Transactional costs	6	(4 558)
Interest paid	8	(4 615)
<b>Net income before expenses and exceptional items</b>		<b>506 202</b>
Expenditure		
- Operating costs	6	(13 105)
- Executive share-based payment expense	7	(3 729)
- Depreciation		(41)
<b>Net income before taxation</b>		<b>489 327</b>
Income tax expense	9	(12 834)
<b>Net profit for the year</b>		<b>476 493</b>
Non-controlling interest		-
<b>Net profit attributable to owners of the company</b>		<b>476 493</b>
<b>Earnings per share information (cents)</b>		
Basic earnings per share		273.31
Diluted earnings per share		270.89
Headline earnings per share		34.63

The users of these financial results are requested to refer to note 1 which details the change in nature of business of Huge during the current reporting period which has impacted the comparability of the financial results from the previous reporting period to the current reporting period.

The above format of the Statement of Comprehensive Income is the new format that will be presented going forward based on Huge as an Investment Entity. Until such time as full comparatives of Huge are available as an Investment Entity, the above structure of the Statement of Comprehensive Income will be included under Supplementary Information as to aid users.

Huge has attempted to provide the users with a comparative format in line with the previous reporting period on page 15.

# Supplementary Information (continued)

## Governance

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

## Sponsor

Nedbank Corporate and Investment Banking a division of Nedbank Limited held the Sponsor position until 16 July 2021.  
Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196

Questco Corporate Advisory Proprietary Limited was appointed as Sponsor effective 16 July 2021.  
10th Road, Investment Place, Block C, Ground Floor, Hyde Park, Johannesburg, 2196

## Registered office

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

## Auditors

Moore Johannesburg Proprietary Limited  
50 Oxford Road, Parktown, Johannesburg, 2193 (PO Box 3094, Houghton, 2041)

## Transfer Secretaries

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

## Directors

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

\*\* Independent

## Executive

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

## Date of release

Johannesburg  
24 November 2021

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

# Glossary

ARPU	means average revenue per unit
A2X Markets	A2X Markets A2X Proprietary Limited, a stock exchange licensed in terms of the Financial Markets Act 19 of 2012, on which the Company has a secondary listing
the Board	the board of directors of the Company as constituted from time to time
B2B	means Business-to-Business
COVID-19	an infectious disease caused by a newly discovered coronavirus and which has been declared a pandemic by the World Health Organisation
The CI Trust	The ConnectNet Incentive Trust, registration number IT000255/2017(D), the beneficiaries of which are certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group. An investment entity of Huga. The CI Trust was deregistered on 12 October 2021.
EBITDA	earnings before interest, taxation, depreciation and amortisation
Executive Share Option Agreements	The Company concluded Executive Option Agreements (the <b>Option Agreements</b> ) 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 Huga on 26 February 2020 (the Grant Date).
EPS	earnings per share
Futuregrowth	Futuregrowth Asset Management Proprietary Limited, registration number 1996/018222/07, financing agent of Huga
Group	Huga and its subsidiary company being Huga Management
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
Huga or the Company	Huga Group Limited, registration number 2006/023587/06, a company of which the Shares are listed on the JSE and A2X Markets
Huga Cellular	Huga Cellular Proprietary Limited, registration number 2008/004068/07, a 49% held associate company of Huga Telecom.
Huga Connect	Huga Connect Proprietary Limited (formerly ConnectNet Broadband Wireless Proprietary Limited), registration number 2004/005721/07, an investee company of Huga, of which Huga has an economic interest of 83.71%
Huga Distribution	Huga Distribution Proprietary Limited, registration number 2015/142454/07, an investee company of Huga, of which Huga has an economic interest of 75.13%. The remaining 24.87% of the shares being held by The MIA Family Trust
Huga Management	Huga Management Company Proprietary Limited (formerly Huga Mobile Proprietary Limited), registration number 2007/033510/07 and a wholly owned subsidiary company of Huga and fulfills the Treasury Management function of the Group
Huga Media	Huga Media Proprietary Limited (formerly Eyeballs Mobile Advertising Proprietary Limited), registration number 2007/004818/07, an investee company of Huga, of which Huga has an economic interest of 96%
Huga Messaging	Huga Messaging Proprietary Limited (formerly Ambient Mobile Proprietary Limited), registration number 2008/001288/07, an investee company of Huga, of which Huga has an economic interest of 100%
Huga Mobile	Huga Mobile Proprietary Limited (now Huga Management Company Proprietary Limited), registration number 2007/033510/07, an investee company of Huga, of which Huga has an economic interest of 100%
Huga Networks	Huga Networks Proprietary Limited (formerly Sainet Internet Proprietary Limited), registration number 2014/009214/07, a 50.03% owned subsidiary company of Huga Telecom, 49.97% of the shares being held by Otel Communications
Huga Payments	Huga Payments Proprietary Limited (formerly IntelPay Proprietary Limited), registration number 2014/112952/07, an investee company of Huga, of which Huga has an economic interest of 100%

# Glossary

(continued)

Huge Services	Huge Services Proprietary Limited (formerly Gonondo Telecom Proprietary Limited), registration number 2006/027671/07, of which 50% was held by Huge Telecom
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.
Huge Software	Huge Software Proprietary Limited (formerly Acknowledge Systems Proprietary Limited), registration number 2005/042514/07, an investee company of Huge, of which Huge has an economic interest of 75%
Huge Technologies	Huge Technologies Proprietary Limited (formerly Huge Software and Technologies Proprietary Limited), registration number 2008/006066/07, an investee company of Huge, of which Huge has an economic interest of 100%
Huge Telecom	Huge Telecom Proprietary Limited, registration number 1993/003902/07, an investee company of Huge, of which Huge has an economic interest of 100%
Investment Monitoring Team	refers to Mr JC Herbst, Mr AP Openshaw, Mrs SL Sequeira and Mr D Armstrong.
JSE	the JSE Limited, registration number 2005/022939/06
Listing Requirements	the Listings Requirements of the JSE
NEC	NEC Nederland BV, a corporation organised under the laws of The Netherlands, with its registered office at Olympia 4, 1213 NT, Hilversum, The Netherlands
PBX	means a private branch exchange, which is a private telephone network used within a company or organisation
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)
ZAR200 Million Facility	means the lending arrangement as concluded between Futuregrowth and the Company on 16 December 2018 and as amended by the First Addendum, Second Addendum, Third Addendum and Fourth Addendum.
ZAR30 Million Facility	means the lending arrangement as concluded between Futuregrowth and the Company on 14 November 2017.



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