huge
group

unlocking business opportunity

INTEGRATED ANNUAL REPORT

for the year ended 28 February 2017

About This Report

We shall build a group that excels in the creation of client, employee and stakeholder value, led by a huge brand and service ethic

This report focuses on key developments and milestones achieved during the year ended 28 February 2017 and is aimed at providing all Huge stakeholders with information with regard to both the past performance of the Company as well as senior management's views on the industry in which the Company operates.

FEEDBACK

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

ASSURANCE

The Board and senior management are responsible for ensuring the accuracy of the content of the Integrated Report. The Board has determined that the use of external assurance providers is not required at this stage.

APPROVAL

The Board of Huge Group Limited has approved the publication of this Integrated Report for the year ended 28 February 2017.

Contents

Highlights

98% **Profit before tax** increased by

42% **Earnings per share** increased by

14% **Revenue** increased by

13% **Number of Telephone lines** increased by

16% **Number of customers** increased by

84% **Operating profit** increased by

CORPORATE OVERVIEW

Huge is an investment holding company listed on the main board of the JSE. The group of companies comprising Huge is focused on building value for all of its stakeholders.

Huge Telecom is the principal operating entity of Huge prior to the acquisition of Connectnet and its wholly owned subsidiary company, Sainet Internet.

Huge Telecom's telephony service is a fixed location voice service that makes use of the GSM last mile provided by the mobile network operators. It is distributed mainly to the SME market and the SOHO and residential market.

Group Structure

Huge is focused on unlocking opportunities in South Africa through the strategic acquisition and agglomeration of powerful and independently successful, yet complementary subsidiary operations. By adopting this approach to capitalise on synergies, Huge aims to unlock business and share value multiples far in excess of the proverbial sum of their parts.

huge group

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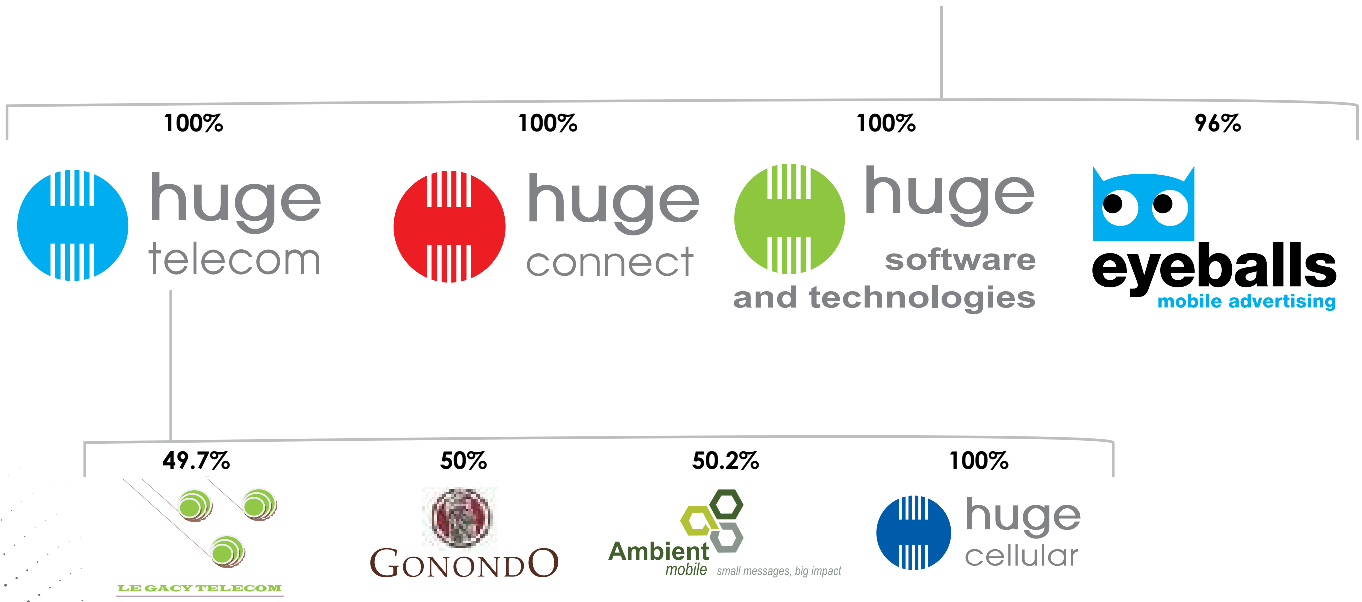


CORPORATE GOVERNANCE

Board of Directors

DR DUARTE FERDINAND DA SILVA (52)
NON-EXECUTIVE CHAIRMAN
DPhil (Eng)
Appointed: 1 March 2016
Member of: Audit Committee; Risk Committee

Duarte has more than 20 years' experience in the investment industry. He holds a doctorate of Philosophy in Engineering from the University of the Witwatersrand, which he obtained at the age of 24. Until recently he was Chief Executive Officer of Macquarie First South (MFS), a joint venture established in 2006 between Macquarie Bank of Australia and First South Financial Services, and is a past director of Merrill Lynch South Africa (Merrill Lynch).

JAMES CHARLES HERBST (46)
CHIEF EXECUTIVE OFFICER
BComm, BAcc, CA(SA), Chartered Financial Analyst
Appointed: 1 September 2006

James has 13 years' experience in the telecommunications industry. In October 2004, he helped DataPro, which subsequently changed its name to Vox Telecom, to list on the JSE and in August 2007 he assisted Huge to list on the Alternative Exchange of the JSE. James has been Huge's Chief Executive Officer since December 2008. Prior to that, James was an investment fund manager with Fleming Martin Private Asset Management and BoE.

ZUNAID BULBULIA (48)
CHIEF FINANCIAL OFFICER
BComm, BCompt, CA(SA)
Appointed: 28 January 2016
Member of: Audit Committee; Risk Committee

Zunaid has more than 20 years' experience in the telecommunications industry and was one of the founding members of the MTN team. During his 20 years with MTN South Africa he served as Financial Manager and in various General Manager positions. He was appointed Chief Executive Officer of MTN South Africa in May 2013, and in August 2014, he was appointed Group Chief Operations Executive of MTN Group Limited. He left MTN Group in December 2015 to pursue various business opportunities..

DAVID ("DAVE") DEETLEFS (61)
EXECUTIVE DIRECTOR
BComm, HDip Acc, CA(SA)
Appointed: 1 October 2012
Resigned: 31 May 2017
Member of: Social and Ethics Committee
Dave is a qualified Chartered Accountant, and holds a BComm degree and an HDipAcc from the University of the Witwatersrand. Prior to joining Huge, Dave held a number of senior executive positions within the ICT sector.

STEPHEN ("STEVE") PETER TREDOUX (57)
LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed: 26 March 2008
Member of: Audit Committee; Risk Committee;
Social and Ethics Committee (Chairman)
Steve started his working career as an accountant but moved to general management where he worked in the property management and manufacturing industries. He has considerable experience in sales distribution but is also a master of marketing and product development.

DENNIS ROBERT GAMMIE (63)
INDEPENDENT NON-EXECUTIVE DIRECTOR
CA(SA)
Appointed: 28 June 2012
Member of: Audit Committee (Chairman);
Risk Committee (Chairman); Remuneration Committee
Dennis is a CA(SA) and has previously served as the Financial Director of the Imperial Group, Murray & Roberts Materials and the Aveng Group. Prior to taking early retirement, Dennis served as an executive director on the board of the Aveng Group, where he was Chairman of the Growth Committee, the Tender Risk Committee, and acting Managing Director of an Aveng Group subsidiary company for a time.

Board of Directors (Continued)

VINCENT MOKHELE MOKHOLO (43)
NON-EXECUTIVE DIRECTOR
BSc
Appointed: 2 July 2007
Member of: Remuneration Committee

Vincent has worked in the telecommunications industry for the last 17 years. He assumed the role of Client Services Director when TelePassport and CentraCell formed Huge Telecom, and was responsible for bedding down the operations and service deliverables of the combined entity. He has also completed a mini MBA (Telecoms) with Informa Telecom academy, based in the United Kingdom.

ANTON DANIEL POTGIETER (48)
NON-EXECUTIVE DIRECTOR
BBusSc (Hons – Information Systems)
Appointed: 2 July 2007
Member of: Audit Committee; Risk Committee; Remuneration Committee (Chairman)

Anton has over twenty years of telecommunications experience in the Southern African market, with extensive experience in all facets of business within an industry which is ever-changing. He started an IT company in 1991, and then founded TelePassport in 1993. TelePassport's annual revenue grew to R350 million by 2006. In April 2011, Anton resigned as an employee of Huge Telecom and was appointed as a non-executive director on the Group's board.

JEAN MICHELLE TYNDALE-BISCOE (46)
GROUP COMPANY SECRETARY
BA (Languages and Law), HDip Company Law
Appointed: 7 May 2012
Resigned: 15 June 2017
Member of: Social and Ethics Committee

Up until joining Huge in May 2012, Jean, in her role as a JSE Approved Executive, was involved in a number of delistings, mergers, acquisitions and new listings, including the listing of Huge on the Alternative Exchange of the JSE in August 2007.

Chairman's letter

I joined the board of directors of Huge as the Chairman on 1 March 2016, at the start of this financial year. I was contemplating establishing a Fintech-SPAC in late 2015 (a SPAC is a special purposes acquisition company that the JSE is prepared to list on its exchange, which has raised capital but which has no existing businesses at the time of listing) but the offer to join Huge was simply too appealing. Zunaid Bulbulia, an MTN veteran and former CEO of MTN's South African operation, joined the board of directors of Huge on 1 February 2016 in a non-executive capacity and I saw immediately what he had seen - opportunity.

Introduction

Huge is an investment holding company listed on the Main Board of the JSE.

Huge Telecom Proprietary Limited (**Huge Telecom**) is the principal operating entity of Huge prior to the acquisition of Connectnet Broadband Wireless Proprietary Limited (**Connectnet**) and its wholly owned subsidiary company, Sainet Internet Proprietary Limited (**Sainet Internet**).

Huge Telecom is a telephony services business that makes use of GSM to provide a wireless 'last mile' connection from the customer's premises to the core of the network (the last mile is the final connection from the core network to the customer's premises). Its principal service is substituting fixed-line voice infrastructure, like that provided by a public switched telephone network (PSTN) like Telkom, with wireless GSM solutions. The customers of Huge Telecom number in excess of 14 000 and comprise corporate organisations (of any size) and residential consumers who require a fixed location voice service. Huge Telecom does not own any core network infrastructure - rather, it leverages off the existing mobile operator networks in South Africa.

Similarly, the consumer market is saturated and over-competed. This makes the market for SMMEs and the residential market a 'holy grail' of customers.

Huge Telecom has an extensive and growing distribution network, selling its telephony services through more than 600 resellers (referred to as Business Partners).

The sum-of-the-parts valuation of Huge (prior to Connectnet), is comprised of: firstly, the demonstrable fixed landline telephony services substitution blueprint and secondly, the cash flow generative profile of its customer base coupled with the scalability of this base (via a large distribution channel). The economies of scale enjoyed by the mobile network operators (**MNOs**) means that the existing customer base would generate much higher cash flow returns to the networks, thereby imputing a far higher valuation in their hands.

The acquisition of Connectnet was completed on 30 March 2017, after Huge's February financial year end.

Connectnet is a telecommunications solutions company with a focus on growing its voice, network connectivity and payment offering. It was established in 2004 and provides connectivity to the card payment terminals of 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 ATMs, integrated points-of-sale, medical/script verifications, telemetry applications, micro-lending applications and cash vaults.

Sainet Internet 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 solutions, branch connectivity, hosting services and website and system development.

The combination of Huge Telecom, Connectnet and Sainet Internet is compelling. Firstly, the bulk of Connectnet's 30 000 customers fit squarely into Huge Telecom's target customer market (with little overlap). It is therefore expected that Connectnet will assist Huge Telecom in expanding its base of customers. Secondly, Sainet Internet creates a critical entry for Huge Telecom to participate in the data market.

Huge, enlarged by Connectnet and Sainet Internet, is building an investment theme focused on connectivity, mobile payments and Financial Technology. People live in a connected world – everyone and everything needs to be connected – Huge Telecom, Connectnet and Sainet Internet make connections possible. Connectnet and Sainet Internet provide Huge with an entry into the data telecommunications and mobile payments markets, and an opportunity to participate in the expected explosive growth of the Internet as it transforms from being a source of information to one focused on value and its movement. Connectnet's participation as a trusted service provider in the payments industry makes it invaluable real estate for expansion into Fintech-type opportunities.

In the Integrated Report of the Company for the year ended 29 February 2016, it was stated that Huge was embarking on a period of growth and that it intended to do so both organically and by acquisition. We will continue to drive this strategy within our chosen theme.

Future Prospects

The finalisation of Huge's acquisition of Connectnet and Sainet demonstrates the Company's ability to make acquisitions that will have a significant impact on its future profitability.

The future growth prospects emanating from the continued high growth in mobile connectivity, the emergence of services as the next growth area in the mobile industry, scaling, increased capital, an expanding customer base of SMEs, reducing costs of sale, rising retail prices, widening margins and the impact of leveraging cross-selling and cross-over opportunities is significantly positive for the Company.

The future growth prospects highlighted below, represent some of the immediate opportunities that have been identified by the Company.

The mobile industry has been characterised by exceptional growth since its inception just over two decades ago. The early growth, particularly in Africa, was built on the opportunity that access to capital provided to those that were brave enough to commit this capital to untested technologies.

In those halcyon early days, networks committed large sums of money to building 2G and 3G networks. In doing so they effectively achieved a land grab of customers and market share. The early adopters grew quickly and this enabled them to scale businesses that were able to use the cash flow created by unprecedented demand and large margins to repeat the cycle of investment and thereby further entrench their positions of dominance.

The entry of the Chinese into the infrastructure market changed that dynamic drastically – pricing of core network products fell through the floor and, furthermore, they enhanced the attractiveness of their propositions by providing financing options that made instant access to capital an irrelevant requirement to being able to play in the lucrative telecommunications industry. All of a sudden, there was a surge of new entrants – retail pricing dropped drastically as new entrants competed ferociously on price in a mad scramble to build businesses of scale. Infrastructure investment became crowded and commoditised and returns on investment suffered and continue to suffer.

Chairman's letter (Continued)

This has left a profitable vacuum in the market for services. Service companies have been emerging and building propositions that cater to specific market segment needs while the big networks continue to roll out a commodity – technology infrastructure. This has allowed innovative service organisations to steal a march on their bigger rivals by owning the customer relationship and experience. This has been effective particularly in the Small, Medium Enterprise (**SME**) and Small Office, Home Office (**SOHO**) and Residential markets – the large networks struggle to compete in these markets because their core processes are engineered and geared towards supporting either the large corporates (through large sales forces on the ground) or consumers (through mainstream media advertising and mass distribution through large retail chains and owned stores). The SME, SOHO and Residential market segments are also largely price insensitive and are prepared to pay relatively more for effective and efficient services tailored to their needs.

Huge Telecom is such a service company – it has created a business that is able to provide a more effective and efficient telephony service as a substitute to Telkom's fixed landlines, also known as the copper last mile.

The main advantage of Huge Telecom's telephony service over the services provided by a PSTN operator is the very low cost of maintaining a GSM last mile. In the case of a PSTN operator, the costs of maintaining the last mile of copper cable are very high as is evident from the stated deficits at which these last miles are maintained. Huge Telecom has found a more cost effective method of supplying the last mile. In effect, the market needs a substitute for the expensive, difficult to install, fixed landline last mile.

A fixed location voice service using GSM is a service that is easy to install and operates as a static ecosystem. This impacts the after sales service and maintenance costs that follow installation, which are nevertheless very low. The speed of installation of fixed location voice service using GSM is a strong point. Huge Telecom's telephony service is founded on extremely fast levels of service. The entire sales cycle, from sales initiation to contract processing, from technology implementation or installation to after sales service and billing, takes only a few days and continuous improvements are being made.

This service is very marketable to the SME, SOHO and Residential customer segment. The rapid growth in this service when measured against the limited capital which Huge has had at its disposal validates the market opportunity that exists. Extending this even further, it has highlighted the opportunities for other services in the same market segment, particularly in mobile payments and data. Connectnet and Sainet Internet provide Huge with the opportunity to expand its business into other critical and relevant services verticals within this profitable market segment.

Telkom disclosed in its last interim financial results that its traditional business of fixed landlines in service plummeted by 7% when compared to the prior year, to less than 3.1 million. This is a loss of about 233 000 telephone lines in a single year.

The fixed location voice service supplied by Huge Telecom is a blueprint for an effective substitute for Telkom's fixed landlines. The service uses the GSM infrastructure of the MNOs. It is a simple ecosystem with very few variables and accordingly very few points of failure. While it involves packet switching, the voice traffic does not compete with other types of traffic. Because of this simplicity, this service is, at the time of installation, a plug, play and walk-away service with little need for ongoing intervention and maintenance.

Telkom has stated publicly that it operates its fixed landlines at a 50% deficit to the line rentals it generates every month from each of its telephone lines. Fixed landlines do have advantages over alternative services such as voice over data or voice over Internet Protocol (**VoIP**). A fixed landline is also a simple ecosystem with few points of failure. It involves a circuit where the voice also does not compete with other forms of traffic. VoIP in comparison is a complex ecosystem with many variables and many points of failure, where different types of traffic compete with each other. Because of its complexity – there are many variables and therefore many points of failure – it is far more costly to maintain.

Fixed location voice services using GSM is logically a profitable substitute for Telkom's fixed landlines that make use of ageing copper infrastructure. Huge envisages that in the next 5 years, fixed location voice services using GSM will be the dominant fixed location voice service being offered in the African market.

Huge's fixed location voice service is the perfect substitute, and it can therefore be used by Telkom to stop the declines it is facing in its fixed landline business. Equally, it presents the MNOs with an opportunity to compete with Telkom where it will hurt most. Huge Telecom is supplier agnostic and partners with all the MNOs, including Telkom Business Mobile, a division of Telkom. Huge Telecom is not an infrastructure provider but rather a service provider. It is a partner to the operators at the service layer and it assists the operators in installing telephone lines and initiating voice traffic across their respective networks.

Huge has for years been constrained by financial and legal challenges as well as by the size of its balance sheet and the lack of capital to grow organically. This, however, will change as it raises additional capital to fund its growth ambitions.

If Huge Telecom can assist Telkom in stemming the tide of its decreasing fixed landlines by offering a GSM substitute, it could install as many as 233 000 telephone lines per annum. If Huge Telecom's current 38 000 telephone lines generate in excess of R245 million of annual annuity revenue, the upside impact of installing 233 000 telephone lines in a single year is self-evident. Given the benefits of scale and the existing operational leverage in the business model, the gross profit achieved from this quantum of annual revenue increases – at gross profit margins close to 50% (after deducting transmission costs and the direct costs of distribution) – will increase the bottom line substantially. This opportunity should not be underestimated and before dismissing fixed location voice services, consider Granite Telecommunications achievements in the United States. It has built a $1.25 billion annual revenue business in 14 years. It services 1.4 million analogue telephone lines and employs over 1 500 people.

Connectnet does not have a voice service to offer its SME customers. These customers provide Huge Telecom with a market into which to sell its service. Connectnet has been searching for a voice service that it can offer its customers and so the commercial value of this base for voice services may be as much as R500 million. The scaling benefits mentioned earlier would apply and so too does the operational leverage.

Huge Telecom buys access to GSM infrastructure on an incremental use basis, priced in cents per minute but on a pure per second basis. This is one leg of the cost of making a telephone call (the cost of sale) and is often referred to as origination and in the case of Huge Telecom, mobile origination. The other leg of the cost of sale is termination, which is regulated, and a regulated termination rate applies to calls initiated by Huge for delivery to a chosen destination (international, national, local and mobile). During the 2017 financial year, mobile origination costs of sale were greater than termination costs of sale by a wide margin. The economic theory of arbitrage suggests that the two costs should be equal. The report of the CEO of Huge Telecom makes reference to recent commercial negotiations relating to the lowering of mobile origination costs of sale.

While costs of a sale are declining, retail prices are increasing. This can be seen from the prices that the MNOs are charging their retail customers (consumers like you) for making voice calls, which, in the last 12 months, have been increased substantially. The price of voice calls in the retail market is therefore experiencing price inflation. This means that margins are widening. In August 2016, Huge Telecom raised the price of a mobile destined telephone call by 2 cents per minute and the price of local and national destined calls by 3 cents per minute. It also increased its existing monthly line rental charges by 6.5%. This all has a future positive effect on profitability.

Chairman's letter (Continued)

The core business of Connectnet is very exciting. It is both predictable and highly cash generative, having paid dividends of R23 million, R28 million and R37 million for the 2014, 2015 and 2016 financial years respectively, representing more than 40% of EBITDA in each of those years.

While some may be concerned about the risk of payment applications, the requirement for 'card to be present' in combatting fraud mitigates this risk and increases the need for the connectivity services provided by Connectnet. In addition, Connectnet does not supply the card terminals or point of sale devices – it supplies the connectivity to them. It therefore does not face a direct technology risk from payment applications. This means that Connectnet will continue to play a valuable role in the payment processing market. Be that as it may, Connectnet is still keeping abreast of payment based applications, having acquired a significant interest in a payment based application company known as IntelPay.

Sainet Internet is an Internet Service Provider (ISP). It uses different access mediums (ADSL, Diginet and Fibre) to provide Internet services. It has over 1 600 active lines of service that generate monthly annuity revenue, which assisted it in generating R35 million in annual revenue and R7.6 million in annual operating profit during the 2016 financial year. Huge has been searching for a data offering to present to its customers base, which is 10 times the size of Sainet Internet's customer base. The executive teams at Huge Telecom and Sainet Internet have been working together to understand the potential impact of introducing Sainet Internet's products and services to Huge Telecom's customers. Detailed analyses have been undertaken and at a 100% penetration rate, the customers of Huge Telecom would generate an additional R12.5 million in monthly annuity revenue for the enlarged group. This contribution to group revenue is equivalent to quadrupling Sainet Internet's annual annuity revenue. With an operating profit margin of 21.7% the contribution to group earnings would be substantial. Huge expects Sainet Internet to exhibit similar scaling and operational leverage characteristics as those displayed by Huge Telecom.

Cross-selling is the practice of selling an additional product or service to an existing customer. While cross-selling is a proven business opportunity, it doesn't always work and the reason it doesn't always work is related to the business model being used to generate the cross-sell. In most cases the failures relate to pushing an existing sales team who understands its existing product set into selling different products. Huge is not advocating such an approach. Huge Telecom's Business Partners have however been insisting that Huge Telecom provides data services. This will result in a pull of data services into existing customers of Huge Telecom who are serviced by its Business Partners. Huge Telecom also intends giving Sainet Internet the ability to market directly to its customers in compliance with the POPI Act. It is for this reason that Huge Telecom is confident when it comes to its cross-selling objectives.

The cross-selling opportunities that exist are clear – so too is the potential positive impact on profitability. But it is not simply about the cross-selling opportunities. Huge has assembled a group of over 44 000 SME customers and it is the value of this real estate that is important. This collection of customers probably represents one of the largest commercial corporate databases of SME customers in South Africa. This represents an immense, exciting cross-over opportunity to distribute relevant and associated products to this database of customers which are not sold currently by any of the Company's current subsidiaries.

Even if Huge does not exploit this database fully by leveraging cross-over opportunities because it does not have access to appropriate products, there are a number of the operators that do have products to sell to these customers but do not have the distribution. Huge Telecom then becomes a very attractive partner because of the access that it has to SME customers.

While the immediate strategy of Huge will be to exploit the cross-selling opportunities, it is also going to focus on exploiting the real estate of 44 000 customers.

Detailed below are a number of cross-over opportunities that have been identified by Huge already.

Vast Networks, the joint venture company which came about through the merger of Internet Solutions' AlwaysOn and the Naspers owned MWeb Wi-Fi in 2014, has a Wi-Fi network at more than 2 000 locations nationwide. Telkom has over 5 500 Wi-Fi hotspots around the country. With over 30 000 merchants as customers, predominately occupying high density, high traffic retail environments, the opportunity exists for Connectnet to deploy its own Wi-Fi network.

The commercial banks in South Africa have been struggling for a long time to create lending products and services that they can provide to the SME customer segment. A number of challenges exist. Firstly, there is often very little security against which they can provide lending, with the result that lending can only take place on an unsecured basis. Commercial banks are less comfortable lending on an unsecured basis. Secondly, affordability is also a challenge because many SMEs are subject to large swings in revenues and profits because of seasonality.

Smaller financial service providers have emerged recently to service this segment of the market. They have created innovative products where, for example, the transactional flows that are processed through credit card and debit card terminals or points-of-sale (as they are also known) are used to provide a lending product, which, although unsecured from a legal perspective, is secured by the intelligent use of technology – i.e. a Fintech – the merging of finance and technology.

So where is the cross-over opportunity for Huge? One financial service provider with whom Huge has recently engaged has 1 300 customers. One of the biggest expenses incurred by this financial service provider is the cost of securing a customer. Connectnet has 30 000 merchants to whom it sells connectivity for credit card points of sale and this is why it gets to play (and this is not to mention the 14 000 existing customers of Huge Telecom). Financial service providers may want to gain access to Huge's customer base. This is disruptive – this is an Uberisation!

It is broadly accepted that the Internet of Things (or the Internet of Everything as it is also known) is the next big thing. While miniaturisation and battery life improvements have made the Internet of Things a reality, the infrastructure component of this opportunity will be commoditised quickly. Huge sees itself participating in the services part of the value chain by providing data and business analytics as well as the connectivity between the sensors at each customer's premises and the core network. Taking into account the extent of the locations at which its SME customers operate and the network touch points that these locations create, Huge is optimistic of leveraging this cross-over opportunity as well.

Huge Telecom is a South African company – it does not provide its services to companies north of its borders. However, its telephony service is well suited for fixed locations elsewhere in Africa. Corporate offices, small offices, home offices and residences in Africa do not have the same need for converged services as those demanded by consumers of mobile technologies who do not want to carry multiple devices. It is only with mobile services that convergence is a must. At fixed locations, the existence of multiple devices is not an issue. Fixed locations support the concept of separate transmission channels provided that there is additional cost.

Connectnet's customer base in Africa, represented by over 5 000 devices, is modest and the prospects for significant growth are very exciting. Nigeria for example – in which the company does not operate presently – is 3.5 times the size of South Africa, measured by population, and the prevalence of small merchants is greater, with its more informal corporate infrastructure. Nigeria is therefore high up on the list for African representation.

Connectnet's relationships with various stakeholders in Africa gives Huge Telecom a lower risk position from which to launch fixed location voice services using GSM. The African opportunity is relevant with South Africa as the gateway to the continent.

Chairman's letter (Continued)

The literature is clear – in the first 25 years of the life of the Internet its purpose was a source of information and moving data from one point to another. This is changing and soon its predominant purpose will be the moving of value from one point to another. Blockchain is an example of the movement of value.

Huge is well placed to enter the market for transferring value. What better entry is there than Connectnet, which provides the connectivity for the acquiring banks to transfer value. In partnership with the South African banks, the Connectnet ecosystem is involved in processing over 1 million transactions a day. This volume of transactions is approximately the same as that processed by PayPal daily.

Huge is very interested in high-volume, transaction-based revenue. Other examples of transactional flows include credit card transactions, debt advances and insurance products, and cross-selling these to existing customers will be lucrative. Huge intends to exploit these kinds of opportunities in partnership with niche financial services providers as well as with banks.

Huge Group's capital structure

There were 110 901 443 ordinary shares of the Company in issue at the start of the financial year. 9 646 926 ordinary shares were held by Huge Telecom as treasury shares. The Group therefore had a net 101 254 517 (2015: 101 254 517) ordinary shares in issue. Towards the end of February 2017, the Company issued 14 650 000 ordinary shares for cash at a price of R6.15 per share, which raised over R90 million. R20 million of the proceeds were used to settle the short-term loan facility provided by Stellar Specialised Lending Proprietary Limited.

Post year end the Company issued another 49 581 884 ordinary shares. 25 208 333 ordinary shares were issued to the relevant shareholders of Connectnet at a price of R6.00 per share and 24 373 551 were issued for cash at a price of R6.15 per share. The issue of shares for cash, both before and after year end, raised approximately R240 million in equity capital in terms of a specific authority to issue shares for cash. As a result, Huge has succeeded in broadening its shareholder base, increasing liquidity and attracting new and high pedigree shareholders who can act as strategic partners. The Board of Huge will work with these partners to assist the Company in achieving its objectives of growing organically and by acquisition. The average daily volume and average daily value traded during 2016 was 39 457 shares and R193 750. The average daily volume and average daily value traded thus far in 2017 (as of 18 May 2017) is 126 235 shares and R1 037 738. This is clear improvement in liquidity, but further improvement is an imperative for the Group as we continue to grow.

Broad-based Black Economic Empowerment

Huge recognises the importance of BBBEE and meeting the requirements of the charter regulating the telecommunications industry – the ICT Charter. The greatest issue facing Huge in this regard is representation at a shareholder level. But, with SA's fragmented communications sector being ripe for consolidation activity, this challenge has the prospect of being overcome. It certainly appears that the telecommunications sector is in for a shakeup, as merger and acquisition activity looms on the horizon. Consolidation is expected, and makes sense. In telecommunications, scale is important in order to be competitive and so traditionally smaller operators merge over time to achieve scale and become more competitive, while bigger players may want to buy in assets rather than build them. Huge will be active in some form of telecommunications consolidation with one of the aims of this being the introduction of meaningful BEE shareholder representation.

Governance and King Codes

Huge continues to maintain high standards of corporate governance. This is achieved because of the commitment of all directors and staff of all the group companies.

Our non-executive directors provide independent, robust and valuable input into all spheres of the business. Our board and sub-committees are functioning well and we make judicious use of several leading and respected firms for advice, primarily for matters relating to legal and compliance matters.

In closing

The board of directors with whom I work have worked very well together this year. The executive team, the management team and our loyal employees have once again put in a sterling performance. I thank them for their commitment, support and dedication. Their combined efforts, energy and commitment are essential ingredients for the continued success of the Company.

Chief Executive Officer's Report

Introduction

Huge Telecom's telephony service is a fixed location voice service that makes use of the GSM last mile provided by the mobile network operators. It is distributed mainly to the Small, Medium Enterprise (**SME**) market and the Small Office, Home Office (**SOHO**) and Residential market.

It is fortuitous that Huge Telecom's dominance at the moment lies in the SME segment of the market because this really is the last frontier – the enterprise customers are all taken, the margins generated from enterprise business are very low and the market for enterprise customers is growing at a slower rate. Similarly, the consumer market is saturated and over-competed. This makes the market for SMEs and the SOHO and Residential market a 'holy grail' of customers.

However, as Huge Telecom succeeds in demonstrating the mainstream characteristics of its telephony service and as the adoption rate improves, so too will Huge Telecom succeed in increasing its exposure to the mid and upper segments of the corporate market.

Review of operations

Sales

The sale of new products and services is a function of the number of active Business Partners. Greater numbers of active Business Partners result in greater sales of products and services, lower relative churn and higher net growth and revenue. The acquisition of new Business Partners is a lead indicator of increased monthly sales of new telephone lines (or connections), which in turn is a lead indicator of Huge Telecom's primary revenue metric – average revenue per trade weighted day.

During the year under review, average monthly sales of telephone lines were 728 units (FY2016: 810 units).

Distribution

A large portion of Huge Telecom's intrinsic value is its distribution. The distribution model will work across a broad range of products and services. Very close attention is paid to understanding the factors that drive distribution and are capable of growing it. Distribution is therefore a key differentiator – it differentiates Huge Telecom from a competitive perspective. This is where the real value in Huge Telecom lies – it is the distribution capability that creates the potential.

We continue to grow our distribution capabilities aggressively. During FY2017 we increased our Business Partners by 108, from 533 to 641 Business Partners. This represents a 20% increase in the total number of Business Partners. Each of the Business Partners of Huge Telecom has, on average, five sales representatives. So in terms of “feet on the street”, Huge Telecom’s indirect sales force consists of over 3 000 personnel.

We also continue to focus on increasing the activity levels of our Business Partners.

Customers

Huge Telecom has over 14 000 customers, of which over 10 700 are corporate customers (FY2016: 9 500) and over 3 300 are SOHO and Residential customers (FY2016: 2 700). It has no more than a 2.4% exposure to its single largest customer – customer concentration risk is therefore low.

Churn

Churn is the termination of existing telephone lines and this has an impact on the net growth of telephone lines. Huge Telecom sees the appointment of an increasing number of Business Partners as an effective recipe to combat relative churn (the churn experienced relative to new sales growth). The net growth (i.e. sales less churn) of telephone lines is a success indicator for Huge Telecom because it has an impact on revenue.

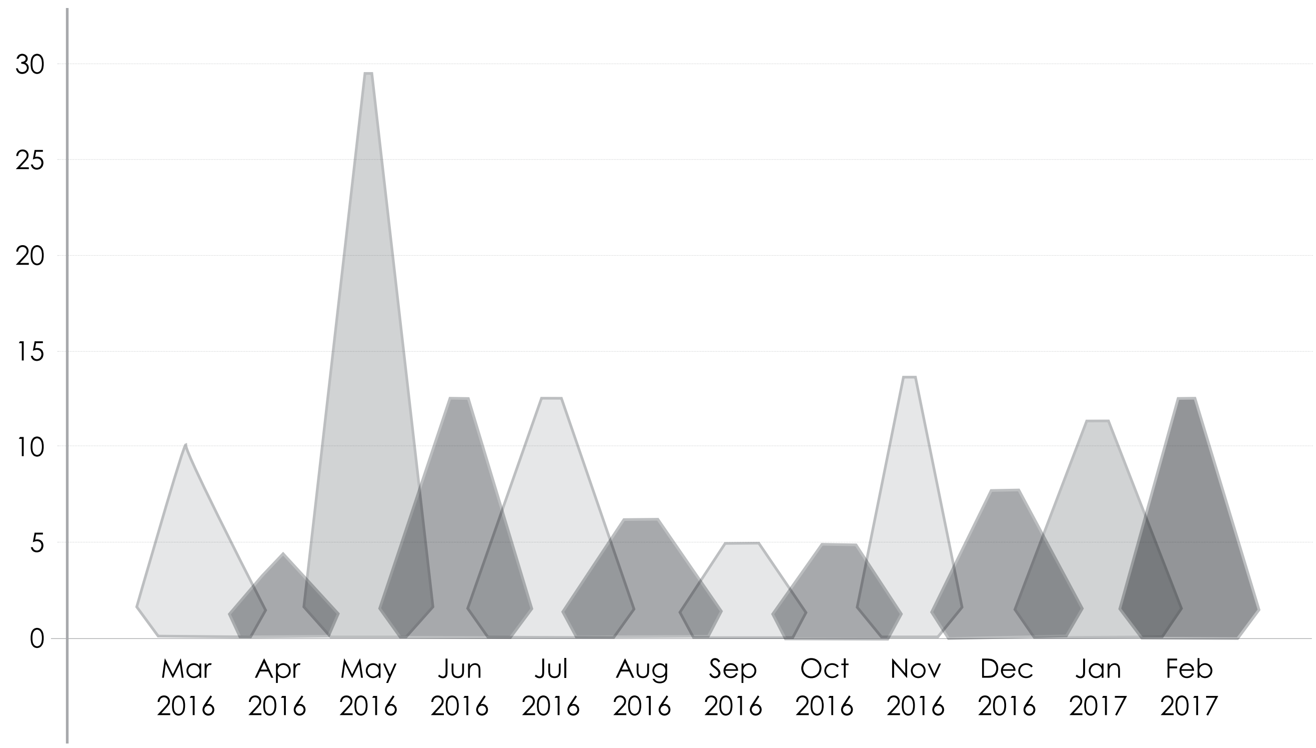
During the year under review, average monthly churn of telephone lines was 251 units (FY2016: 295 units).

Revenue

Revenue for FY2017 has increased by 14% when compared to FY2016. There is about a twelve month lead time between sales activity and its effects on revenue. Net growth or net churn in any period is felt financially, on average, twelve months later. The revenue generated during FY2017 is a result of the sales and churn activity in prior periods. The revenue generated during FY2018 will be a function of the sales and churn activity in FY2017.

The average revenue per trade weighted day is an important measure of sales performance in any given financial year, which is based on historical sales activity. Average revenue per trade weighted day exhibited the following trends during FY2017:

MONTH-ON-MONTH INCREASE IN AVERAGE REVENUE PER TRADE WEIGHTED DAY 2016 OVER 2015



Chief Executive Officer's Report (Continued)

The mix between calls to mobile and fixed-line numbers (where prices to the former are higher than to the latter) was 64%:36% during the year (FY2016: 64%:36%).

The average selling price for a mobile minute during FY2017 was R0.92 cents per minute (FY2016: R0.94).

The average selling price for a fixed-line minute during FY2017 was R0.41cents per minute (FY2016: R0.40).

Huge Telecom continues to be successful in increasing its fixed annuity income to variable annuity income ratio. The fixed annuity income consists of channel management fees, on account fees, site management fees and line rentals, which are protected from price compression, and in fact escalate annually. Current monthly fixed annuity income charges are in the order of about R5 million (FY2016: R4 million). Fixed annuity income is growing at about R40 000 per month presently. This has a 66x multiplier effect on revenue for the next 12 months, or R2.9 million. Our annual fixed annuity income is therefore running at a rate of R63 million (being R5 million x 12 plus R3 million).

Cost of sales

Cost of sales includes primarily the transmission costs relating to the making of telephone calls and the direct costs relating to distribution by Huge Telecom of its products and services. Transmission costs comprise the costs of mobile origination and the costs of international, fixed-line national, fixed-line local and mobile termination. Mobile origination rates are negotiated commercially whereas fixed-line national, fixed-line local and mobile termination rates are regulated by the Independent Communications Authority of South Africa (**ICASA**). The direct costs of distribution consist primarily of Business Partner commissions.

The mobile termination rate decreased from 16 cents per minute to 13 cents per minute (a 19% decrease) on 1 October 2016, the fixed-line termination rate between area codes (i.e. national calls) decreased from 12 cents per minute to 10 cents per minute (a 17% decrease) and the fixed-line termination rate within area codes (i.e. local calls) decreased from 11 cents per minute to 10 cents per minute (an 9% decrease). Huge Telecom benefited from these lower termination rates for only 5 months of FY2017. The factors listed above will have had an effect on gross profit margins for the period under review.

During February 2017, Huge Telecom negotiated notably lower mobile origination rates. If these lower mobile origination rates were applied to the minutes billed during the twelve months to 28 February 2017 transmission costs would have been R30 million lower.

On 30 January 2017, ICASA started a process in terms of a Government Gazette, number 38042, to review pro-competitive conditions imposed on licensees in respect of the Call Termination Regulations of 2014. This may or may not lead to further reductions in mobile termination rates.

Gross profit

Gross profit after direct expenses increased again this year, by 18% from 41% to 48%.

Overheads

The two primary overhead costs in Huge Telecom were well controlled during the year. Excluding the creation of human resource capacity for Huge, employee costs increased in line with inflation. The depreciation and amortisation expense increased by 6.7% as a result of increased capital expenditure on router equipment, a direct result of increased sales activity.

Listing fees were higher as a result of the increased market capitalisation of Huge. The raising of the provision for doubtful debts by Huge Telecom and increased travel costs occasioned by increased activity relating to the marketing of Huge to the investment community resulted in a drag on earnings.

EBITDA

EBITDA for FY2016 of R33 million increased to R53 million during FY2017 – a 61% increase. This helped to expand the EBITDA margin by 42% during FY2017, which rose from 15.1% to 21.4%.

Operating profit

The operating profit for FY2017 of R42 million was 84% higher than the operating profit for FY2016 of R23 million and this helped to lift the operating profit margin from 10.6% to 17.2%, a 62% increase.

Finance costs

Included in the finance costs of R5.3 million is interest of R3.8 million on a loan owing to Stellar Specialised Lending Proprietary Limited. The loan was settled in full on 21 February 2017 by the issue of 3 252 033 ordinary shares of Huge at a price of 615 cents per share. The future earnings per share benefit of a reduced interest cost but after taking into account the dilution from the issue of shares is 1.7 cents.

Profit after taxation

The increase in profit before taxation, calculated on a year on year basis, of 98% was considerably higher than the increase in profit after taxation, calculated on a year on year basis, of 36% because of a full tax charge in FY2017.

Regulatory Matters

This past year has been a relatively quiet year on the regulatory front, when compared to prior years. However, the delay in dealing with spectrum allocation continues to limit South Africa's potential.

Future Prospects

Huge Telecom continues to grow and fortify its unique position in the telecommunications industry. Its business model is bearing fruit, sales activity is high, its distribution footprint is extensive and growing, and gross margins are also very high. Cash flows are also large and expanding. With increasing scale and the planned augmentation of its product and service portfolio, the prospects for Huge Telecom are looking more attractive than ever before. As a downstream telecommunications service provider, Huge Telecom is a high growth, high margin opportunity.

Huge Telecom is working with its suppliers currently to expand its telephony service to enable the provision of a complete set or full suite of functions, including line hunting for inbound telephone calls (where inbound telephone calls that are received by a single 'trigger' telephone number are distributed to other telephone numbers in a hunt group), calling name presentation (where a particular telephone number, the trigger number, is presented on all outbound calls) and the use of geographic telephone numbers, like 011 and 021, as trigger numbers (which follows the porting out of the telephone number from the fixed landline operator and the porting in of the telephone number to the mobile operator). The launch date for these services is 1 September 2017. It is expected that this will have an impact on sales in the future.

In closing

I would like to extend my gratitude to the Huge Telecom executive team, their management teams and our staff, who have all done a wonderful job this year.

To our clients, our Business Partners and our suppliers – who play such a valuable role in our success – we appreciate your loyal support and look forward to strengthening our relationships in the future.

Management Team

DAVID ("DAVE") DEETLEFS (61)
CHIEF OPERATING OFFICER

BComm, HDipAcc, CA(SA)
Joined: 1 October 2012
Resigned: 31 May 2017

JAMES CHARLES HERBST (46)
CHIEF EXECUTIVE OFFICER

BComm, BAcc, CA(SA), Chartered Financial Analyst
Joined: 1 September 2006

JEAN MICHELLE TYNDALE-BISCOE (46)
GENERAL MANAGER – CORPORATE RESOURCES

BA (Languages and Law),HDip Company Law
Joined: 7 May 2012
Resigned: 15 June 2017

GEOVANNA SUTHERLAND (43)
MANAGING EXECUTIVE – KWAZULU-NATAL

Dip Business Management
Joined: 18 June 2003

AMIL DA MOURA (61)
MANAGING EXECUTIVE – INFORMATION SYSTEMS
NDip Information Technology
Joined: 15 October 2008

RONALD MUSHONGA (33)
MANAGING EXECUTIVE – FINANCE
BComm, BCompt (Hons), CA(SA)
Joined: 1 March 2012

ELISE EARNSHAW (65)
MANAGING EXECUTIVE – GAUTENG
IMM , MCSE
Joined: 1 August 2015

ROBYN BROUGHTON (44)
MANAGING EXECUTIVE – CAPE
Dip Marketing and Sales
Joined: 17 July 2011

Governance

Introduction

The Board of Huge is committed to the principles and guidelines of the King Code on Corporate Governance, and at all times endeavours to ensure adherence thereto where applicable and practical. The Company is committed to the principles of fairness, accountability, responsibility, discipline, independence, social responsibility and transparency as advocated by the King Code, and constantly strives to ensure ethical management, prudent decision-making and sound corporate governance.

Code of Ethics

The Company has a formal code of conduct incorporating a code of ethics. The code of ethics applies to the Group as a whole and all employees receive a copy.

The following guiding principles apply to the code of ethics:

- businesses should compete and operate in accordance with the principles of free enterprise;
- free enterprise is tempered by the observance of all relevant legislation and generally accepted principles with regard to ethical business practices;
- ethical behaviour is characterised by the principles of integrity, reliability and a commitment to avoid harm;
- business activities should benefit all participants therein; and
- equivalent standards of ethical behaviour are expected from all participants in the business process.

The Board

Structure of the Board

The Board of Huge consists of a unitary Board which is assisted in fulfilling its duties and responsibilities by an Audit Committee, a Risk Committee, a Remuneration Committee and a Social and Ethics Committee.

Appointments to the Board

There is a formal and transparent procedure with regard to appointments to the Board and the Board as a whole will consider any new appointments. With effect from 1 March 2016, the listing of Huge was transferred to the Main Board of the JSE, and consequently directors are no longer required to attend the Directors' Induction Programme. There is however an internal induction programme for new directors which is co-ordinated by the executive directors, the Company Secretary and the Company's Sponsor. All new non-executive director appointments are ratified by shareholders at the Annual General Meeting of the Company immediately following their appointment.

Gender diversity policy

The Company supports the objectives of gender diversity at a board level, and recognises that a board that reflects the demographics of South Africa's population more accurately has a critical role to play in transformation.

Future appointments to the Board will take cognisance of both the operational needs of the Company and the need for gender diversity at a board level.

Changes to the Board post its year end

Dr Duarte da Silva's role changed from that of Independent Non-executive Chairman to Non-executive Chairman on 20 December 2016. Mr Zunaid Bulbulia was appointed as Chief Financial Officer with effect from 27 March 2017. Mr David Deetlefs, resigned as director of the Company on 31 May 2017. Mrs Jean Tyndale-Biscoe, the Group Company Secetary, resigned with effect from 15 June 2017. In terms of Section 86(4) of the Act, the Company has 60 business days to fill the subsequent vacancy.

Independence of the Board and Board Balance

The Board of Huge comprises two executive and five non-executive directors, two of whom are independent non-executive directors. All of the current non-executive directors are of sufficient standing that their views carry significant weight in the Board's decision making process, as well as the Board's adherence to stringent corporate governance. The directors all bring a wide range of experience, insight, skills and independence to the Board. The non-executive directors ensure that independent judgement is maintained at all times. All conflicts of interest are declared by Board members, and members recuse themselves from decision-making processes when such conflicts of interest exist.

In line with best practice, the roles of Chairman and Chief Executive Officer are separated.

The Non-executive Chairman, who has many years of relevant experience, provides objective guidance and leadership to the Board, presides over Board and shareholder meetings, and ensures both the smooth functioning and corporate governance compliance of the Board. The Chief Executive Officer leads the Executive Committee of the Group, and co-ordinates proposals compiled by the Executive Committee for Board consideration. There is a clear balance of power and authority at Board level, in order to ensure that no one director has unfettered powers of decision-making.

Board responsibilities

Board responsibilities encompass the following:

- the formulation and adoption of Group strategy;
- risk management;
- acquisition and disposal policies;
- corporate finance decisions;
- management of the relationship with and expectations of all stakeholders;
- internal control in order to protect stakeholder wealth;
- corporate governance; and
- compliance with all regulatory requirements, including but not limited to compliance with the LR.

The Board is responsible ultimately for the Group's performance, which includes enhancing and protecting the Group's resources and acting in the best interests of all stakeholders at all times. In fulfilling this responsibility, the Board constantly reviews the controls and procedures that are in place in order to ensure the accuracy and integrity of accounting records and procedures. The directors' statement of responsibility is set out on page 38 of these AFS.

Advice

The directors all have unlimited access to the Company Secretary, Sponsor, Auditor and any other such professional persons with whom they may wish to consult. In addition, directors are entitled to ask questions of any employees of the Group and enjoy unrestricted access to Company documentation and relevant information.

Governance (Continued)

Audit Committee

The Audit Committee during the year under review comprised Mr DR Gammie (Chairman), Mr SP Tredoux, Mr AD Potgieter, Mr Z Bulbulia and Dr D da Silva.

The Audit Committee meets at least twice per year. The Company Secretary is in attendance at all meetings, and any other relevant persons are invited to attend as and when deemed necessary or beneficial.

Doctor Steven Firer has been contracted as a consultant to the Audit Committee with regard to the interpretation and application of IFRS.

The functions of the Audit Committee comprise the following:

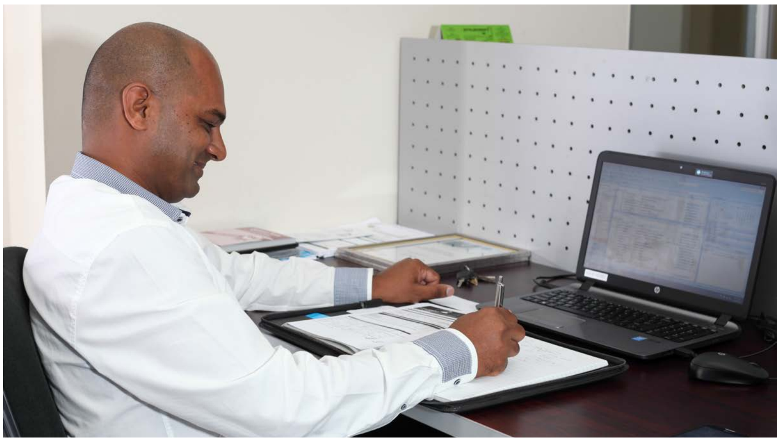
- review internal control systems;
- review external audit reports to ensure that there are no major deficiencies and/or breakdowns in control;
- review the audit plan and progress each year;
- determine and approve any non-audit services provided by the external auditors;
- review and recommend the approval of any financial information published either on the Stock Exchange News Service of the JSE or in the press;
- ensure that any major deficiencies and/or breakdowns in control are timeously rectified;
- review the nomination, appointment, independence, performance and remuneration of the external auditor;
- satisfy themselves as to the qualifications and suitability of the Chief Financial Officer;
- review any suspected theft or fraud, and monitor procedures to ensure that the Group's fraud control plans are being implemented;
- review and monitor compliance with taxation responsibilities, legal, regulatory and industry code responsibilities; and
- review and monitor compliance with Group policies and thereby promote an ethical business culture.

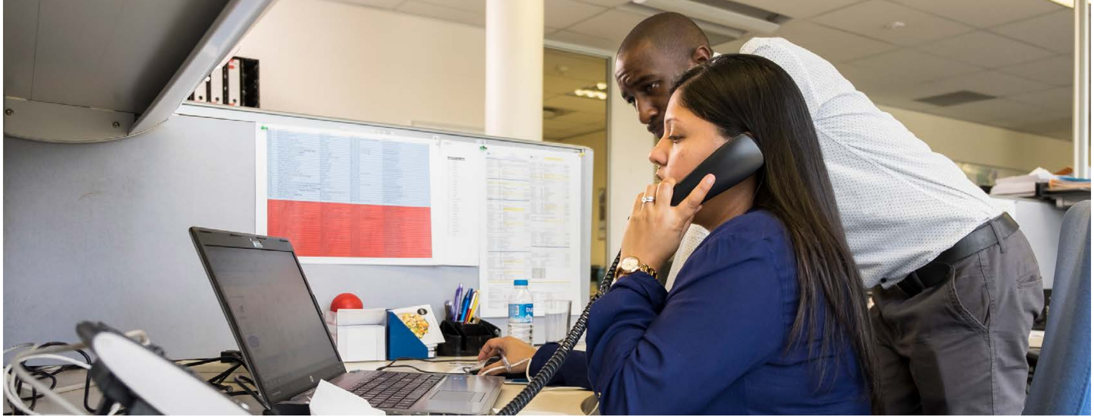
The Terms of Reference of the Audit Committee are reviewed on a bi-annual basis, and the Audit Committee makes use of a comprehensive checklist in order to ensure that all relevant matters are reviewed by the Audit Committee an appropriate number of times per financial year.

The objective of the Audit Committee is to assist the Board in safeguarding the assets of the Group, the operation of adequate systems of internal control and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards. To this end the Audit Committee reviews the AFS prior to making a recommendation to the Board in this regard. In addition, the Audit Committee is required to evaluate the qualifications, experience and performance of the Chief Financial Officer of the Group in order to ensure that the incumbent is fully qualified for the role which he or she fulfils. The Audit Committee has reviewed the qualifications and expertise of the Chief Finanial Officer, Mr Z Bulbulia, and is satisfied as to his experience and expertise as required to fulfil this position.

The external auditor of the Company, being BDO South Africa Incorporated, is invited to attend all meetings, and has unrestricted access to both committee and Board members.

The Group has not yet established an internal audit function, and at present this function is carried out by the financial and revenue assurance departments of the Company's principle subsidiary, Huge Telecom. The Audit Committee is of the opinion that the management and employees within these divisions have the necessary skills and expertise in finance and internal control. However, the committee continues to assess the need for an internal audit function and should the need arise to outsource this function, it will make the necessary recommendations in this regard to the Board.





Risk Committee

The Risk Committee during the year under review comprised Mr DR Gammie (Chairman), MR SP Tredoux, Mr AD Potgieter, Mr Z Bulbulia and Dr D da Silva.

The Committee meets at least twice a year. The Company Secretary is in attendance at all meetings, and any other relevant persons are invited to attend as and when deemed necessary or beneficial.

The Terms of Reference of the Risk Committee are reviewed on a bi-annual basis, and the Risk Committee makes use of a comprehensive checklist in order to ensure that all relevant matters are reviewed by the Risk Committee an appropriate number of times per financial year. In addition, the Risk Committee regularly reviews the risk matrix of the Company, ensuring that plans are in place to mitigate risk insofar as possible.

The functions of the Risk Committee comprise the following:

- the review of any legal matters that could have a significant impact on the Company's business;
- review management reports regarding the adequacy and overall effectiveness of the Company's risk management system and its implementation by management;
- the review of the Company's internal control systems;
- the review of the Company's risk philosophy, strategy and policies recommended by management;
- the review of the Company's insurance coverage;
- the review of risk identification and measurement methodologies;
- monitor the procedures used to deal with and reveal the disclosure of information to clients;
- have due regard for the principles of governance and codes of best practice;
- liaise with the Board with regard to the preparation of the Committee's report to shareholders as required;
- review such significant transactions not related directly to the Company's normal business as the Committee may deem appropriate;
- review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company;
- review the controls over significant risks;
- review special documents such as circulars as and when prepared;
- review any significant or unusual events or transactions; and
- consider any other relevant matters referred to it by the Board.

Remuneration Committee

The Remuneration Committee during the year under review comprised Mr AD Potgieter (Chairman), Mr DR Gammie and Mr VM Mokholo.

Executive directors of the company are invited to attend when deemed necessary and/or appropriate by the committee.

The Remuneration Committee is responsible for:

- recommendations as to executive remuneration;
- establishment of a transparent procedure, policy and approach for the determination of remuneration packages for directors and senior management;
- ensuring that remuneration packages are of a sufficient standard to attract and retain quality executives for the organisation; and
- ensuring that levels of remuneration are market-related and in line with best practices and industry standards.

The Terms of Reference of the Remuneration Committee are reviewed annually. The Remuneration Committee meets at least once a year and all meetings are, in addition, attended by the Company Secretary.

Social and Ethics Committee

The Social and Ethics Committee during the year under review comprised Mr SP Tredoux (Chairman), Mr D Deetlefs and the Company Secretary. Please refer to the report of the Social and Ethics Committee as set out on page 37 of the Integrated Report.

Governance (Continued)

Board and Board Committee Meeting Attendance

The table below indicates all regular and extra-ordinary Board meetings and Board Committee meetings held during the year, and attendance thereat:

Director	Board meetings	Percentage attended	Audit Committee meetings	Percentage attended	Risk Committee meetings	Percentage attended	Remuneration Committee meetings	Percentage attended	Social and Ethics Committee meetings	Percentage attended	Investment Committee meetings	Percentage attended
DF da Silva Non-executive Chairman	6/6	100	4/4 *	100	2/2 *	100	N/A	100	1/2 *	50	3/3	100
JC Herbst Chief Executive Officer	6/6	100	4/4 *	100	2/2 *	100	1/1 *	100	N/A	N/A	3/3	100
Z Bulbulia Chief Financial Officer	6/6	100	4/4	100	2/2	100	N/A	N/A	1/2 *	50	3/3	100
D Deetlefs Executive Director	6/6	100	4/4 *	100	2/2 *	100	1/1 *	100	2/2	100	3/3	100
SP Tredoux Lead Independent Non-executive Director	4/6	66,7	3/4	75	2/2	100	N/A	N/A	2/2	100	1/3*	33,3
AD Potgieter Non-executive Director	6/6	100	4/4	100	2/2	100	1/1	100	N/A	N/A	2/3	66,7
DR Gammie Independent Non-executive director	6/6	100	4/4	100	2/2	100	1/1	100	N/A	N/A	2/3*	66,7
Company Secretary	6/6	100	4/4	100	2/2	100	1/1	100	2/2	100	3/3	100
Auditor	N/A	N/A	4/4	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:
***** Invitee

Fees paid to Non-executive Directors

The fees paid to non-executive directors are discussed by the Remuneration Committee and recommended to the Board. Non-executive directors were paid a monthly retainer of R23 500 per month, and the non-executive chairman, a monthly retainer of R40 000 per month. The current meeting fees are given in the table below:

	Chairman	**Member**
Board	14 000	14 000
Board Committee	14 000	14 000

As has been the custom in the past, the Board continues to schedule Board committee and Board meetings on the same days, in order to manage the cost of non-executive director remuneration. Any *ad hoc* special Board meetings over and above the regular Board meetings attract a fee of R4 500, and are to be scheduled for 16h00 on any given day, for a maximum period of two hours.

Details of the remuneration of the directors of the Company are set out in note 38 of the AFS.

Group Company Secretary

As at 28 February 2017 the Group Company Secretary was Jean Tyndale-Biscoe, a full-time employee of the Group. The Company Secretary provides members of the Board with guidance and advice regarding responsibilities, duties and powers, and ensures that all new legislation relevant to the Company is brought to the attention of the Board. The directors of the Company have unrestricted access to the Group Company Secretary.

The Group Company Secretary is not an executive director of the Company, nor is she related to or connected to any of the directors. The appointment or removal of the Group Company Secretary is a matter for the Board as a whole.

In compliance with paragraphs 3.84 (i) and (j) of the LR, the performance of the Group Company Secretary is monitored by the Chief Executive Officer and assessed by the Board on an annual basis. The Board and the Chief Executive Officer are satisfied that the Group Company Secretary:

- is competent, suitably qualified and experienced;
- has the necessary skills, knowledge and experience to advise the Board on matters of governance;
- maintains an arm's length relationship with the Board and the directors; and
- has discharged her responsibilities for the period under review.

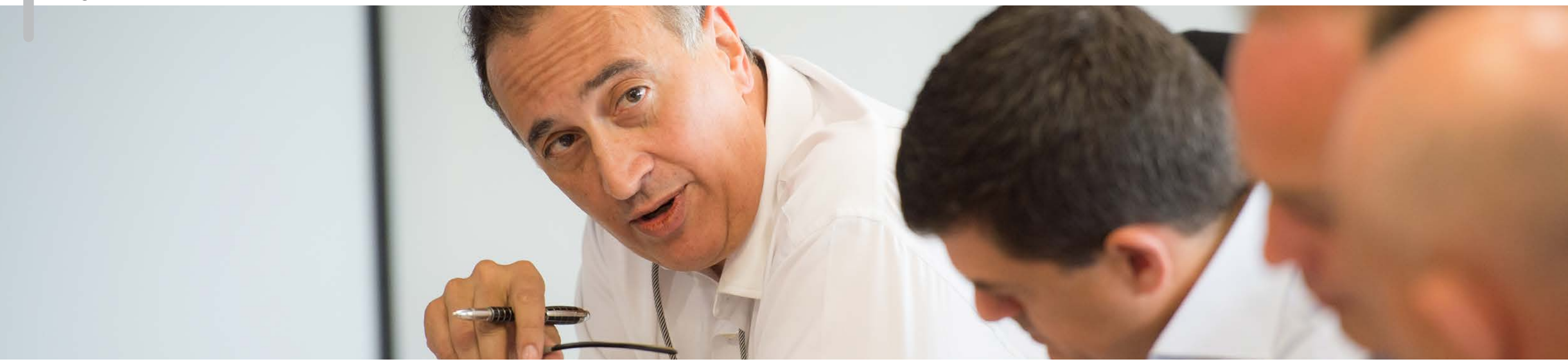
The Board and the Chief Executive Officer reached the above conclusion after taking account of the following matters:

- there is no direct or indirect relationship between the directors and the Group Company Secretary; and
- the Group Company Secretary has provided advice and guidance to the Board and the directors in an independent and objective manner.

The Group Company Secretary's duties and responsibilities include:

- providing guidance to the Board on matters relating to governance, sustainability, legal compliance, ethics and transformation;
- keeping the Board advised of any applicable legislative and regulatory changes;
- preparing board packs, keeping minutes and attendance registers, managing the register of directors' interests;
- preparation and dissemination of SENS announcements through the Company's Designated Advisor; and
- any other matters of a company secretarial nature.

Governance (Continued)



Application of the principles contained in the King Code (King III)

The Board endorses the principles contained in the King III report on corporate governance and confirms its commitment to those principles where, in the view of the Board, they apply to the business. Compliance is monitored regularly and the Board has undertaken an internal review process in determining compliance.

Governance element and associated principle	Comply	Partially comply	Under review / do not comply
ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
Effective leadership based on an ethical foundation	X		
Effective management of company's ethics	X		
Responsible corporate citizenship	X		
Assurance statement on ethics in integrated annual report	X		
BOARDS AND DIRECTORS			
The board is the focal point for, and custodian of, corporate governance	X		
Directors act in the best interests of the company	X		
Framework for the delegation of authority has been established	X		
Directors are appointed through a formal process	X		
The board is assisted by a competent, suitably qualified and experienced Company Secretary	X		
Appointment of well-structured committees and oversight of key functions	X		
Directors and executives are fairly and responsibly remunerated	X		
The company's remuneration policy is approved by its shareholders	X		
Strategy, risk, performance and sustainability are inseparable	X		
The chairman of the board is an independent non-executive director		X[1]	
The board is comprised with a balance of power, with a majority of non-executive directors who are independent		X[2]	
Formal induction and on-going training of directors is conducted	X		
Regular performance evaluation of the board, its committees and the individual directors		X[3]	
An agreed governance framework between the group and its subsidiary boards is in place		X[4]	
Remuneration of directors and senior executives is disclosed	X		

Governance element and associated principle	Comply	Partially comply	Under review / do not comply
AUDIT COMMITTEE			
Effective and independent	X		
Chaired by an independent non-executive director	X		
A combined assurance model is applied to improve efficiency in assurance activities			X[5]
Suitably skilled and experienced independent non-executive directors	X		
Oversees integrated reporting	X		
Satisfies itself on the expertise, resources and experience of the company's finance functions	X		
Oversees internal audit			X [6]
Oversees the external audit process	X		
Integral to the risk management process	X		
Reports to the board and shareholders on how it has discharged its duties	X		
GOVERNANCE OF RISK			
The board is responsible for the governance of risk and setting levels of risk tolerance	X		
The board delegates the process of risk management to management	X		
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	X		
The board receives assurance on the effectiveness of the risk management process	X		
The risk committee assists the board in carrying out its responsibilities	X		
The board ensures that risk assessments and monitoring is performed on a continual basis	X		
Management implements appropriate risk responses	X		
Sufficient risk disclosure to stakeholders	X		
GOVERNANCE OF INFORMATION TECHNOLOGY			
The board is responsible for information technology (IT) governance	X		
Management is responsible for the implementation of an IT governance framework	X		
IT is an integral part of the company's risk management	X		
The audit committee assists the board in carrying out its IT responsibilities	X		
IT is aligned with the performance and objectives of the company	X		
The board monitors and evaluates significant IT investments and expenditure	X		
IT assets are managed effectively	X		

Governance (Continued)

Governance element and associated principle	Comply	Partially comply	Under review / do not comply
COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS			
The board ensures that the company complies with relevant laws	X		
Compliance risk forms an integral part of the company's risk management process	X		
The board and directors have a working understanding of the relevance and implications of non-compliance	X		
The board has delegated to management the implementation of an effective compliance framework	X		
GOVERNING STAKEHOLDER RELATIONSHIPS			
Appreciation that stakeholders' perceptions affect the company's reputation	X		
There is an appropriate balance between its various stakeholder groupings	X		
Transparent and effective communication to stakeholders	X		
Delegated to management to proactively deal with stakeholder relationships	X		
Equitable treatment of stakeholders	X		
Disputes are resolved effectively and timeously	X		
INTEGRATED REPORTING AND DISCLOSURE			
Ensures the integrity of the company's integrated annual report	X		
Sustainability reporting and disclosure is independently assured	X		
Sustainability reporting and disclosure is integrated with the company's financial reporting	X		

Notes:

1. The Chairman is not independent but is a non-executive director. The company has a Lead Independent Director, Mr SP Tredoux.
2. The Board consisted of two executive and six non-executive directors as at 28 February 2017. Two of the non-executive directors were independent and the Group has a Lead Independent Director, Mr SP Tredoux. Subsequent to year end, the board consisted of two executive and five non-executive directors.
3. Performance evaluation is in place for the executive directors and the effectiveness of Board Committees is evaluated on an annual basis. The Board is considering how best to implement performance evaluations for the non-executive directors.
4. The executive directors of the Group are the directors of the subsidiary companies and therefore a separate agreed governance framework is not required, as the Company's governance framework applies across the Group as a whole.
5. The Group does not have any independent assurance processes in place at present.
6. The Audit Committee continues to evaluate the need for an internal audit function, but is of the opinion that the size of the Group does not warrant an internal audit function at present.

Compliance and Risk

Compliance

Industry related compliance

Huge is licensed to provide certain services and products in terms of its ICASA licences. All ICASA fees have been paid and the Group is compliant with regard to both fees and returns in terms of its ICASA licences.

LR compliance

In terms of paragraphs 3.19 and 3.21 (a) of the LR, the Company is required to submit an Annual Compliance Certificate to the JSE confirming that the Company has complied with the LR over the past financial year. The Group Company Secretary has prepared the Annual Compliance Certificate, which will be submitted to the JSE alongside the Integrated Report for the year ended 28 February 2017.

Human Resources compliance

The Company confirms that the following statutory returns with regard to South African labour and employment law have been submitted:

- Workman's Compensation: return of earnings;
- Quarterly employment returns to Stats SA;
- Workplace Skills Plan for the requisite period; and
- Employment Equity returns.

Broad Based Black Economic Empowerment (BBBEE)

The Company continues to look for methods by which to increase its BBBEE rating through choice of suppliers and employees. Huge is committed to the achievement of BBBEE initiatives by each of its subsidiary companies.

Trading in Company Shares

The Company enforces a restricted period for dealing in its shares by directors or their associates. In addition, no director or an associate of a director is permitted to deal in the Company's shares without the prior authorisation of the Chairman. A register of clearances to deal is kept at the Company's registered office, and the Company has a strict insider trading policy in place. In addition, closed periods are implemented and monitored closely.

Sponsor

In accordance with the JSE's Listings Requirements relating to companies listed on the Main Board, the Company is required to have a Sponsor at all times. The Company's Sponsor is Questco Proprietary Limited.

RISK

Accounting and internal controls

The external auditor, BDO South Africa Incorporated, is responsible for reporting on whether the AFS are fairly presented in conformity with IFRS. The external auditor offers reasonable but not absolute assurance on the accuracy of financial disclosures. The preparation of the AFS is the responsibility of the directors. The Audit Committee sets the principles for the use of the services of the external auditor for non-audit purposes.

The Board has established controls and procedures to ensure the accuracy and integrity of the accounting records, to provide reasonable assurance that assets are safeguarded from loss or unauthorised use, to ensure that the AFS may be relied upon, and for preparing the AFS. The Board acknowledges the need to review the accuracy and adequacy of the accounting systems and of internal controls rigorously and regularly.

Internal audit

With regard to an internal audit function, the Company has not established one presently. Due to the historical nature of the Company's legal structure, its assets and its size and stage of development, an internal audit function is not considered necessary. The need for an internal audit function remains a standing item on every Board agenda and is therefore reassessed continuously

Risk management

The Group has a comprehensive risk matrix which is continually reviewed and updated by the Board. All potential risks are timeously brought to the Board's attention. Risk assessment is a standing item on the agenda of Board meetings and at least one Risk Committee meeting per year is dedicated to the revision and discussion of the risk matrix.

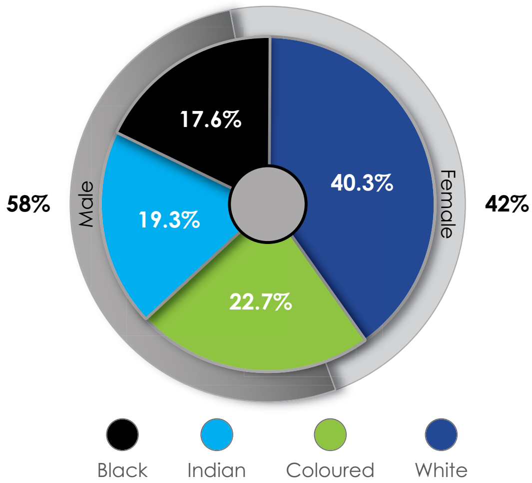
All directors review the risk matrix on an annual basis and provide their input as to the likelihood of each risk occurring, together with the perceived impact which each risk may have on the Company. These weightings are then collated by the Group Company Secretary and the top twenty identified risks are fed back to the business. The management team then ensures that there are adequate measures in place to mitigate these risks.

Sustainability Report

All revenue generated by the Group is generated in South Africa.

The Group prior to the acquisition of Connectnet employees just over 120 full-time employees in five offices within South Africa, with a presence in Cape Town, Durban, Port Elizabeth, Bloemfontein and Johannesburg. This ensures that the Group is able to provide excellent levels of service and support countrywide. Head Office functions such as finance and human resources are provided out of the Johannesburg office.

As at 28 February 2017, staff demographics were as follows:



The Company has a Staff Study Assistance Programme which was developed in order to encourage employees to further their education. A number of employees have completed diploma or certificate courses under the auspices of this programme, whilst others have completed or are in the process of completing University degrees.

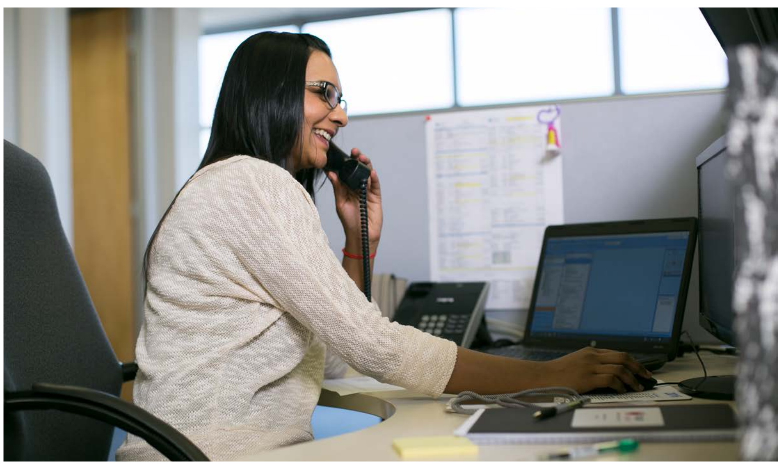
The nature of the business of the Group is such that no employees are members of trade unions, and therefore no work days were lost as a result of industrial action. Absenteeism is closely monitored and has not been an issue within the business. In addition, there were no fatalities or injuries occurring in the workplace that resulted in a loss of man hours worked.

As part of a "green office" initiative, all waste paper is shredded and sent off site for recycling. The Company also disposes of recyclable plastic in a responsible manner. The nature of the business of the Company, in that it is a provider of service rather than a manufacturer of products, means that energy consumption, carbon emissions and hazardous waste and effluent creation are minimal.

During the year under review, the Company participated in an initiative aimed at increasing the awareness of the importance of innovation through the use of technology. The programme was aimed at high school learners throughout South Africa, and Huge sponsored the prize for the winning team.

The manner in which the Company approached the distribution of its services (by not employing a direct sales force but rather by engaging with Business Partners), provides opportunities for small business development. As at 28 February 2017, more than 550 Business Partners had been signed up by Huge Telecom. These Business Partners range from sole proprietors to closed corporations to small and medium sized enterprises.

The Group acknowledges that stakeholders comprise employees, customers, suppliers, shareholders and others, and is committed to on-going and effective communication with all stakeholders, subscribing to a policy of open and timeous communication. All stakeholders are encouraged to visit the Group's website regularly at www.hugegroup.com, for up to date and pertinent information regarding the Group and its activities.




huge
group

Report of the Audit Committee

The Audit Committee for the year under review included the following non-executive directors as members:

Mr DR Gammie (Chairman)
Independent non-executive director

Mr SP Tredoux (Member)
Lead Independent non-executive director

Mr AD Potgieter (Member)
Non-executive director

Mr Z Bulbulia (Member)
Non-executive director
(resigned from Audit Committee 27 March 2017)

Dr D da Silva (Member)
Non-executive chairman

Statement of the Audit Committee's responsibilities for the year ended 28 February 2017

The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with corporate management and the external auditor. The committee met four times during the 2017 financial year.

The committee is guided by its Terms of Reference, dealing with membership, structure and levels of authority and has the following responsibilities:

- ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- nominating for appointment a registered auditor who, in the opinion of the committee, is independent of the Company;
- considering matters relating to financial accounting, accounting policies, reporting and disclosure;
- considering internal and external audit policy including determination of fees and terms of engagement;
- considering the activities, scope, adequacy, and effectiveness of the internal audit function and audit plans;
- considering the expertise and experience of the Chief Financial Officer;
- reviewing and approving the external audit plans, findings, reports, fees and determining and approving any non-audit services that the auditor may provide to the Company;
- ensuring compliance with the code of corporate practices and conduct; and
- ensuring compliance with the company's code of ethics.

The Audit Committee addressed its responsibilities properly in terms of its Terms of Reference during the 2017 financial year. One of its mandated responsibilities was the assessment of the independence of the auditor. The committee is satisfied that the auditor was independent of the Company.

No substantial changes to the Terms of Reference were adopted during the 2017 financial year. In addition, the committee has established a policy and procedures with regard to use of the external auditor for non-audit services.

In terms of the King Code on Corporate Governance, the Audit Committee hereby confirms that it is satisfied with the expertise and experience of the Chief Financial Officer.

With regard to an internal audit function, the Company has not presently established an internal audit function. Due to the historical nature of the Company's legal structure, its assets and its size and stage of development, an internal audit function was not considered necessary. Since the Company's listing the need for an internal audit function has been continually assessed.

Management has reviewed the financial statements with the members of the Audit Committee. The committee has also reviewed them without management or the external auditor being present. The appropriateness of the accounting policies was discussed with management and the external auditor. The committee considers the financial statements of Huge to be a fair presentation of its financial position on 28 February 2017, its comprehensive income for the year ended 28 February 2017, the changes in equity and cash flows for the period then ended, in accordance with IFRS and the Act.

Dennis Robert Gammie
Chairman of the Audit Committee

Report Of The Social And Ethics Committee

The Social and Ethics Committee for the year under review consisted of the following members:

MR SP Tredoux (Chairman)
Lead Independent Non-executive Director

Mr D Deetlefs (Member)
Executive Director

Mrs JM Tyndale-Biscoe (Member)
Group Company Secretary

The Social and Ethics Committee has a mandate and frame of reference which has been prepared in terms of the Act, the ten principles as set out in the United Nations Global Compact, the OECD recommendations regarding corruption, the Employment Equity Act and the Broad Based Black Economic Empowerment Act.

The Committee is responsible for:

- Monitoring the Company's level of compliance with social, ethical and legal requirements and best codes of practice;
- Bringing to the attention of the Board any relevant matters within the scope of its Terms of Reference; and
- Reporting to shareholders on matters that fall within the scope of its Terms of Reference.

The Company subscribes to the ten principles of the United Nations Global Compact, which principles include core values relating to Human Rights, Labour, the Environment and Anti-Corruption. Following on from these principles, the Social and Ethics Committee therefore ensures that the Company respects the rights of all of its stakeholders, implements fair labour practices, works within its environment in a responsible manner, and is opposed to all forms of bribery and corruption. Any matters of concern in this regard are brought to the attention of the committee, and dealt with in the appropriate manner. The committee is happy to report that during the year under review, no adverse matters were reported to the Social and Ethics Committee.

The Social and Ethics Committee met twice during the year under review, with a focus on decent working conditions and employee well-being. These continue to the focus of the committee for the foreseeable future.

ANNUAL FINANCIAL STATEMENTS

CONTENTS

The reports and statements set out below comprise the Consolidated and Separate Annual Financial Statements presented to the shareholders:

DEFINITIONS

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

"the Act"	the Companies Act of South Africa;
"AFS"	Consolidated Annual Financial Statements in the case of the Group, and Separate Annual Financial Statements in the case of the Company;
"AltX"	the Alternative Exchange of the JSE;
"Ambient"	Ambient Mobile Proprietary Limited, registration number 2008/001288/07, a 50.2% held subsidiary company of Huge Telecom;
"the Board"	the board of directors of the Company as constituted from time to time;
"CGU"	cash generating unit;
"the Commissioner"	the Commissioner of the Companies and Intellectual Property Commission;
"DIBs"	Discretionary Incentive Bonuses;
"EBITDA"	earnings before interest, taxation, depreciation and amortisation;
"EPS"	earnings per share;
"Eyeballs"	Eyeballs Mobile Advertising Proprietary Limited, registration number 2007/004818/07, and a 96% owned subsidiary company of Huge;
"FirstRand Bank"	FirstRand Bank Limited, registration number 1929/001225/06, and the bankers to Huge;
"functional currency"	South African Rands;
"Gonondo"	Gonondo Telecom Proprietary Limited, registration number 2006/027671/07, and a 50% held joint venture company, which 50% is held by Huge Telecom;
"Goodwill"	the goodwill acquired by Huge on the acquisition of Huge Telecom and Huge Connect;
"Group"	Huge and its subsidiary companies;
"HEPS"	headline earnings per share;
"Huge Cellular"	Huge Cellular Proprietary Limited, registration number 2008/004068/07, and a wholly-owned subsidiary company of Huge Telecom;
"Huge" or "the Company"	Huge Group Limited, registration number 2006/023587/06, and a company of which the shares are listed on the JSE;
"Huge Connect"	Huge Connect Proprietary Limited, registration number 2002/022642/07, and wholly-owned subsidiary company of Huge;
"Huge Software"	Huge Software and Technologies Proprietary Limited, registration number 2008/006066/07, and a wholly-owned subsidiary company of Huge;
"Huge Telecom"	Huge Telecom Proprietary Limited, registration number 1993/003902/07, and a wholly-owned subsidiary company of Huge;
"IASB"	International Accounting Standards Board;
"IFRS"	International Financial Reporting Standards;
"IFRIC"	International Financial Reporting Interpretations Committee;
"JSE"	the JSE Limited, registration number 2005/022939/06;

DEFINITIONS

"Le Gacy"	Le Gacy Telecom (FRA) Proprietary Limited, registration number 2007/033510/07, and a 49.7% held subsidiary company of Huge Telecom due to common control;
"LR"	the Listings Requirements of the JSE;
"MNOs"	Mobile Network Operators;
"MOI"	Memorandum of Incorporation;
"Nedbank"	Nedbank Limited, registration number 1951/000009/06;
"Shares"	ordinary par value shares of R 0.0001 each;
"SOHOR"	Small Office Home Office Residential;
"SSFs"	Single Stock Futures;
"SSL"	Stellar Specialised Lending Proprietary Limited, registration number 1882/000030/07, which entity has assumed all loans previously extended to Huge Software by Afrasia Special Opportunities Fund, registration number 2007/0152589/07;
"Telemasters"	Telemasters Holdings Limited, registration number 2006/015734/06;
"Telkom"	Telkom SA SOC Limited, registration number 1991/005476/30;
"VAT"	Value Added Tax;

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

The Group's external auditor is responsible for independently auditing and reporting on the Group's AFS. The AFS have been examined by the Group's external auditor and the report is presented on pages 38 to 99.

The AFS set out on pages 45 to 99, which have been prepared on the going concern basis, were approved by the board of directors on 23 June 2017 and were signed on its behalf by:

James Charles Herbst **Zunaid Bulbulia**

GROUP COMPANY SECRETARY CERTIFICATION

Declaration by the Group Company Secretary in respect of Section 88(2)(e) of the Companies Act

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

Jean Michelle Tyndale-Biscoe
Group Company Secretary

23 June 2017

DIRECTORS' REPORT

The directors submit their report for the year ended 28 February 2017.

1. Nature of business

Huge is an investment holding company listed on the Main Board of the JSE.

Huge Telecom is the principal operating entity of Huge prior to the acquisition of Connectnet and its wholly owned subsidiary company, Sainet Internet.

Huge Telecom's telephony service is a fixed location voice service that makes use of the GSM last mile provided by the mobile network operators. It is distributed mainly to the SME market and the SOHO and residential market.

Huge Connect provides the same telephony service to its customers as does Huge Telecom but through a particular distribution channel.

Huge Software owns the Group's router equipment as well as its proprietary billing and rating software (HIVE), and makes both of these available to Huge Telecom on a rental basis. In addition, Huge Software continues to enhance and develop the software and router products for the benefit of companies in the Group and for third parties to which it provides these services.

Huge Cellular is the Group's procurement company.

Ambient provides the technology platform used by Huge Telecom and Huge Connect in providing SMS message services to their customers.

Eyeballs is engaged in the ongoing development and licensing of software for innovative and

affordable real time, permission based, high impact and targeted advertising to mobile phones.

The acquisition of Connectnet was completed on 30 March 2017, after Huge's February financial year end.

Connectnet is a telecommunications solutions company with a focus on growing its voice, network connectivity and payment offering. It was established in 2004 and provides connectivity to the card payment terminals of 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 ATMs, integrated points-of-sale, medical/script verifications, telemetry applications, micro-lending applications and cash vaults.

Sainet Internet 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 solutions, branch connectivity, hosting services and website and system development.

2. Financial results

Full details of the financial position, comprehensive income and cash flows of the Group are set out in these consolidated AFS.

3. Going concern

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

- The cash flow projections of the Group;
- The continuing increase in monthly sales, together with the resulting revenue flow and profitability improvements;
- The expected further improvement in the Group's profitability as reflected in the budget for the year that will end on 28 February 2018, which budget was approved by the Board during February 2017.

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

4. Borrowing powers

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

5. Intangible assets
Eyeballs technology

The expenditure incurred in the development of the Eyeballs technology was impaired previously on the basis that there was limited revenue generating opportunities related to this software application. The more recent developments in the mobile handset market where this technology is now a viable product which is capable of being deployed in a broader range of more affordable smartphone devices means that the Eyeballs technology is marketable.

6. Interest in subsidiary companies and joint venture

The attributable interest of the Company in the net profit/(losses) after taxation of each Subsidiary Company and the Joint Venture was:

Name of Subsidiary and joint venture	% shareholding	2017	2016
Huge Telecom	100.0 %	16 731 001	-
Huge Connect	100.0 %	1 283 610	4 065 053
Huge Cellular	100.0 %	6 146 173	845 485
Huge Software	100.0 %	2 893 702	3 096 768
Eyeballs	96.0 %	58 726	3 987 536
Ambient	50.2 %	440 162	1 528 771
Le Gacy	49.7 %	(75 476)	(88 253)
Gonondo (joint venture)	50.0 %	(43 184)	(9 512)
		27 434 714	**13 425 848**

7. Goodwill

Goodwill is tested annually for impairment and has an indefinite useful life. During the current and prior financial year the Group assessed the recoverable amount of Goodwill, and in each year determined that no impairment was required. The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of Goodwill.

8. Authorised and issued share capital Authorised share capital

1 000 000 000 Shares.

Issued share capital

The Company has since incorporation issued a total of 147 410 000 Shares. This includes 99 646 601 Shares issued on 7 August 2007, being the date on which the Company listed on the AltX. The number of Shares in issue at 28 February 2017 amounts to 125 551 443 (2015: 110 901 443).

Repurchase by the Company of its shares and acquisitions by the Company's subsidiary

companies of Shares of Huge

At the last annual general meeting of the Company held on 14 September 2016, shareholders gave the Company or any of its subsidiary companies a general authority, in terms of section 48 of the Companies Act, and by way of special resolution, to repurchase or acquire the Shares of Huge. This general authority remains valid until the next annual general meeting, which is to be held on 16 August 2017. Shareholders will be requested at that meeting to consider a special resolution to renew this general authority, which will remain valid until the following annual general meeting.

Shares of the Company repurchased by the Company

During the year the Company did not repurchase any of its own Shares. The Company did not repurchase any of its own Shares in the prior year. The Company has, since incorporation, repurchased and cancelled in aggregate 21 858 557 (2016: 21 858 557) Shares.

DIRECTORS' REPORT

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

Shares of the Company acquired and held by Huge Telecom

The Group (through Huge Telecom) holds 9 646 926 (2016: 9 646 926) Shares as treasury shares.

A detailed summary of the acquisitions of Shares by the Company and by its subsidiary company, Huge Telecom, is set out in note 17 of the AFS.

Shares issued

On 20 December 2016, shareholders approved issue of up to 50 000 000 new Huge ordinary shares in terms of a specific issue of shares for cash. 4 000 000 Shares were issued at 615 cents per share on 22 February 2017 and 10 650 000 at 615 cents per share on 28 February 2017.

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

As at 28 February 2017, the following directors held Shares in the issued share capital of the Company:

2017 - Number of Shares held	Direct	Indirect	Total	%
James Charles Herbst #	184 907	24 445 549	24 630 456	19.62 %
Anton Daniel Potgieter	3 831 135	3 664 325	7 495 460	5.97 %
David Deetlefs	1 767 348	393 174	2 160 522	1.72 %
	5 783 390	**28 503 048**	**34 286 438**	**27.31 %**

2016 - Number of Shares held	Direct	Indirect	Total	%
James Charles Herbst #	184 907	24 445 549	24 630 456	22.21 %
Anton Daniel Potgieter	3 831 135	3 664 325	7 495 460	6.76 %
David Deetlefs	1 767 348	393 174	2 160 522	1.95 %
	5 783 390	**28 503 048**	**34 286 438**	**30.92 %**

the indirect shareholding is non-beneficial

On 28 February 2017, the Company agreed to act as agent for David Deetlefs and Anton Daniel Potgieter who signed irrevocable undertakings to sell shares. On 4 April 2017, Mr D Deetlefs disposed of 1 517 348 shares, Mr AD Potgieter disposed of 2 689 547 shares and Luigi's Trust (an associate of Mr AD Potgieter) disposed of 224 050 shares. Aside from these disposals, there has been no change in directors' interests in the share capital of the Company subsequent to year end and prior to the publication of this report.

10. Directors' personal financial interests

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

11. Special resolutions

The Company passed the following special resolutions during the current financial year:

14 September 2016

The granting of a general authority to the directors of the Company, and to the directors of any subsidiary company of the Company, to repurchase securities of the Company (including ordinary par value shares previously issued by the Company), subject to the MOI of the Company, the Companies Act of South Africa, 2008 as amended, and the restrictions placed on this authority by the JSE.

The approval of the scale of the non-executive directors' remuneration for the financial year commencing 1 March 2016, in terms of section 66(9) of the Companies Act.

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

12. The JSE's pro-active monitoring project and its dispute with Huge concerning the accounting treatment of certain single stock futures, which were closed out and cash settled on 18 December 2013

Paragraph 8.65 of the JSE's LR establishes a panel of the JSE called the Financial Reporting Investigations Panel. The role of FRIP is to investigate complaints and advise the JSE in relation to compliance by listed companies with, *inter alia*, the International Financial Reporting Standards, which are the financial reporting standards applicable to public companies listed on the JSE. If, after receiving advice from the FRIP, the JSE finds that an issuer (a company whose securities have been listed on the JSE) has not complied with IFRS, it has powers to censure that company or instruct it *"to publish or re-issue any information the JSE deems appropriate"*.

In February 2012 the JSE announced a process of pro-active monitoring of the annual financial statements of listed companies for compliance with IFRS. Huge was selected for such a review and was asked by the JSE in May 2012 to provide a motivation for its accounting treatment, *inter alia*, of certain single stock futures acquired by the Company, the underlying instruments of which were the Company's own shares. Huge did so and the JSE then referred Huge's response to the FRIP.

Huge was informed by the JSE of the content of the FRIP's report in July 2012. It then made extensive representations to the JSE on the FRIP's report. These representations were forwarded by the JSE to the FRIP. The FRIP then issued a supplementary report.

Following the advice of the FRIP, the JSE informed Huge that it had taken the view that *"your accounting treatment was contrary to IFRS given that you did not correctly account for the SSFs in accordance with IAS32 and IAS39"*. Huge responded to the JSE but on 21 February 2013 the JSE informed Huge that it had decided that Huge's annual financial statements for the years 2009, 2010 and 2011 did not comply with IFRS. It said that this included the 2012 annual financial statements as well. It informed Huge that it had decided, in terms of paragraph 8.65 of the LR, *"to instruct Huge…to forthwith restate its 2010, 2011 and 2012 AFS to correct its breaches of IFRS"*.

Huge objected to the decision and made further submissions to the JSE. Among these submissions, Huge recorded that its accounting treatment of the SSFs had been endorsed by the three firms that had audited the relevant financial statements.

On 20 January 2014, the JSE informed Huge that it had dismissed Huge's objection on the SSF issue. It subsequently, on 27 October 2014, declined Huge's request that the JSE reconsiders its decision in light of the cash settlement and closing out of the SSFs that had taken place on 18 December 2013. Huge was directed *"in terms of section 8.65 of the Listings Requirements to forthwith restate its AFS for the years 2010, 2011 and 2012 to correct the Company's breaches of IFRS. This restatement should be effected by announcing the restatement on SENS and including the full details of this restatement in Huge's next AFS"*.

In essence, the FRIP, and by extension the JSE, think that the SSFs should have been accounted for as equity instruments and not as financial instruments. If this is correct and Huge is obliged to restate its AFS for the years 2010, 2011 and 2012, it will result in Huge retrospectively declaring higher profits for the years in question.

The JSE has contended that what is at issue in this matter is *"whether Huge applied the [IFRS] standards correctly"*. This is not Huge's case. Huge's case is that the IFRS are flexible, case-specific and evaluative principles as opposed to bright-line rules. Their application in a particular case must necessarily entail an exercise of judgment and opinion. The issue is whether the JSE, which has a different opinion to Huge and its auditors, and Huge's IFRS advisors, has the power to insist that its opinion must be substituted for that of Huge as recorded in Huge's annual financial statements. It is for this reason, on 24 April 2015, the Company launched an application in the Gauteng Division of the High Court of South Africa for the judicial review of the JSE's decision (that Huge must restate its AFS for the years 2010, 2011 and 2012) in terms of the Promotion of Administrative Justice Act, 20 of 2000. The application was heard on 2 and 3 May 2017 and judgment was reserved.

The Company (as represented by the Board of Directors) and the Audit Committee (as represented by the members of the Audit Committee) have taken cognizance of the content of the 2016 JSE Report on the Proactive Monitoring Process, dated 13 February 2017, and where appropriate have ensured that the Company has applied the contents and findings of that report.

DIRECTORS' REPORT

13. Litigation

Dispute between Huge and Telemasters

During February 2013 Telemasters cancelled an agreement with Huge for the supply of services and suspended these services.

In its statement of claim issued on 31 May 2013, Telemasters alleges that the Company is indebted to it in the amount of R4.176 million plus interest thereon.

In its plea and counterclaim issued on 11 June 2014, the Company claims that Telemasters is indebted to it in the amount of R4.392 million plus interest thereon in respect of amounts overcharged by Telemasters.

Huge is claiming an amount of R2.674 million from TeleMasters, being the R4.392 million less an amount of R1.718 million (of the R4.176 million) that Telemasters was entitled to raise.

The matter will be subject to arbitration by the Arbitration Foundation of Southern Africa. The assets and liabilities relating to this dispute have been recognised at levels appropriate to the Company's assessment of the outcome of the arbitration hearing. The arbitration will be heard from 2 and 6 October 2017.

Other litigation

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

14. Dividends

No dividends were paid to shareholders during the period under review.

15. Events after the reporting period

Other than the matter referred to in note 12 to the Directors' Report dealing with the JSE's pro-active monitoring project and its dispute with Huge, the Board is not aware of any matters or circumstances arising since the end of the financial year to the date of this report that require disclosure or adjustment to the AFS.

SUBSEQUENT SIGNIFICANT TRANSACTION

Huge announced the possible acquisition of Connectnet on 5 September 2016 on the JSE's Stock Exchange News Service. In the announcement, Huge stated that the possible acquisition of Connectnet was consistent with its stated strategy in the Integrated Report of the Company for the year ended 29 February 2016, of embarking on a period of growth, growth that would be achieved organically and by acquisition.

In the 5 September 2016 announcement, Huge stated that the rationale for the acquisition of Connect included consideration of the following factors:

1) Huge has a strong customer base with over 13 400 active customers with more than 35 000 connections countrywide.
2) The ConnectNet group also has a strong customer base with over 29 000 unique customer sites located across South Africa.
3) Huge, enlarged by the ConnectNet group, will be even better placed to unlock significant growth through (i) marketing new offerings to the existing customer bases of each group company (ii) introducing existing offerings to new customers (iii) focusing on offshore operations and expansion into new territories, and (iv) the development of complimentary products and services that cater to advertising financed Wi-Fi hotspots, mobile payments, and M2M communications.
4) There is also a clear opportunity to unlock additional growth from the ConnectNet group customer base, which provides an effective channel through which to market Huge Telecom's fixed-location-voice-only telephony service. Huge Telecom's telephony service is very well suited to the bulk of the ConnectNet customer base and the opportunity to increase the average revenue per ConnectNet customer by overlaying Huge Telecom's services is estimated to be significant.

15. Events after the reporting period (continued)

5) Huge has thus far been unable to take advantage of the significant opportunity to provide data services to its own customers. It is expected that the services of Sainet will create a critical entry for Huge into the data market, which has been an obvious gap in Huge's value proposition. The products and services of Sainet will also assist Huge greatly in increasing its own average revenue per customer.
6) The acquisition of the ConnectNet group by Huge will augment the senior management capacity of the enlarged group by adding more diverse telecommunications sector skills.
7) The ConnectNet group fits perfectly with Huge's overall telecommunications strategy and particularly with its focus on building its business around connectivity services. Its revenue, which is largely annuity based, supplements the quality annuity revenue that Huge generates currently.

Huge summarized the factors mentioned above in its announcement on the JSE's Stock Exchange News Service on 17 November 2017.

The effective date of Huge's acquisition of Connectnet was 30 March 2017. Huge subscribed for 185 new Connectnet ordinary shares for a subscription consideration of R418 million. The subscription consideration is subject to a maximum upward adjustment of R75.625 million in the event that the cumulative aggregate operating profit of the Connectnet group for the financial years ending on the last day of February of 2018, 2019 and 2020 exceeds 120% of the cumulative aggregate operating profit target of R239.9 million. Following after the subscription for 185 new Connectnet ordinary shares, Connectnet repurchased 122 existing ordinary shares for R275 million from the pre-existing shareholders of Connectnet.

The transaction agreements also provide for a maximum downward adjustment to the subscription consideration of R75.625 million in the event that the cumulative aggregate operating profit of the Connectnet group for the financial years ending on the last day of February of 2018, 2019 and 2020 falls below 80% of the cumulative aggregate operating profit target of R239.9 million.

R151.25 million of the subscription consideration was financed by Huge by the delivery of renounceable letters of allocation with an underlying quantity of 25 208 333 Huge ordinary shares issued at a price of R6.00 per share. The balance of the subscription consideration of R266.75 million was paid in cash.

The value of Connectnet to Huge is described by the factors considered by Huge and listed above. These factors were considered by Huge in arriving at its rationale for acquiring Connectnet. These factors are reflected in the value of the goodwill. The resulting goodwill is not amortised, is not tax deductible but will be subject to annual impairment testing.

15. Events after the reporting period (continued)

The purchase price allocation of the fair value of the consideration given by Huge in return for 100% of Connectnet will be made taking into account the subscription by Huge of 185 new Connectnet ordinary shares for a subscription price of R418 million as well as the repurchase of 122 existing Connectnet ordinary shares for a repurchase price of R275 million. The fair value of the consideration given by Huge in subscribing for 185 new Connectnet ordinary shares was calculated to be R421.6 million whereas the fair value of the consideration given by Connectnet in purchasing 122 existing Connectnet ordinary shares was calculated to be R280.4 million. 'Identifiable assets' with a net negative value of R47.8 million were identified on the closing date, resulting in goodwill of R326.5 million.

Non-current Assets	**61 183 914**
Property, plant and equipment	27 031 392
Investment in subsidiaries	27 316 866
Other	6 835 656
Current Assets	**49 647 157**
Trade and other receivables	11 669 302
Cash and cash equivalents	37 977 855
Non-current Liabilities	**142 759 735**
Current Liabilities	**15 902 521**
Trade and other payables	15 902 521
Negative Net Asset Value	**(47 831 185)**

The figures above are provisional accounting results.

Huge will account for its 100% investment in Connectnet by consolidating the results for the financial years 2018 to 2020. Any differences between these estimates and the actual results, when available, will be adjusted in the Group's consolidated financial statements.

Huge incurred transaction costs of R7.4 million in acquiring Connectnet, disclosed as professional fees and classified as operational expenses in the statement of comprehensive income.

Since the acquisition, the business of the Connectnet group has generated net sales of R15.6 million for the month of April 2017 and management estimates net sales for the 2018 financial year to be R244.3 million.

Mr Zunaid Bulbulia was appointed as Chief Financial Officer of Huge with effect from 27 March 2017.

Mr David Deetlefs who was serving as the Group Financial Director of Huge resigned on 1 June 2017.

On 16 May 2017, Mrs JM Tyndale-Biscoe resigned as Company Secetary with effect 15 June 2017.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Huge Group Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Huge Group Limited (the group), set out on pages 55 to 99, which comprise the statement of financial position as at 28 February 2017, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Huge Group Limited as at 28 February 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate financial statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits in South Africa. We have fulfilled our ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Key audit matters identified at a group level

<table>
<tr><th>Key audit matter</th><th>Audit Response</th></tr>
<tr><td colspan="2">Assessment of goodwill impairment (refer to note 5) and the related impairment of the Investment in Subsidiary (refer to note 7)</td></tr>
<tr><td>As required by the applicable accounting standards, management has to conduct annual impairment tests on goodwill to assess the recoverability of the carrying value. Management performs a value in use valuation to assess the recoverability based on the discounted cash flow model of the cash generating unit (Huge Telecom). As disclosed in note 5, there are a number of key sensitive judgements made in determining the inputs into these models which include:
>> Revenue projections
>> The discount rate
>> Fixed and variable costs
Accordingly, the impairment test of goodwill is considered to be a key audit matter.
There was no impairment on the goodwill or on the investment in subsidiary.</td><td>We focused our testing of the impairment of goodwill on the key assumptions made by management and their independent expert.
Our audit procedures included, among others:
• Critically evaluating whether the model used by the independent expert in calculating the value in use of the Cash Generating Unit complied with the requirements of International Financial Reporting Standards (IFRS's) (specifically IAS 36 Impairment of Assets).
• Validated the assumptions used to calculate the discount rate.
• Analysed the future projected cash flows used in the valuation model to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit.
• Performed sensitivity analyses on the key assumptions.
• Compared the projected cash flows, including the assumptions relating to revenue growth rates, operating margins and commodity prices against historical performance to test the accuracy of management's projections.
• Assessment of the related disclosure requirements of the calculation of impairment of goodwill in terms of International Financial Reporting Standards (IFRS's).
• Confirming the independence and competence of management's expert (the valuer).</td></tr>
<tr><td colspan="2">IT systems and integration</td></tr>
<tr><td>The accuracy, completeness and validity of revenue recorded is heavily reliant on the reliable operation of internally developed software and the integration of revenue systems with the financial systems. Because of its importance to the continued operations of the group this was regarded as a key audit matter.</td><td>Our testing was focused on the integration of the revenue and the financial systems and the accuracy, completeness and validity of the data.
Our audit procedures included, among others:
• BDO IT audit specialists where used to test both the general and application controls in place around the revenue and financial systems.
• Computer assisted audit techniques were performed which included, among others:
• A reconciliation of the invoicing in the billing system to the revenue in the accounting system.
• Testing the completeness of the Call Data Records (CDR) feeding into the billing system.
• Testing the cut-off of revenue at year-end.</td></tr>
</table>

Key audit matters identified at a group level (continued)

Key audit matter	Audit Response
Continued recognition of deferred tax asset (refer to note 9)	
A Deferred tax asset was previously recognised in a subsidiary - Eyeballs Mobile Advertising. The deferred tax asset arose due to unused tax losses. The continued recognition required management to make judgements on whether it will be probable that future taxable profit will be available against which the unused tax losses can be utilised. The assessment was based on management representation on their projected revenue from a contract for the foreseeable future and taxable income in the entity. Accordingly, we considered the deferred tax asset recognition as a key audit matter.	We focused our testing on the validity of the assumptions to continue carrying the deferred tax asset under the circumstances. Our audit procedures included, among others: • Performing a review of the source of revenue from the contract that will give rise to taxable income in the future. • Reviewed the representations from management on the nature of activities to be carried out by the entity in the foreseeable future.

Other information

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

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Huge Group Limited for 6 years.

BDO South Africa Inc.

BDO South Africa Incorporated
Fred Bruce-Brand
Director

Registered Auditor
Parktown

23 June 2017

STATEMENT OF FINANCIAL POSITION
as at 28 February 2017

Figures in Rand	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Assets					
Non-Current Assets					
Property, plant and equipment	4	73 222 194	61 093 147	-	-
Goodwill	5	215 153 482	215 153 482	-	-
Intangible assets	6	3 927 427	1 557 610	9 283	13 925
Investments in subsidiaries	7	-	-	113 343 479	113 343 479
Investment in joint venture company	8	687 887	709 479	-	-
Deferred tax	9	7 550 181	6 415 059	1 111 344	27 474
Deferred expenditure	10	16 950 014	6 223 654	-	-
		317 491 185	**291 152 431**	**114 464 106**	**113 384 878**
Current Assets					
Inventories	11	646 853	1 293 585	-	-
Loans to Group companies	12	-	-	61 591 999	36 954 642
Loans to shareholders	13	898 784	-	898 784	-
Trade and other receivables	14	41 707 254	27 568 332	4 020 380	4 486 789
Deferred expenditure	10	7 693 967	9 493 593	-	-
Cash and cash equivalents	15	70 975 813	4 555 029	69 996 640	3 778
		121 922 671	42 910 539	136 507 803	41 445 209
Total Assets		**439 413 856**	**334 062 970**	**250 971 909**	**154 830 087**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	17	319 420 891	229 323 391	320 783 922	230 686 422
Accumulated profit (loss)		60 361 058	33 737 533	(83 688 177)	(82 063 844)
		379 781 949	263 060 924	237 095 745	148 622 578
Non-controlling interest	18	(3 001 048)	(3 184 633)	-	-
		376 780 901	**259 876 291**	**237 095 745**	**148 622 578**
Liabilities					
Non-Current Liabilities					
Instalment sales	19	1 331 339	2 143 469	-	-
Deferred tax	9	9 942 033	1 422 350	-	-
		11 273 372	**3 565 819**	**-**	**-**
Current Liabilities					
Interest bearing liability	20	-	20 000 000	-	-
Loans from group companies	12	-	-	6 838 901	-
Loans from shareholders	13	177 660	461 382	177 660	461 382
Other financial liabilities	21	752 936	693 884	-	-
Current tax payable		4 256 098	1 248 236	-	-
Instalment sales	19	1 165 824	1 676 837	-	-
Trade and other payables	22	35 566 423	36 667 554	6 859 603	5 746 127
Bank overdraft	15	9 440 642	9 872 967	-	-
		51 359 583	70 620 860	13 876 164	6 207 509
Total Liabilities		**62 632 955**	**74 186 679**	**13 876 164**	**6 207 509**
Total Equity and Liabilities		**439 413 856**	**334 062 970**	**250 971 909**	**154 830 087**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 28 February 2017

Figures in Rand	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Revenue	24	245 993 067	216 517 470	-	-
Cost of sales	25	(127 380 868)	(128 328 207)	-	-
Gross profit		118 612 199	88 189 263	-	-
Other income	26	1 246 872	1 295 775	5 913 279	8 683 372
Selling and administration expenses		(30 389 103)	(25 222 723)	(8 721 011)	(92 015)
Employee costs		(47 230 907)	(41 306 747)	-	-
Operating profit (loss)	27	42 239 061	22 955 568	(2 807 732)	8 591 357
Investment revenue	28	232 758	492 107	125 455	402 901
Loss from joint venture company	8	(21 592)	(4 756)	-	-
Finance costs	29	(5 335 988)	(4 697 131)	(25 926)	(16)
Profit (loss) before taxation		37 114 239	18 745 788	(2 708 203)	8 994 242
Taxation	30	(10 307 129)	910 553	1 083 870	(1 504 858)
Profit (loss) for the year		26 807 110	19 656 341	(1 624 333)	7 489 384
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		26 807 110	19 656 341	(1 624 333)	7 489 384
Total comprehensive income attributable to:					
Owners of the parent		26 623 525	18 779 903	(1 624 333)	7 489 384
Non-controlling interest		183 585	876 438	-	-
		26 807 110	19 656 341	(1 624 333)	7 489 384
Earnings per share					
Per share information					
Basic earnings per share	31	26.30	18.50	-	-
Diluted earnings per share	31	26.30	18.50	-	-

STATEMENT OF CHANGES IN EQUITY

as at 28 February 2017

Figures in Rand	Share capital	Share premium	Total share capital	Accumu-lated profit	Total attribut-able to equity holders of the group	Non-controlling interest	Total equity
Group							
Balance at 1 March 2015	**10 125**	**229 313 266**	**229 323 391**	**23 098 084**	**252 421 475**	**(4 101 164)**	**248 320 311**
Profit for the year	-	-	-	18 779 903	18 779 903	876 438	19 656 341
Other comprehensive income	-	-	-	-	-	-	-
Changes in ownership	-	-	-	(40 093)	(40 093)	40 093	-
Dividends	-	-	-	(8 100 361)	(8 100 361)	-	(8 100 361)
Total movement for the year	**-**	**-**	**-**	**(8 140 454)**	**(8 140 454)**	**40 093**	**(8 100 361)**
Balance at 1 March 2016	**10 125**	**229 313 266**	**229 323 391**	**33 737 533**	**263 060 924**	**(3 184 633)**	**259 876 291**
Profit for the year	-	-	-	26 623 525	26 623 525	183 585	26 807 110
Other comprehensive income	-	-	-	-	-	-	-
Issue of shares	1 465	90 096 035	90 097 500	-	-	-	-
Total movement for the year	**1 465**	**90 096 035**	**90 097 500**	**-**	**90 097 500**	**-**	**90 097 500**
Balance at 28 February 2017	**11 590**	**319 409 301**	**319 420 891**	**60 361 058**	**379 781 949**	**(3 001 048)**	**376 780 901**
Notes	17	17	17			18	

Figures in Rand	Share capital	Share premium	Total share capital	Other reserves	Accumu-lated profit	Total equity
Company						
Balance at 1 March 2015	**11 090**	**230 675 332**	**230 686 422**	**14 949 000**	**(95 630 113)**	**150 005 309**
Profit for the year	-	-	-	-	7 489 384	7 489 384
Other comprehensive income	-	-	-	-	-	-
Transfer between reserves	-	-	-	(14 949 000)	14 949 000	-
Dividends	-	-	-	-	(8 872 115)	(8 872 115)
Total movement for the year	**-**	**-**	**-**	**(14 949 000)**	**6 076 885**	**(8 872 115)**
Balance at 1 March 2016	**11 090**	**230 675 332**	**230 686 422**	**-**	**(82 063 844)**	**148 622 578**
Loss for the year	-	-	-	-	(1 624 333)	(1 624 333)
Other comprehensive income	-	-	-	-	-	-
Issue of shares	1 465	90 096 035	90 097 500	-	-	90 097 500
Total movement for the year	**1 465**	**90 096 035**	**90 097 500**	**-**	**-**	**90 097 500**
Balance at 28 February 2017	**12 555**	**320 771 367**	**320 783 922**	**-**	**(83 688 177)**	**237 095 745**
Notes	17	17	17			

STATEMENT OF CASH FLOWS

as at 28 February 2017

Figures in Rand	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Cash flows from operating activities					
Cash generated from (used in) operations	32	29 014 992	26 663 372	(1 223 205)	8 825 035
Interest income	28	232 758	492 107	125 455	402 901
Finance costs	29	(4 900 497)	(4 461 574)	(25 926)	(16)
Tax received		85 296	-	-	-
Net cash from (used in) operating activities		**24 432 549**	**22 693 905**	**(1 123 676)**	**9 227 920**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(20 266 428)	(21 424 388)	-	-
Proceeds from disposal of property, plant and equipment		16 982	71 000	-	-
Purchase of intangible assets	6	(4 545 406)	(2 506 211)	-	(13 925)
Proceeds from investments in subsidiaries		-	-	-	51 675
Net cash used in investing activities		**(24 794 852)**	**(23 859 599)**	**-**	**37 750**
Cash flows from financing activities					
Proceeds from share issue	17	90 097 500	-	90 097 500	-
Proceeds from other financial liabilities		59 052	-	-	-
Repayment of other financial liabilities		-	(94 297)	-	-
Repayment of interest bearing liability		(20 000 000)	(611 824)	-	-
Repayment of shareholders loan		(1 182 506)	(2 295 230)	(1 182 506)	(2 295 230)
Instalment sale payments		(1 758 634)	-	-	-
Funds received for vehicle finance		-	2 208 560	-	-
Dividends paid		-	(8 100 361)	-	(8 872 115)
Loans from Group companies repaid		-	-	(17 798 456)	-
Loans advanced to Group companies		-	-	-	1 901 955
Net cash from (used in) financing activities		**67 215 412**	**(8 893 152)**	**71 116 538**	**(9 265 350)**
Total cash movement for the year		**66 853 109**	**(10 058 846)**	**69 992 862**	**320**
Cash at the beginning of the year		(5 317 938)	4 740 908	3 778	3 458
Total cash at end of the year	**15**	**61 535 171**	**(5 317 938)**	**69 996 640**	**3 778**

ACCOUNTING POLICIES

1. Presentation of Consolidated and Separate Annual Financial Statements

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

These accounting policies are consistent with the previous period.

Basis of preparation

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

1.1 Segmental reporting

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

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

1.2 Consolidation

Basis of consolidation

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

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

Transactions which result in changes in ownership levels, where the company has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

Subsidiary companies

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

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

Joint arrangements

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

1.2 Consolidation Basis of consolidation (continued)

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

Details of consolidations

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

Goodwill

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

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the AFS, management makes certain estimates and assumptions regarding the future. Estimates and judgements are evaluated continually based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Significant judgements

Power to exercise significant influence

Investments held with less than 50% of the voting power are considered subsidiary companies provided that the definition of control in IFRS 10 has been satisfied. Although the Group holds less than 50% of the voting power in Le Gacy, the investment is considered a subsidiary company as the definition of control in IFRS 10 has been satisfied due to common directorship. Further information is disclosed in note 1.2 and note 7 of the AFS.

Estimates and assumptions

Trade receivables and Loans and receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Determination of impairment of goodwill

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

1.4 Property, plant and equipment

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replaced part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Leasehold improvements and other assets capitalised under finance leases are depreciated over the shorter of the useful life of the asset, or the lease term, to residual value.

There are no decommissioning obligations in respect of leasehold improvements as the Company will hand over leased premises including any leasehold improvements existing at the time of termination of the lease. All leasehold improvements are subject to approval by the lessor at the time of concluding the lease.

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

Item	Average useful life
Router equipment	10 years
Furniture and fixtures	6 years
Motor vehicles	4 years
Leasehold improvements	lease period
Computer equipment	3 years

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

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

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

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

1.5 Intangible assets

Computer software, internally generated and computer software, purchased.

These are recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Router Development Technology

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

No research costs have been capitalised to Router Development Technology.

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

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

Patents

Patents are recognised initially at cost. Patents are carried subsequently at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of a patent over its estimated useful life of 20 years.

ACCOUNTING POLICIES

1.5 Intangible assets (continued)

Subsequent expenditure of Computer software, internally generated and Computer software, purchased

Subsequent expenditure is capitalised only when it increases the economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

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

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

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

Item	Useful life
Patents	20 years from date of first granting of patent
Router Development Technology	10 years
Computer software, internally generated	5 years
Computer software, purchased	3 years

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

1.6 Financial instruments Classification

The Group classifies financial assets and financial liabilities into the following categories:

Description of asset/liability	Classification
Trade and other receivables	Loans and receivables
Loans receivable	Loans and receivables
Cash and cash equivalents	Loans and receivables
Trade and other payables	Other liabilities at amortised cost
Other financial liabilities	Other liabilities at amortised cost
Loans payable	Other liabilities at amortised cost
Interest bearing liability	Other liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the financial instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not accounted for at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Derecognition

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

The Group derecognises a financial liability when its contractual obligations are extinguished, cancelled or expire.

ACCOUNTING POLICIES

1.6 Financial instruments Classification (continued)

Trade and other receivables and loans receivable

Trade receivables and loans receivable are measured at initial recognition at fair value, and are measured subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter business rescue, bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables, loans payable and other financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are convertible readily into a known amount of cash and are subject to an insignificant risk of changes in value. These are recorded initially at fair value and subsequently measured at amortised cost.

Offsetting

Financial assets and financial liabilities are set-off against each other and the net amount presented in the statement of financial position when the Group has a legal right to set-off the amounts and intends to settle on a net basis to realise the asset and settle the liability simultaneously.

Profit or loss

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

1.7 Deferred expenditure

Deferred DIBs

Deferred DIBs are commissions paid to Business Partners at the commencement date of revenue contracts entered into between Huge Telecom or Huge Connect and their customers and where the duration and benefits of such contracts extend into future reporting periods. Such payments are amortised over the expected life of the customer. Deferred DIBs are classified as current and non-current assets.

Deferred SOHOR expenditure

Deferred SOHOR expenditure is the carrying value of the cost of SOHOR devices supplied to customers in terms of revenue contracts. The cost of such SOHOR devices is amortised over the duration of the revenue contracts to cost of sales. Deferred SOHOR expenditure is classified as current and non-current assets.

1.8 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

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

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

1.9 Instalment sales and operating leases

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

An operating lease is a lease other than an instalment sale.

Instalment sales

Instalment sale liabilities are recognised in the statement of financial position at amounts equal to the fair value of the purchased asset or, if lower, the present value of the minimum instalment payments. The corresponding liability to the purchaser is included in the statement of financial position as an instalment sale liability.

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

The payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the instalment sale term so as to produce a constant periodic rate on the remaining balance of the liability. Any initial direct costs are added to the amount recognised as an asset. Contingent rents shall be charged as expenses in the periods in which they are incurred.

1.9 Instalment sales and operating leases (continued)

Operating leases – lessee

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

Any contingent rents are expensed in the period they are incurred.

1.10 Inventories

Inventories comprise stock held by Huge Telecom and consists of router equipment not yet deployed and installed at customers' premises and SOHOR devices not yet subject to revenue contracts.

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

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

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

1.11 Impairment of assets

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

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

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

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

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

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

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

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

1.11 Impairment of assets (continued)

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

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

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

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

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

1.12 Share capital and equity

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

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

Shares of the Company acquired by the Company are cancelled once bought back by the holding company. Retained earnings include all current and prior period retained profits.

Treasury shares

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

1.13 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

1.14 Revenue

Revenue from the sale of telecommunication services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue is recognised when the service is rendered and when the recovery of the consideration is probable, as well as when the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue when the sale is recognised.

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

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

1.15 Earnings and headline earnings per share

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

The calculation of HEPS is based on the net profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE and Circular 2 of 2015. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 31.

1.16 Borrowing costs

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

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2017 or later periods:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

2.2 Standards and interpretations not yet effective (continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non- financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group expects to adopt the standard for the first time in the 2019 Consolidated and Separate Annual Financial Statements. The impact of this standard is currently being assessed.

2.2 Standards and interpretations not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group expects to adopt the standard for the first time in the 2019 Consolidated and Separate Annual Financial Statements. The impact of this standard is currently being assessed.

IFRS 16 Leases

IFRS 16 is the new Leases standard.

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

ACCOUNTING POLICIES

2.2 Standards and interpretations not yet effective (continued)

- IFRS 16 supersedes the following Standards and Interpretations:

  (a) IAS 17 Leases;

  (b) IFRIC 4 Determining whether an Arrangement contains a Lease;

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

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

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

The Group expects to adopt the standard for the first time in the 2020 Consolidated and Separate Annual Financial Statements. The impact of this standard is currently being assessed.

3. Segmental information

The directors have considered the implications of IFRS 8: Operating segments and are of the opinion that the current and prior year operations of the Group constitute one operating segment and accordingly the Telecoms and MTS operating segments, as well as the Corporate Office, have been combined with effect from the 2015 financial year. Resource allocation and operational management is performed on an aggregate basis. Performance is measured based on profit or loss before tax as shown in internal management reports that are reviewed by the Chief Operating Decision Maker (CODM), who is the Group's Chief Executive Officer. The CODM also regularly reviews the Group Statement of Financial Position.

Geographic areas

The Group has operations physically located in 5 regions which are: Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal and Bloemfontein.

Services

The Group provides the following services: Voice connectivity services, Messaging services and Telephone management services. Refer to note 24 for more detail.

4. Property, plant and equipment

Group — **2017**

	Cost	Accumulated depreciation	Carrying value
Router equipment	86 352 834	(16 427 256)	69 925 578
Furniture and fixtures	313 512	(251 435)	62 077
Motor vehicles	4 190 879	(2 531 341)	1 659 538
Computer equipment	7 733 335	(6 158 334)	1 575 001
Leasehold improvements	385 358	(385 358)	-
Total	**98 975 918**	**(25 753 724)**	**73 222 194**

Group — **2016**

	Cost	Accumulated depreciation	Carrying value
Router equipment	99 487 380	(43 032 267)	56 455 113
Furniture and fixtures	313 512	(220 622)	92 890
Motor vehicles	4 437 867	(2 031 904)	2 405 963
Computer equipment	7 373 457	(5 247 793)	2 125 664
Leasehold improvements	377 158	(363 641)	13 517
Total	**111 989 374**	**(50 896 227)**	**61 093 147**

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Router equipment	56 455 113	19 895 101	-	(6 424 636)	69 925 578
Furniture and fixtures	92 890	-	-	(30 813)	62 077
Motor vehicles	2 405 963	-	(12 349)	(734 076)	1 659 538
Computer equipment	2 125 664	371 327	-	(921 990)	1 575 001
Leasehold improvements	13 517	-	-	(13 517)	-
	61 093 147	**20 266 428**	**(12 349)**	**(8 125 032)**	**73 222 194**

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Router equipment	43 924 994	17 887 693	-	(5 357 574)	56 455 113
Furniture and fixtures	109 256	32 003	-	(48 369)	92 890
Motor vehicles	1 493 962	1 511 289	(12 417)	(586 871)	2 405 963
Computer equipment	556 522	1 979 886	-	(410 744)	2 125 664
Leasehold improvements	-	13 517	-	-	13 517
	46 084 734	**21 424 388**	**(12 417)**	**(6 403 558)**	**61 093 147**

Encumbered assets

Three (2016: Three) light commercial vehicles with a carrying value of R 189 849 (2016: R 329 506) serve as security for instalment sale agreements concluded with Wesbank, a division of FirstRand Bank. Refer to note 19.

Twelve (2016: Ten) light commercial vehicles with a carrying value of R 1 414 190 (2016: R 1 790 536) serve as security for instalment sale agreements concluded with Merchant West Proprietary Limited. Refer to note 19.

5. Goodwill

Group	2017		
	Cost	Accumulated impairment	Carrying value
Goodwill	215 251 256	(97 774)	215 153 482

Group	2016		
	Cost	Accumulated impairment	Carrying value
Goodwill	215 251 256	(97 774)	215 153 482

The Goodwill arose on the acquisition of Huge Telecom on 9 July 2007 and on the acquisition of Huge Connect on 13 August 2007. These businesses are measured and viewed as a single CGU.

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

The recoverable amount or value in use was determined by discounting the future cash flows generated by the Telecom Grouping consisting of Huge Group, Huge Telecom, Huge Connect, Huge Cellular, Huge Software, Ambient and Le Gacy. The valuation of the Goodwill attributable to the Telecom Grouping, based on the valuation performed by Managhan SA Proprietary Limited, is R 397 470 000 (2016: R 239 516 000).

The assumptions used in computing the value in use are based on estimates provided by management, which take account of future expectations related to changes in the market in which Huge operates. The weighted average cost of capital (WACC) is represented by a pre-tax discount rate which is based on a risk free rate of return, adjusted by a premium in respect of the Company and the market and a Beta to reflect an appropriate level of volatility. The assumptions are:

- revenue growth rate of 10.0% for the year 28 February 2017 (2016: 10%), and 10% for the years to 28 February 2017 to 2020 (2016: 10%);
- cost of sales growth rate of 10.0% for the year to 28 February 2017 (2016: 10%), and 12% for the years to 28 February 2017 to 2020 (2016: 10%);
- operating costs increasing at a growth rate of 5.5% for the year to 28 February 2017 (2016: 5.5%), and 5.8% for the years from 28 February 2017 to 2020 (2016: 5.5%);
- a weighted average cost of capital represented by a pre-tax discount rate of 17.09% (2016: 17.09%); and
- a terminal growth rate of 3.1% (2016: 3.1%).

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

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

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

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

6. Intangible assets

Group	2017		
	Cost	Accumulated amortisation and impairment losses	Carrying value
Router Development Technology	1 714 387	-	1 714 387
Computer software, internally generated	17 238 161	(15 213 465)	2 024 696
Computer software, purchased	2 479 785	(2 410 183)	69 602
Patents	393 264	(274 522)	118 742
Total	**21 825 597**	**(17 898 170)**	**3 927 427**

Group	2016		
	Cost	Accumulated amortisation and impairment losses	Carrying value
Router Development Technology	1 274 951	-	1 274 951
Computer software, internally generated	18 144 209	(18 055 316)	88 893
Computer software, purchased	2 658 738	(2 562 808)	95 930
Patents	372 358	(274 522)	97 836
Total	**22 450 256**	**(20 892 646)**	**1 557 610**

Company	2017		
	Cost	Accumulated	Carrying value
Computer software, purchased	13 925	(4 642)	9 283

Company	2016		
	Cost	Accumulated	Carrying value
Computer software, purchased	13 925	-	13 925

6. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisa-tion	Total
Router Development Technology	1 274 951	1 442 887	(1 003 451)	-	-	1 714 387
Computer software, internally generated	88 893	4 071 598	-	(118 221)	(2 017 584)	2 024 696
Computer software, purchased	95 930	13 466	-	118 221	(158 005)	69 602
Patents	97 836	20 906	-	-	-	118 742
	1 557 610	**5 548 857**	**(1 003 451)**	**-**	**(2 175 589)**	**3 927 427**

Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Transfers	Amortisa-tion	Total
Router Development Technology	604 308	670 643	-	-	1 274 951
Computer software, internally generated	1 150 237	1 679 123	300 000	(3 040 467)	88 893
Computer software, purchased	543 659	58 609	(300 000)	(206 338)	95 930
Patents	-	97 836	-	-	97 836
	2 298 204	2 506 211	-	(3 246 805)	1 557 610

Reconciliation of intangible assets - Company - 2017

	Opening balance	Amortisa-tion	Total
Computer software, purchased	13 925	(4 642)	9 283

Reconciliation of intangible assets - Company - 2016

	Opening balance	Amortisa-tion	Total
Computer software, purchased	-	13 925	13 925

Router Development Technology

During the prior year, Huge Software acquired certain Intellectual Property to facilitate the development of the Group's own router equipment. The cost of such Intellectual Property and development costs incurred during the year amounts to R 1 442 887 (2016: R 670 643) and is included under additions.

7. Investments in subsidiaries

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Huge Telecom	Huge	100.0 %	100.0 %	113 343 379	113 343 379
Huge Connect	Huge	100.0 %	100.0 %	69 411 943	69 411 943
Huge Software	Huge	100.0 %	100.0 %	100	100
Eyeballs	Huge	96.0 %	96.0 %	6 115 194	6 115 194
Huge Cellular	Huge Telecom	100.0 %	100.0 %	-	-
Ambient	Huge Telecom	50.2 %	50.2 %	-	-
Le Gacy	Huge Telecom	49.7 %	49.7 %	-	-
				188 870 616	**188 870 616**
Provision for impairment of investment in Huge Connect				(69 411 943)	(69 411 943)
Provision for impairment of investment in Eyeballs				(6 115 194)	(6 115 194)
Net carrying amount				**113 343 479**	**113 343 479**

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

The investments in Eyeballs and Huge Connect have been impaired by R 75 527 137 to date (2016: R 75 527 137), due to the uncertainty of the recoverability of the carrying amounts of these investments.

8. Investment in joint venture company

Group

Name of company	Held by	% ownership interest	% ownership interest	Carrying amount	Carrying amount
Gonondo	Huge Telecom	50.0 %	50.0 %	687 887	709 479

8. Investment in joint venture company (continued)

	Group 2017	Group 2016	Company 2017	Company 2016
Carrying amount				
The movement in the carrying amount of the investment in the joint venture company is as follows:				
Opening balance	709 479	714 235	-	-
Share of retained earnings	(21 592)	(4 756)	-	-
Carrying amount	**687 887**	**709 479**	**-**	**-**
The Group's share of earnings in the joint venture company is made up as follows:				
(Loss) profit from the joint venture company	(21 592)	(4 756)	-	-
Share of retained earnings from the joint venture company	**(21 592)**	**(4 756)**	**-**	**-**
The above mentioned joint venture company is incorporated and has its effective place of business in South Africa. The information below represents 100% of Gonondo's results.				
Summary of Group's interest in the joint venture company				
Statement of financial position				
Non-current assets	1 100	38 947	-	-
Current assets	848 261	649 372	-	-
Long-term liabilities - non-interest bearing	-	(3 065)	-	-
Current liabilities - non-interest bearing	(392 396)	(185 106)	-	-
Equity	**456 965**	**500 148**	**-**	**-**
Statement of comprehensive income				
Revenue	1 225 214	1 277 899	-	-
Other expenses	(1 280 189)	(1 292 563)	-	-
Investment income	8 727	10 705	-	-
Finance costs	-	(9 224)	-	-
Taxation income (expense)	3 065	3 671	-	-
(Loss) profit for the year	**(43 183)**	**(9 512)**	**-**	**-**
Statement of cash flows				
Cash flows from operating activities	210 066	76 785	-	-
Net cash flow	**210 066**	**76 785**	**-**	**-**

9. Deferred tax

	Group 2017	Group 2016	Company 2017	Company 2016
Deferred tax asset	7 550 181	6 415 059	1 111 344	27 474
Deferred tax liability	(9 942 033)	(1 422 350)	-	-
	(2 391 852)	**4 992 709**	**1 111 344**	**27 474**
Reconciliation of deferred tax balances				
At beginning of year	4 992 709	2 833 920	27 474	1 532 333
Included in income tax expense	(7 384 561)	2 158 789	1 083 870	(1 504 859)
	(2 391 852)	**4 992 709**	**1 111 344**	**27 474**
Composition of deferred tax				
Accrual for credit notes	139 123	-	-	-
Accrual for leave pay	684 361	462 489	-	-
Allowance for doubtful debts	554 529	612 558	-	-
Intangible assets	(52 668)	(79 140)	-	-
Deferred expenditure	(6 900 315)	-	-	-
Property, plant and equipment	(2 989 054)	(1 343 209)	-	-
Tax losses available for set off against future taxable income	6 172 172	5 340 011	1 111 344	27 474
	(2 391 852)	**4 992 709**	**1 111 344**	**27 474**

Recognition of deferred tax asset

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

10. Deferred expenditure

	Group 2017	Group 2016	Company 2017	Company 2016
Deferred DIBs	23 311 568	13 770 772	-	-
Deferred SOHOR expenditure	1 332 413	1 946 475	-	-
	24 643 981	**15 717 247**	**-**	**-**
Non-current portion	16 950 014	6 223 654	-	-
Current portion	7 693 967	9 493 593	-	-
	24 643 981	**15 717 247**	**-**	**-**

11. Inventories

	Group 2017	Group 2016	Company 2017	Company 2016
Router equipment	600 953	639 129	-	-
SOHOR Devices	45 900	654 456	-	-
	646 853	**1 293 585**	**-**	**-**

Inventories comprise stock held by Huge Telecom and consist of router equipment not yet deployed and installed at customers' premises and SOHOR devices not yet subject to revenue contracts.

12. Loans to (from) group companies

	Group 2017	Group 2016	Company 2017	Company 2016
Subsidiary companies				
Huge Telecom	-	-	(6 838 901)	8 002 092
Huge Connect	-	-	1 253 276	2 255 014
Huge Software	-	-	61 591 999	28 952 550
Eyeballs	-	-	20 835 146	20 995 912
	-	-	76 841 520	60 205 568
Impairment of Huge Connect	-	-	(1 253 276)	(2 255 014)
Impairment of Eyeballs	-	-	(20 835 146)	(20 995 912)
	-	-	54 753 098	36 954 642

The loans are unsecured, interest free, and have been subordinated by the Company. There are no fixed terms of repayment.

The provision for impairment for Huge Connect and Eyeballs was adjusted by R 1 162 504 in line with the decrease in the loan to Huge Connect.

	Group 2017	Group 2016	Company 2017	Company 2016
Current assets	-	-	61 591 999	36 954 642
Current liabilities	-	-	(6 838 901)	-
	-	**-**	**54 753 098**	**36 954 642**

13. Loans to (from) shareholders

	Group 2017	Group 2016	Company 2017	Company 2016
Anton Daniel Potgieter	898 784	(24 092)	898 784	(24 092)
James Charles Herbst	(177 660)	(437 290)	(177 660)	(437 290)
	721 124	**(461 382)**	**721 124**	**(461 382)**

The loans are unsecured and bear interest at a rate of 4% above the prime overdraft rate.

The loans cannot be repaid without the consent of FirstRand Bank.

	Group 2017	Group 2016	Company 2017	Company 2016
Current assets	898 784	-	898 784	-
Current liabilities	(177 660)	(461 382)	(177 660)	(461 382)
	721 124	**(461 382)**	**721 124**	**(461 382)**

14. Trade and other receivables

	Group 2017	Group 2016	Company 2017	Company 2016
Trade receivables	36 596 091	22 333 039	-	-
Deposits	1 002 073	748 504	-	-
Other receivables	89 086	466 785	376	466 785
Amounts subject to legal dispute	4 020 004	4 020 004	4 020 004	4 020 004
	41 707 254	**27 568 332**	**4 020 380**	**4 486 789**

14. Trade and other receivables (continued)

Trade and other receivables pledged as security

Huge Telecom has ceded, as security, all its rights, title and interest in and to the Huge Telecom book debts of R 30 000 000 (2016: R 20 000 000) to FirstRand Bank (refer to note 15).

Dispute between Huge and Telemasters

During February 2013 Telemasters cancelled an agreement with Huge for the supply of MTN airtime and suspended the SIM cards held by the Company.

As at 28 February 2013 Telemasters alleges that Huge is indebted to it in the amount of R4.176m. Huge has claims against Telemasters in the amount of R4.392m plus interest, in respect of amounts overcharged by Telemasters. The matter will be subject to arbitration by the Arbitration Foundation of Southern Africa. The assets and liabilities relating to this dispute have been recognised at levels appropriate to the Company's assessment of the outcome of the arbitration hearing. A date has not yet been set for the arbitration hearing.

15. Cash and cash equivalents

	Group		Company	
	2017	**2016**	**2017**	**2016**
Cash on hand	23 067	6 923	-	-
Bank balances	70 952 746	4 548 106	69 996 640	3 778
Bank overdraft	(9 440 642)	(9 872 967)	-	-
	61 535 171	**(5 317 938)**	**69 996 640**	**3 778**
Current assets	70 975 813	4 555 029	69 996 640	3 778
Current liabilities	(9 440 642)	(9 872 967)	-	-
	61 535 171	**(5 317 938)**	**69 996 640**	**3 778**

FirstRand Bank acts as bankers to the following companies within the Group by providing these companies with current account facilities:

- Huge
- Huge Telecom
- Huge Connect
- Huge Cellular
- Huge Software
- Eyeballs
- Le Gacy

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

- Huge Connect
- Ambient

Huge Telecom has entered into an agreement with FirstRand Bank for the provision of the following additional banking facilities which are subject to annual review and where amounts owing are repayable on demand:

- Overdraft facility of R 15 000 000.
- Settlement payment and collection system (PACS) facility of R 3 000 000.

The overdraft facility is subject to the following material terms and covenants:

Collateral

- General deeds of suretyship in favour of FirstRand Bank given by the following persons/entities for the obligations to FirstRand Bank of the entities listed below:

Surety	Debtor	Amount
Huge Telecom		Unlimited
Huge Connect	Huge Telecom	Unlimited
Huge Group	Huge Telecom	Unlimited

- Subordination by Huge of its loan account balances held against Huge Telecom in favour of FirstRand Bank; and
- Cession by Huge Telecom of any and all rights which it has against its debtors, from time to time, upon terms and conditions acceptable to FirstRand Bank.

Restrictive funding arrangements

Huge Telecom may not incur any further interest bearing debt, it may not undertake any share buy-backs and it may not conduct any bank accounts with another bank or financial institution without the prior written consent of FirstRand Bank. It may also not encumber any of its assets by way of mortgage, pledge, lien, charge, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security on its assets. Huge Telecom may not, otherwise than in the ordinary course of business, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer or other dispose of the whole or the substantial part of its assets or the whole or the substantial part of its undertaking.

16. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2017	Loans and receivables	Total
Loans to shareholders	898 784	898 784
Trade and other receivables	37 687 250	37 687 250
Cash and cash equivalents	70 975 813	70 975 813
	109 561 847	**109 561 847**

Group - 2016	Loans and receivables	Total
Trade and other receivables	23 548 328	23 548 328
Cash and cash equivalents	4 555 029	4 555 029
	28 103 357	**28 103 357**

Company - 2017	Loans and receivables	Total
Loans to group companies	61 591 999	61 591 999
Loans to shareholders	898 784	898 784
Trade and other receivables	376	376
Cash and cash equivalents	69 996 640	69 996 640
	132 487 799	**132 487 799**

Company - 2016	Loans and receivables	Total
Loans to group companies	36 954 642	36 954 642
Trade and other receivables	466 785	466 785
Cash and cash equivalents	3 778	3 778
	37 425 205	**37 425 205**

17. Share capital

	Group 2017	Group 2016	Company 2017	Company 2016
Authorised				
1 000 000 000 Shares	100 000	100 000	100 000	100 000
Reconciliation of number of shares in issue				
Issued shares	125 551 443	110 901 443	125 551 443	110 901 443
Shares held by Huge Telecom as treasury shares	(9 646 926)	(9 646 926)	(9 646 926)	(9 646 926)
	115 904 517	**101 254 517**	**115 904 517**	**101 254 517**

Issued share capital	Number of Shares	Share capital - Group	Share premium - Group R	Share capital Company R	Share premium Company R
Opening balance at 1 March 2015	101 254 517	10 125	229 313 265	11 090	230 675 332
Closing balance at 29 February 2016	101 254 517	10 125	229 313 265	11 090	230 675 332
14 650 000 Shares issued at R 6.15 per share	14 650 000	1 465	90 096 035	1 465	90 096 035
Closing balance at 28 February 2017	115 904 517	11 590	319 409 301	12 555	320 771 367

Issued share capital	Number of Shares	Share capital - Group	Share premium - Group R	Share capital Company R	Share premium Company R
Opening balance at 1 March 2015	9 646 926	965	(64 946)	-	-
Closing balance at 29 February 2016	9 646 926	965	(64 946)	-	-
Closing balance at 28 February 2017	9 646 926	965	(64 946)	-	-

	Group 2017	Group 2016	Company 2017	Company 2016
Total share capital				
Issued Shares	11 590	10 125	12 555	11 090
Share Premium	319 409 301	229 313 265	320 771 367	230 675 332
	319 420 891	**229 323 390**	**320 783 922**	**230 686 422**

The unissued Shares are under the control of the directors in terms of a resolution of the shareholders passed at the last annual general meeting held on 14 September 2016. This authority remains in force until the next annual general meeting to be held on 16 August 2017.

The treasury shares held by Huge Telecom are subject to a cession agreement in favour of Telemasters.

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18. Non-controlling interest

	Eyeballs	Ambient	Le Gacy	Total
	4.0%	49.8%	50.3%	
Non-controlling shareholding				
Balance at 28 February 2015	(2 760 757)	(517 064)	(823 343)	(4 101 164)
Share of (loss) profit for the year	159 502	761 327	(44 391)	876 438
Change in ownership	41 015	(922)	-	40 093
Balance at 29 February 2016	(2 560 240)	243 341	(867 734)	(3 184 633)
Non-controlling shareholding	4.0%	49.8%	50.3%	
Share of profit (loss) for the year	2 349	219 201	(37 965)	183 585
Balance at 28 February 2017	**(2 557 891)**	**462 542**	**(905 699)**	**(3 001 048)**

The information below represents 100% of the subsidiaries' results.

Summary of Group's interest in the subsidiary companies:

	Eyeballs		Ambient		Le Gacy	
	2017	2016	2017	2016	2017	2016
Statement of financial position						
Non-current assets	4 158 918	4 239 532	570 534	741 708	-	-
Current assets	841	1 967	429 459	347 651	23 449	81 646
Current liabilities	(20 880 356)	(21 020 822)	(1 954 583)	(2 484 112)	(499 795)	(482 515)
Equity	**(16 720 597)**	**(16 779 323)**	**(954 590)**	**(1 394 753)**	**(476 346)**	**(400 869)**
Statement of comprehensive income						
Revenue	-	-	3 124 861	3 382 927	35 303	151 025
Cost of sales	-	-	(2 192 584)	(2 263 357)	(13 086)	(73 134)
Other income	314 392	238 047	626 018	1 127 245	-	-
Other expenses	(269 595)	(176 882)	(757 219)	(1 270 436)	(98 447)	(166 144)
Finance costs	-	(30 518)	(192 527)	(192 640)	-	-
Investment income	-	-	2 788	3 324	753	-
Income tax expense	13 929	3 956 889	(171 174)	741 708	-	-
Profit (loss) for the year	**58 726**	**3 987 536**	**440 163**	**1 528 771**	**(75 477)**	**(88 253)**
Statement of cash flows						
Cash flows from operating activities	180 546	(35 080)	156 464	918 885	(62 451)	(75 989)
Cash flows from investing activities	(20 907)	(123 288)	-	-	-	67 089
Cash flows from financing activities	(160 765)	159 406	(158 672)	(1 366 151)	17 280	-
Net cash outflow	**(1 126)**	**1 038**	**(2 208)**	**(447 266)**	**(45 171)**	**(8 900)**

19. Instalment sales

	Group 2017	Group 2016	Company 2017	Company 2016
Minimum instalment payments due				
- within one year inclusive	1 373 938	1 676 837	-	-
- in second to fifth year inclusive	1 621 736	3 060 383	-	-
	2 995 674	4 737 220	-	-
less: future finance charges	(498 511)	(916 914)	-	-
Present value of minimum instalment payments	**2 497 163**	**3 820 306**	**-**	**-**
Present value of minimum instalment payments due				
- within one year	1 165 824	1 676 837	-	-
- in second to fifth year	1 331 339	2 143 469	-	-
	2 497 163	**3 820 306**	**-**	**-**
Non-current liabilities	1 331 339	2 143 469	-	-
Current liabilities	1 165 824	1 676 837	-	-
	2 497 163	**3 820 306**	**-**	**-**

The Group leases motor vehicles under instalment sale agreements. The average term is 36 months ending during 2018 and the rate of borrowing is variable. Interest rates are linked to the prime overdraft rate at the contract date. Monthly instalments are R 99 624 (2016: R 90 188) inclusive of interest.

The Group's obligations under instalment sales are secured with assets. Refer note 4.

20. Interest bearing liability

	Group 2017	Group 2016	Company 2017	Company 2016
SSL loan	-	20 000 000	-	-
Current liabilities				
Held at amortised cost	-	20 000 000	-	-

The loan was settled in full on 21 February 2017. The loan was secured, bore interest at prime plus 9%, and was subject to the following covenants:

Collateral:

- General notarial bond over the assets of Huge Software to the value of R38 million;
- Corporate guarantees by Huge Group and Huge Telecom;
- Cession of 100% of shares in and claims against Huge Software;
- Cession of insurance policy over Huge Software's movable assets;
- Cession and pledge of Huge Software bank accounts;
- Cession of MNO supply contracts held by Huge Cellular;
- Reversionary cession of treasury shares held by Huge Telecom;
- Subordination of all shareholder and inter-company loans against Huge Software, Huge Group and Huge Telecom; and
- Second ranking rights over the security held by FirstRand.

20. Interest bearing liability (continued)

Covenants:

- Prior approval of SSL with regard to any change in the capital structure of any company within the Group, with the exception of any equity issues by Huge Software;
- Incurrence of any material indebtedness or issuing of security or furnishing of any loans or other form of financial assistance by companies in the Group, with the exception of the First Rand facility;
- Disposal of any assets held by Huge Software;
- Amendment to or cancellation of any MNO agreement held by Huge Cellular; and
- Payment or declaration of any distributions.

Financial covenants:

- EBIDTA to interest expense a minimum ratio of 2:1;
- Cash flow to debt service ratio of 1.3:1; and
- Total interest bearing debt: annualised 12 month rolling EBIDTA ratio to be a minimum of 3:1.

The Group was not in breach of its covenants in the current and prior financial year.

21. Other financial liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
Held at amortised cost				
J Ingram	89 556	82 068	-	-
EM Kerby	619 329	557 670	-	-
GB Shiers	44 051	54 146	-	-
	752 936	**693 884**	**-**	**-**

The J Ingram, EM Kerby and GB Shiers loans are unsecured, bear interest at the prime overdraft rate (2016: prime) and have no fixed terms of repayment. The loans have been subordinated in favour of other creditors until the assets, fairly valued, exceed the liabilities of Ambient.

	Group		Company	
	2017	**2016**	**2017**	**2016**
Current liabilities				
At amortised cost	752 936	693 884	-	-

22. Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
Trade payables	22 455 025	23 507 346	630 728	247 809
VAT	747 561	274 575	1 806 097	1 117 956
Trade payables subject to legal dispute	4 331 554	4 331 554	4 331 554	4 331 554
Payroll accruals	3 773 868	1 923 952	91 224	48 808
Accrued leave pay	217 533	208 700	-	-
Accrued Business Partner commission	3 720 521	6 112 179	-	-
Deposits received	320 361	309 248	-	-
	35 566 423	**36 667 554**	**6 859 603**	**5 746 127**

23. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2017	Financial liabilities at amortised cost	Total
Loans from shareholders	177 660	177 660
Instalment sales	2 497 163	2 497 163
Other financial liabilities	752 936	752 936
Trade and other payables	22 775 386	22 775 386
Bank overdraft	9 440 642	9 440 642
	35 643 787	**35 643 787**

Group - 2016	Financial liabilities at amortised cost	Total
Loans from shareholders	461 382	461 382
Instalment sales	3 820 306	3 820 306
Other financial liabilities	693 884	693 884
Trade and other payables	23 816 594	23 816 594
Bank overdraft	9 872 967	9 872 967
Interest bearing liability	20 000 000	20 000 000
	58 665 133	**58 665 133**

Company - 2017	Financial liabilities at amortised cost	Total
Loans from group companies	6 838 901	6 838 901
Loans from shareholders	177 660	177 660
Trade and other payables	630 728	630 728
	7 647 289	**7 647 289**

Company - 2016	Financial liabilities at amortised cost	Total
Loans from shareholders	461 382	461 382
Trade and other payables	247 809	247 809
	709 191	**709 191**

24. Revenue

	Group		Company	
	2017	**2016**	**2017**	**2016**
Voice connectivity services	230 762 721	210 272 211	-	-
Messaging services	4 027 560	4 353 332	-	-
Telephone management services	1 202 786	1 891 927	-	-
Connection incentive bonus	10 000 000	-	-	-
	245 993 067	**216 517 470**	**-**	**-**

25. Cost of sales

	Group 2017	Group 2016	Company 2017	Company 2016
Voice connectivity services	85 943 877	82 676 758	-	-
Messaging services	1 059 160	5 368 307	-	-
Telephone management services	1 518 447	1 710 236	-	-
Router equipment depreciation	6 424 636	5 357 574	-	-
Business Partner commissions	32 298 012	31 220 837	-	-
Field support costs	136 736	1 994 495	-	-
	127 380 868	**128 328 207**	**-**	**-**

26. Other income

	Group 2017	Group 2016	Company 2017	Company 2016
Profit on sale of property, plant and equipment	4 633	58 583	-	-
Administration fees received	923 652	942 673	5 913 279	8 683 372
Rental income	183 125	73 500	-	-
Sundry income	135 462	221 019	-	-
	1 246 872	**1 295 775**	**5 913 279**	**8 683 372**

27. Operating profit (loss)

	Group 2017	Group 2016	Company 2017	Company 2016
Operating profit (loss) for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Straight-line basis	4 456 321	4 063 680	-	-
Equipment				
• Straight-line basis	81 922	174 936	35 263	150 187
	4 538 243	**4 238 616**	**35 263**	**150 187**
Depreciation of property, plant and equipment	8 125 032	6 403 558	-	-
Amortisation of intangible assets	2 175 589	3 246 805	4 642	-
Reversal of impairment of intangible assets	-	(11 300)	-	-
Reversal of impairments of loan to Group companies	-	-	(1 162 504)	(3 625 624)
Employee costs	47 230 907	41 306 747	3 451 349	1 484 329
Contributions to defined contribution plan	4 085 610	3 818 311	-	-
Legal expenses	3 176 494	1 566 238	-	-
Bad debts written off	2 914 187	843 231	-	-

28. Investment revenue

	Group 2017	Group 2016	Company 2017	Company 2016
Interest revenue				
Bank	26 934	26 291	7 729	1 375
Interest charged on trade and other receivables	88 098	64 290	-	-
Other receivables	117 726	401 526	117 726	401 526
	232 758	**492 107**	**125 455**	**402 901**

29. Finance costs

	Group		Company	
	2017	2016	2017	2016
Shareholders' loans	101 560	92 044	25 922	-
Trade and other payables	92 143	46 783	4	16
Instalment sales	435 491	235 557	-	-
Bank overdraft	4 706 794	324 210	-	-
Loan funding	-	3 998 537	-	-
	5 335 988	**4 697 131**	**25 926**	**16**

30. Taxation

Major components of the tax expense (income)				
Current				
Local income tax - current period	2 922 566	1 248 236	-	-
Deferred				
Originating and reversing temporary differences	7 384 563	(2 158 789)	(1 083 870)	1 504 858
	10 307 129	**(910 553)**	**(1 083 870)**	**1 504 858**
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28.0 %	28.0 %	28.0 %	28.0 %
Exempt income	(3.7)%	(30.8)%	- %	(40.3)%
Disallowable charges	5.3 %	6.3 %	- %	0.1 %
Utilised/unutilised assessed loss	(1.1)%	(8.4)%	- %	29.0 %
	28.5 %	**(4.9)%**	**28.0 %**	**16.8 %**

31. Earnings and headline earnings per Share

2017	Gross	Tax	NCI	Net
Profit attributable to ordinary equity holders of the parent entity	-	-	-	26 623 525
Adjusted for:				
Profit on disposal of property, plant and equipment	(4 633)	1 297	-	(3 336)
Headline earnings	**(4 633)**	**1 297**	**-**	**26 620 189**
Adjusted for:				
Acquisition costs	3 510 711	(982 999)	-	2 527 712
Earnings before acquisition costs	**3 506 078**	**(981 702)**	**-**	**29 147 901**

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31. Earnings and headline earnings per Share (continued)

2016	Gross	Tax	NCI	Net
Profit attributable to ordinary equity holders of the parent entity	-	-	--	18 779 903
Adjusted for:				
Profit on disposal of property, plant and equipment	(58 583)	16 403	-	(42 180)
Headline earnings	**(58 583)**	**16 403**	**-**	**18 737 723**
Weighted average number of ordinary Shares				
Issued ordinary shares at 1 March	101 254 517	101 254 517	-	-
Weighted average ordinary Shares issued during the year	105 890	-	-	-
Weighted Average number of ordinary shares in issue at 29/28 February (basic, diluted and headline)	**101 360 407**	**101 254 517**	**-**	**-**
Per Share statistics				
Basic earnings per share	26.3	18.5	-	-
Headline earnings per share	26.3	18.5	-	-
Diluted basic earnings per share	26.3	18.5	-	-
Diluted headline earnings per share	26.3	18.5	-	-
Earnings per share before acquisition costs	28.8	-	-	-

32. Cash generated from (used in) operations

	Group		Company	
	2017	**2016**	**2017**	**2016**
Profit before taxation				
Profit before taxation	37 114 239	18 745 788	(2 708 203)	8 994 242
Adjustments for:				
Depreciation	8 125 032	6 403 558	-	-
Amortisation	2 175 589	3 246 805	4 642	-
Profit on sale of property, plant and equipment	(4 633)	(58 583)	-	-
Loss from joint venture	21 592	4 756	-	-
Interest received	(232 758)	(492 107)	(125 455)	(402 901)
Finance costs	5 335 988	4 697 131	25 926	16
Reversal of impairment loss				
Reversal of impairment loss	-	-	-	(3 625 624)
Changes in working capital:				
Inventories	646 732	(268 089)	-	-
Trade and other receivables	(14 138 922)	7 291 408	466 409	4 413 732
Deferred expenditure	(8 926 734)	(4 448 210)	-	-
Trade and other payables	(1 101 133)	(8 459 085)	1 113 476	(554 430)
	29 014 992	**26 663 372**	**(1 223 205)**	**8 825 035**

33. Commitments

	Group 2017	Group 2016	Company 2017	Company 2016
Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	685 037	2 830 406	-	-

Operating lease payments represent rentals payable by the Group for certain of its office properties and office equipment. Leases are negotiated for an average term of one to three years and rentals are fixed for an average of one year. No contingent rent is payable.

34. Related parties

Relationships

Subsidiary companies	Huge Telecom Huge Connect Huge Cellular Huge Software Eyeballs Ambient Le Gacy
Jointly Controlled Arrangement	Gonondo
Entities controlled by directors which have transacted with a Group company	Accknowledge Systems Proprietary Limited (Accknowledge) – (James Charles Herbst)
Members of key management	James Charles Herbst David Deetlefs
Directors of subsidiary companies	Michael Ronald Beamish Gregory Beaufort Shiers Jarratt Ingram Anton Daniel Potgieter

Refer to relevant notes for terms and conditions on related party balances and transactions.

	Group 2017	Group 2016	Company 2017	Company 2016
Related party balances				
Loan accounts - Owing (to) by related parties				
Anton Daniel Potgieter	898 784	(24 092)	898 784	(24 092)
James Charles Herbst	(177 660)	(437 290)	(177 660)	(437 290)
Huge Telecom	-	-	(6 838 901)	8 002 092
Huge Connect	-	-	1 253 276	2 255 014
Eyeballs	-	-	20 835 146	20 992 912
Huge Software	-	-	61 591 999	28 952 550
Gregory Beaufort Shiers	(44 051)	(54 146)	-	-
Jarratt Ingram	(89 555)	(82 068)	-	-
Edward Mitchell Kerby	(619 329)	(557 670)	-	-
	(31 811)	**(1 155 266)**	**77 562 644**	**59 741 186**

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34. Related parties (continued)

	Group 2017	Group 2016	Company 2017	Company 2016
Related party transactions				
Interest paid to (received from) related parties				
Anton Daniel Potgieter	(117 452)	184 612	-	-
James Charles Herbst	25 922	169 020	-	-
Edward Mitchell Kerby	61 658	49 825	-	-
Gregory Beaufort Shiers	4 905	4 837	-	-
Jarratt Ingram	9 074	7 332	-	-
	(15 893)	**415 626**	**-**	**-**
Purchases from (sales to) related parties				
Accknowledge	258 025	258 025	-	-
Gonondo	1 122 447	1 491 132	-	-
	1 380 472	**1 749 157**	**-**	**-**
Management fees (received) paid to related parties				
Huge Telecom	-	-	(5 878 038)	(8 613 141)
Huge Software	-	-	(389 044)	(22 673)
Huge Connect	-	-	(16 602)	(30 397)
Ambient	-	-	(4 305)	(11 119)
Le Gacy	-	-	(908)	(6 041)
Huge Telecom	-	-	900 000	600 000
	-	**-**	**(5 388 897)**	**(8 083 371)**

35. Directors' emoluments

Executive
2017

	Emoluments	Medical aid	Provident fund	Total
James Charles Herbst	3 278 607	55 064	232 824	3 566 495
David Deetlefs	2 507 890	-	192 879	2 700 769
	5 786 497	**55 064**	**425 703**	**6 267 264**

2016

	Emoluments	Medical aid	Provident fund	Total
James Charles Herbst	3 030 337	117 228	208 382	3 355 947
David Deetlefs	2 580 613	-	178 654	2 759 267
	5 610 950	**117 228**	**387 036**	**6 115 214**

35. Directors' emoluments (continued)

Non-executive
2017

	Directors' fees	Total
Duarte Ferdinand da Silva	570 145	570 145
Dennis Robert Gammie	360 065	360 065
Stephen Peter Tredoux	360 065	360 065
Vincent Mokhele Mokholo	356 025	356 025
Anton Daniel Potgieter	360 065	360 065
Zunaid Bulbulia	1 446 825	1 446 825
	3 453 190	**3 453 190**

2016

	Directors' fees	Total
Dennis Robert Gammie	317 140	317 140
Stephen Peter Tredoux	317 140	317 140
Vincent Mokhele Mokholo	494 900	494 900
Anton Daniel Potgieter	317 140	317 140
Zunaid Bulbulia	34 845	34 845
	1 481 165	**1 481 165**

36. Risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, has delegated the authority for designing and operating processes that ensure the effective implementation of objectives and policies to the Group's finance function. The Board receives monthly reports from the 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.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 12, 13, 19, 20 and 21, and equity as disclosed in the statement of financial position.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

There are externally imposed capital requirements. Refer to bank covenants in note 15.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

36. Risk management (continued)

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecasting cash inflows and outflows on a day to day basis. Liquidity needs are monitored in various time bands, on a day to day and week to week basis as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180 day and a 360 day outlook period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or shortfalls. This analysis indicates whether available borrowing facilities are expected to be sufficient over the outlook period.

In order to meet its liquidity requirement for the three month periods referred to above the Group maintains cash balances at appropriate levels.

Funding for long term liquidity needs is secured by an adequate amount of committed credit facilities, the ability to sell long term financial assets and the committed loans, if required, from certain shareholders.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Trade and other payables reflected in the table below includes amounts subject to legal dispute of R 4 331 554 (2016: R 4 331 554), whilst Trade and other receivables includes an amount of R 4 020 004 (2016: R 4 020 004) subject to legal dispute. The possible settlement of such legal dispute may impact on the Group's liquidity position and the Group has considered its ability to meet such settlement in terms of its credit facilities and its ability to secure funding from its shareholders and is satisfied that it is able to meet its commitments in this regard.

Group
At 28 February 2017

	Carrying value	Contractual cash flow	Between 1 and 12 months	Between 1 and 5 years	No fixed terms
Trade and other payables	22 775 386	22 775 387	22 775 387	-	-
Instalment sales	2 497 163	2 995 674	1 165 824	1 331 339	-
Other financial liabilities	752 936	-	-	-	752 936
Bank overdraft	9 440 642	9 440 642	9 440 642	-	-
Loans from shareholders	177 660	-	-	-	177 660
At 29 February 2016					
Trade and other payables	23 816 594	23 816 594	23 816 594	-	-
Instalment sales	3 820 306	4 737 220	1 676 837	3 060 383	-
Other financial liabilities	693 884	-	-	-	693 884
Interest bearing liability	20 000 000	20 000 000	20 000 000	-	-
Loans from shareholders	461 382	-	-	-	461 382
Bank overdraft	9 872 967	9 872 967	9 872 967	-	-

Company
At 28 February 2017

	Carrying value	Contractual cash flow	Between 1 and 12 months	Between 1 and 5 years	No fixed terms
Trade and other payables	630 728	630 728	630 728	-	-
Loans from shareholders	(721 124)	-	-	-	(721 124)
Loan from Group company	6 838 901	-	-	-	6 838 901
At 29 February 2016					
Trade and other payables	247 809	247 809	247 809	-	-
Loans from shareholders	461 382	-	-	-	461 382

36. Risk management (continued)

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group's cash flow to change in the level of interest rates. During 2017 and 2016, the Group's borrowings at variable rate were denominated in the Rand.

At 28 February 2017, if interest rates on Rand-denominated borrowings had been 1% higher/ lower with all other variables held constant, pre-tax profit for the year of the Group would have been R 241 003 (2016: R 343 012) lower/higher.

At 28 February 2017, if interest rates on Rand-denominated borrowings had been 1% higher/ lower with all other variables held constant, pre-tax profit for the year of the Company would have been R 2 164 (2016: R 3 322) lower/higher.

Variable interest rate instruments	Group 2017	Group 2016	Company 2017	Company 2016
Cash and cash equivalents	61 535 171	(5 317 938)	69 996 640	3 778
Other financial liabilities	(752 936)	(693 884)	-	-
Instalment sales	(2 497 163)	(3 820 306)	-	-
Interest bearing liability	-	(20 000 000)	-	-
	58 285 072	**(29 832 128)**	**69 996 640**	**3 778**

Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and is managed on a Group basis. Financial assets exposed to credit risk at year end were as follows:

The Group continuously monitors the potential default by its customers and other counterparties, identified either individually or as a Group and incorporates this information into its credit risk controls.

External credit ratings and/or reports on customers and counterparties are obtained and used. The Group's policy is to deal only with suitably creditworthy counterparties. Average debtors' terms are 30 days. Interest is charged on overdue customer accounts.

The Group establishes an allowance for impairment of debtors' balances that represents its estimate of potential losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that may be incurred but not yet identified. The collective loss allowance is determined based on the historical data of payment statistics for similar financial assets.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 30 days past due are not considered to be impaired. At 28 February 2017, R 2 034 415 (2016: R 3 052 470) was past due but not impaired.

36. Risk management (continued)

The ageing of amounts past due but not impaired is as follows:

	Group 2017	Group 2016	Company 2017	Company 2016
30 days past due	77 639	90 015	-	-
60 days past due	774 696	444 362	-	-
90 days past due	1 182 080	374 333	-	-
120+ days past due	-	1 418 391	-	-
	2 034 415	**2 327 101**	**-**	**-**
Trade and other receivables impaired				
As of 28 February 2017, trade and other receivables of R 3 135 462 (2016: R 2 266 912) were impaired by way of a provision.				
The ageing of this impairment is as follows:				
120+ days past due	3 135 462	2 266 912	-	-
The Group's management considers that all the above financial assets, which are not impaired or past their due date, for each of the reporting dates under review, are of good credit quality.				
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	2 266 912	2 098 195	-	-
Provision for impairment	3 805 832	1 011 948	-	-
Bad debts written off	(2 937 282)	(843 231)	-	-
	3 135 462	**2 266 912**	**-**	**-**

The Group is not exposed to any significant credit risk for any single counterparty or any Group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

37. Litigation

Dispute between Huge and Telemasters

During February 2013 Telemasters cancelled an agreement with Huge for the supply of services and suspended these services.

In its statement of claim issued on 31 May 2013, Telemasters alleges that the Company is indebted to it in the amount of R4.176 million plus interest thereon.

In its plea and counterclaim issued on 11 June 2014, the Company claims that Telemasters is indebted to it in the amount of R4.392 million plus interest thereon in respect of amounts overcharged by Telemasters.

Huge is claiming an amount of R2.674 million from TeleMasters, being the R4.392 million less an amount of R1.718 million (of the R4.176 million) that Telemasters was entitled to raise.

The matter will be subject to arbitration by the Arbitration Foundation of Southern Africa. The assets and liabilities relating to this dispute have been recognised at levels appropriate to the Company's assessment of the outcome of the arbitration hearing. The arbitration will be heard from 2 and 6 October 2017.

37. Litigation (continued)

Other litigation

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

38. Events after the reporting period

Other than the matter referred to in note 12 to the Directors' Report dealing with the JSE's pro-active monitoring project and its dispute with Huge, the Board is not aware of any matters or circumstances arising since the end of the financial year to the date of this report that require disclosure or adjustment to the AFS.

SUBSEQUENT SIGNIFICANT TRANSACTION

Huge announced the possible acquisition of Connectnet on 5 September 2016 on the JSE's Stock Exchange News Service. In the announcement, Huge stated that the possible acquisition of Connectnet was consistent with its stated strategy in the Integrated Report of the Company for the year ended 29 February 2016, of embarking on a period of growth, growth that would be achieved organically and by acquisition.

In the 5 September 2016 announcement, Huge stated that the rationale for the acquisition of Connect included consideration of the following factors:

1) Huge has a strong customer base with over 13 400 active customers with more than 35 000 connections countrywide.
2) The ConnectNet group also has a strong customer base with over 29 000 unique customer sites located across South Africa.
3) Huge, enlarged by the ConnectNet group, will be even better placed to unlock significant growth through (i) marketing new offerings to the existing customer bases of each group company (ii) introducing existing offerings to new customers (iii) focusing on offshore operations and expansion into new territories, and (iv) the development of complimentary products and services that cater to advertising financed Wi-Fi hotspots, mobile payments, and M2M communications.
4) There is also a clear opportunity to unlock additional growth from the ConnectNet group customer base, which provides an effective channel through which to market Huge Telecom's fixed-location-voice-only telephony service. Huge Telecom's telephony service is very well suited to the bulk of the ConnectNet customer base and the opportunity to increase the average revenue per ConnectNet customer by overlaying Huge Telecom's services is estimated to be significant.
5) Huge has thus far been unable to take advantage of the significant opportunity to provide data services to its own customers. It is expected that the services of Sainet will create a critical entry for Huge into the data market, which has been an obvious gap in Huge's value proposition. The products and services of Sainet will also assist Huge greatly in increasing its own average revenue per customer.
6) The acquisition of the ConnectNet group by Huge will augment the senior management capacity of the enlarged group by adding more diverse telecommunications sector skills.
7) The ConnectNet group fits perfectly with Huge's overall telecommunications strategy and particularly with its focus on building its business around connectivity services. Its revenue, which is largely annuity based, supplements the quality annuity revenue that Huge generates currently.

Huge summarized the factors mentioned above in its announcement on the JSE's Stock Exchange News Service on 17 November 2017.

38. Events after the reporting period (continued)

The effective date of Huge's acquisition of Connectnet was 30 March 2017. Huge subscribed for 185 new Connectnet ordinary shares for a subscription consideration of R418 million. The subscription consideration is subject to a maximum upward adjustment of R75.625 million in the event that the cumulative aggregate operating profit of the Connectnet group for the financial years ending on the last day of February of 2018, 2019 and 2020 exceeds 120% of the cumulative aggregate operating profit target of R239.9 million. Following after the subscription for 185 new Connectnet ordinary shares, Connectnet repurchased 122 existing ordinary shares for R275 million from the pre-existing shareholders of Connectnet.

The transaction agreements also provide for a maximum downward adjustment to the subscription consideration of R75.625 million in the event that the cumulative aggregate operating profit of the Connectnet group for the financial years ending on the last day of February of 2018, 2019 and 2020 falls below 80% of the cumulative aggregate operating profit target of R239.9 million.

R151.25 million of the subscription consideration was financed by Huge by the delivery of renounceable letters of allocation with an underlying quantity of 25 208 333 Huge ordinary shares issued at a price of R6.00 per share. The balance of the subscription consideration of R266.75 million was paid in cash.

The value of Connectnet to Huge is described by the factors considered by Huge and listed above. These factors were considered by Huge in arriving at its rationale for acquiring Connectnet. These factors are reflected in the value of the goodwill. The resulting goodwill is not amortised, is not tax deductible but will be subject to annual impairment testing.

The purchase price allocation of the fair value of the consideration given by Huge in return for 100% of Connectnet will be made taking into account the subscription by Huge of 185 new Connectnet ordinary shares for a subscription price of R418 million as well as the repurchase of 122 existing Connectnet ordinary shares for a repurchase price of R275 million. The fair value of the consideration given by Huge in subscribing for 185 new Connectnet ordinary shares was calculated to be R421.6 million whereas the fair value of the consideration given by Connectnet in purchasing 122 existing Connectnet ordinary shares was calculated to be R280.4 million. 'Identifiable assets' with a net negative value of R47.8 million were identified on the closing date, resulting in goodwill of R326.5 million.

Non-current Assets	**61 183 914**
Property, plant and equipment	27 031 392
Investment in subsidiaries	27 316 866
Other	6 835 656
Current Assets	**49 647 157**
Trade and other receivables	11 669 302
Cash and cash equivalents	37 977 855
Non-current Liabilities	**142 759 735**
Current Liabilities	**15 902 521**
Trade and other payables	15 902 521
Negative Net Asset Value	**(47 831 185)**

The figures above are provisional accounting results.

38. Events after the reporting period (continued)

Huge will account for its 100% investment in Connectnet by consolidating the results for the financial years 2018 to 2020. Any differences between these estimates and the actual results, when available, will be adjusted in the Group's consolidated financial statements.

Huge incurred transaction costs of R7.4 million in acquiring Connectnet, disclosed as professional fees and classified as operational expenses in the statement of comprehensive income.

Since the acquisition, the business of the Connectnet group has generated net sales of R15.6 million for the month of April 2017 and management estimates net sales for the 2018 financial year to be R244.3 million.

Mr Zunaid Bulbulia was appointed as Chief Financial Officer of Huge with effect from 27 March 2017.

Mr David Deetlefs who was serving as the Group Financial Director of Huge resigned on 1 June 2017.

On 16 May 2017, Mrs JM Tyndale-Biscoe resigned as Company Secetary with effect 15 June 2017.

39. Going concern

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

- The cash flow projections of the Group;
- The continuing increase in monthly sales, together with the resulting revenue flow and profitability improvements;
- The expected further improvement in the Group's profitability as reflected in the budget for the year that will end on 28 February 2018, which budget was approved by the Board during February 2017.

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

SHAREHOLDER INFORMATION

Shareholder Analysis

1. Shareholder analysis

	2017			2016		
	Number of Shareholders	Number of shares	% shareholding	Number of Shareholders	Number of shares	% shareholding
Public	722	38 203 903	30.43	527	33 786 841	30.47
Non-public	12	87 347 540	69.57	10	77 114 602	69.53
	734	**125 551 443**	**100**	**537**	**110 901 443**	**100**

2. Non-public shareholder analysis

	2017		2016	
	Number of Shareholders	Number of shares	Number of Shareholders	Number of shares
Beneficial direct holdings relating to directors of Huge Group Limited	3	5 783 390	3	5 793 390
Beneficial indirect holdings relating to directors of Huge Group Limited	1	393 174	1	393 174
Non-beneficial indirect holdings relating to directors of Huge Group Limited	5	28 109 874	5	28 109 874
Treasury shares	1	9 646 926	1	9 646 926
Praesidium Hedge Fund	1	23 881 777	1	20 111 952
Peregrine Equities Proprietary Limited	1	19 532 399	1	13 059 286
	12	**87 347 540**	**12**	**77 114 602**

3. Major shareholders

	2017		2016	
	Number of shares	% Shareholding	Number of Shares	% shareholding
Preasidium Hedge Fund	23 881 777	19.02	20 111 952	18.13
Peregrine Equities	19 532 399	15.56	13 059 286	11.78
Pacific Breeze *	14 260 891	11.36	14 260 891	12.86
Praesidium Trust	10 350 000	8.24	10 350 000	9.33
Eagle Creek Investments *	9 805 567	7.80	9 805 567	8.84
Huge Telecom	9 646 926	7.68	9 646 926	8.70
	87 447 560	**69.66**	**77 234 622**	**69.64**

* A non-beneficial holding related to JC Herbst.

4. **Shareholder analysis and information**

Type of shareholder	2017 Number of shareholders	2017 Number of shares	2016 Number of Shareholders	2016 Number of Shares
Individuals	665	45 774 113	468	31 936 693
Nominees and trusts	29	14 324 170	28	14 811 025
Close Corporations	5	75 930	5	224 688
Companies, financial institutions and other institutions	35	65 377 230	36	63 929 037
	734	**125 551 443**	**537**	**110 901 443**

5. **Size of shareholding**

	2017 Number of shareholders	2017 Number of shares	2016 Number of shareholders	2016 Number of shares
0 – 1 000 shares	248	71 546	98	34 869
1 001 – 5 000 shares	228	657 185	152	456 538
5 001 – 100 000 shares	211	3 938 826	248	5 189 662
100 001 – 1 000 000 shares	31	10 611 881	27	9 916 841
1 000 001 shares and over	16	110 272 005	12	95 312 533
	734	**125 551 443**	**537**	**110 901 443**

Notice of
Annual General Meeting

HUGE GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2006/023587/06)
Share code: HUG ISIN: ZAE000102042
("Huge" or "the Company")

Notice of Annual General Meeting of the shareholders of the Company

Notice is hereby given that the Annual General Meeting of the Company shall be held in the Woody Woods Boardroom, 146a Kelvin Drive, Woodmead, 2191, at 10:00 on Thursday, 31 August 2017, to consider and if deemed fit, pass, with or without modification, the following ordinary and special resolutions.

In terms of section 63(1) or the Companies Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the Annual General Meeting. Forms of identification that will be acceptable include original and valid identity documents, driver's licences and passports.

Electronic participation in the Annual General Meeting

Please note that the Company intends to make provisions for shareholders of the Company, or their proxies, to participate in the Annual General Meeting of the Company by way of electronic communication. Should you wish to participate in the Annual General Meeting by way of electronic communication, you will need to contact the Company at 0860 03 04 03 (Contact – Company Secretary) by Tuesday, 29 August 2017, so that the Company can provide for a teleconference dial-in facility. Please ensure that if you are participating in the meeting via a teleconference facility that the voting proxies are sent through to the Company Secretary, 146a Kelvin Drive, Woodmead, 2191 so as to be received by no later than 10:00 on Tuesday, 29 August 2017.

The board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive this notice of Annual General Meeting is 15 June 2017 and that the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 25 August 2017. Accordingly the last day to trade in the Company's shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 22 August 2017.

In accordance with Regulation 43(5)(c) of the Companies Act, the chairman of the Social and Ethics Committee, or in his absence, any member of that committee, will present the committee's report to shareholders at the Annual General Meeting.

Please note: ordinary resolutions (with the exception of ordinary resolution number eight) require a minimum of 50% +1 of the voting rights in order to be passed.

The consolidated audited financial statements of the Company and its subsidiaries (as approved by the board of directors of the Company), incorporating the reports of the external auditor, the audit committee and the directors for the year ended 28 February 2017, have been distributed and accompany this notice as required and are accordingly presented to shareholders.

The Integrated Report, including the Annual Financial Statements, is available on the Company's website, www.hugegroup.com.

Ordinary resolution number 1 – Director retirement and re-election (Mr VM Mokholo)

"RESOLVED THAT Mr VM Mokholo, who retires in accordance with the Company's Memorandum of Incorporation but offers himself for re-election, be and is hereby re-elected as an non-executive director of Huge Group Limited."

Ordinary resolution number 2 – Director retirement and re-election (Mr DR Gammie)

"RESOLVED THAT Mr DR Gammie, who retires in accordance with the Company's Memorandum of Incorporation but offers himself for re-election, be and is hereby re-elected as an independant non-executive director of Huge Group Limited."

Explanatory note for ordinary resolution number 1 and 2

In terms of the Company's Memorandum of Incorporation, one-third of the directors are required to retire by rotation each year.

The curricula vitae of the directors standing for re-election are set on pages 6 and 8 of the Integrated Report.

Ordinary resolution number 3 – Appointment of auditor

"RESOLVED THAT the appointment of BDO South Africa Incorporated as auditor, with F Bruce-Brand as the designated audit partner, of the Company be and is hereby approved."

Explanatory note for ordinary resolution number 3

The purpose of ordinary resolution number 3 is to approve the appointment of BDO South Africa Incorporated as auditor of the Company for the next financial year, being the year ending 28 February 2018.

Ordinary resolution number 4 – Appointment of Audit Committee member (Mr DR Gammie)

"RESOLVED THAT Mr DR Gammie be and is hereby approved as a member and Chairman of the Audit Committee."

Ordinary resolution number 5 – Appointment of Audit Committee member (Mr AD Potgieter)

"RESOLVED THAT Mr AD Potgieter be and is hereby approved as a member of the Audit Committee."

Ordinary resolution number 6 – Appointment of Audit Committee member (Mr SP Tredoux)

"RESOLVED THAT Mr SP Tredoux be and is hereby approved as a member of the Audit Committee."

Explanatory note for ordinary resolution number 4 – 6:

In terms of the Companies Act, shareholders are required to approve the appointment of the Members of the Audit Committee of the Company.

The curricula vitae of each of the persons nominated as members of the Audit Committee are set out on page 6 to 8 of the Integrated Report. In terms of section 61(8)(c)(iii) of the Companies Act, shareholders are required to approve the appointment of the members of the Audit Committee by means of a simple majority of votes cast in favour of the appointment.

Ordinary resolution number 7 – General authority to allot and issue shares for cash

"RESOLVED THAT, subject to the approval of 75% of shareholders present in person and by proxy, and entitled to vote at the meeting, the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue all or any of the authorised but unissued securities (including shares) of the Company as they in their discretion deem fit, subject to the provisions of the

Ordinary resolution number 7 – General authority to allot and issue shares for cash (Continued)

Companies Act, the Listings Requirements of the JSE Limited and the Company's Memorandum of Incorporation, provided that:

- the securities (including shares) which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities (including shares) that are convertible into a class already in issue;
- this authority shall not endure beyond the next Annual General Meeting of the Company nor shall it endure beyond fifteen months from the date of this meeting;
- the securities (including shares) are to be issued to public shareholders (as defined by the JSE Limited in its Listings Requirements) and not to related parties;
- upon any issue of securities (including shares) which, together with prior issues during any financial year, will constitute 5% or more of the number of securities of the class in issue, the Company shall by way of an announcement on the Securities Exchange News Service of the JSE Limited give full details thereof, including the effect on the net asset value and earnings per share of the Company;
- the number of securities issued for cash shall not, in aggregate, exceed 15% (24 882 960 shares) of the Company's listed securities as at the date of this notice (being 165 486 401 shares excluding treasury shares) and in the event of a sub-division or consolidation of issued equity securities, this authority must be adjusted accordingly to represent the same allocation ratio; and
- the maximum discount at which securities (including shares) may be issued is 10% of the weighted average traded price of the Company's securities over the 30 business day period prior to the date that the price is agreed or determined between the Company and the party subscribing for the securities.

Explanatory note for ordinary resolution number 7

The purpose of ordinary resolution number 7 is to provide the directors of the Company with a general authority to issue unissued securities (including shares) in the Company as and when the need may arise.

Notice of
Annual General Meeting (Continued)

Non-binding advisory vote 1 – approval of Company's remuneration policy

"RESOLVED THAT the Company's Remuneration Policy, as set out in the Remuneration Committee Report contained in the 2017 Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote."

Non-binding advisory vote 2 – approval of Company's remuneration implementation report

"RESOLVED THAT the Company's Remuneration Implementation Report in regard to its Remuneration Policy, as contained in the 2017 Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote.

Explanatory note for non-binding advisory vote 1 and 2

King IV recommends that every year the Company's remuneration be disclosed in three parts, namely:

- a background statement;
- an overview of the remuneration policy; and
- an implementation report,

and that shareholders be requested at the AGM to pass separate non-binding advisory votes on the remuneration policy and the implementation report.

Voting on the above two resolutions enables shareholders to express their views on the Remuneration Policy adopted and on its implementation.

The Remuneration Committee prepared and the board considered and accepted the Remuneration Policy and Implementation Report thereon, as set out in the 2017 Integrated Report.

The Remuneration Policy also records the measures the Board will adopt in the event that either the Remuneration Policy or the Implementation Report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the Company will, in its announcement of the results of the AGM, provide dissenting shareholders with information as to how to engage with the Company in regard to this matter and the timing of such engagement.

Unless otherwise indicated, in order for each of the non-binding advisory votes to be adopted, the support of more than 50% of the voting rights exercised on the resolutions by shareholders, present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution, is required.

Special resolution number 1 – General authority to acquire (repurchase) securities

"RESOLVED THAT, subject to the approval of 75% of the shareholders present in person and by proxy, and entitled to vote at the meeting, the Company and/or a subsidiary of the Company is hereby authorised, by way of a general authority from time to time, to acquire securities (including shares) in the share capital of the Company from any person in accordance with the requirements of the Company's Memorandum of Incorporation, the Companies Act, and the JSE Limited Listings Requirements, provided that:

- any such acquisition of securities (including ordinary shares) shall be effected through the order book operated by the JSE trading system and done without any prior arrangement or understanding between the Company and the counterparty;
- this general authority shall be valid until the earlier of the Company's next Annual General Meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
- an announcement will be published as soon as the Company or any of its subsidiary companies have acquired securities (including shares) constituting, on a cumulative basis, 3% of the number of securities (including shares) in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with the JSE Limited's Listings Requirements;
- acquisitions of securities (including shares) in aggregate in any one financial year may not exceed 20% of the Company's issued securities (including shares) of that class, as the case may be, as at the date of passing of this special resolution number 1;
- securities (including shares) may not be acquired at a price greater than 10% above the weighted average of the market value at which such securities are traded on the JSE as determined over the five business days immediately preceding the date on which the transaction is effected;
- the board of directors authorises the repurchase, and it has resolved that the Company has satisfied the solvency and liquidity test as defined in the Companies Act, and that from the time that the test is applied, there have been no material changes to the financial position of the Company;
- at any point in time, the Company and/or its subsidiary companies may only appoint one agent to effect any such acquisition; and

Special resolution number 1 – General authority to acquire (repurchase) securities (Continued)

- the Company and/or its subsidiary companies not acquiring any securities (including ordinary shares) during a prohibited period, as defined in the JSE Limited's Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE Limited in writing prior to the commencement of the prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period.

Explanatory note for special resolution number 1:

The reason for and effect of special resolution number 1 is to grant the Company and its subsidiary companies a general authority to facilitate the acquisition by the Company and/or its subsidiary companies of the Company's own securities (including shares), which general authority shall be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that this general authority shall not extend beyond 15 months from the date of the passing of this special resolution number 1. Any decision by the directors, after considering the maximum effect of a repurchase of up to 20% of the Company's securities (including shares) will be taken with regard to the prevailing market conditions and other factors and provided that, after such acquisition, the directors are of the opinion that:

- the Company and its subsidiary companies will be able to pay their debts in the ordinary course of business;
- recognised and measured in accordance with the accounting policies used in the latest audited Annual Financial Statements, the assets of the Company and its subsidiary companies will exceed the liabilities of the Company and its subsidiary companies;
- the share capital and reserves of the Company and its subsidiary companies will be adequate for the purposes of the ordinary business of the Company and its subsidiary companies; and
- the working capital of the Company and its subsidiary companies will be adequate for the purposes of the ordinary business of the Company and its subsidiary companies,

for the period of 12 months after the date of the notice of the Annual General Meeting.

Special resolution number 1 – General authority to acquire (repurchase) securities (Continued)

Disclosure requirements

The JSE Limited's Listings Requirements require, in terms of Section 11.26, the following additional disclosures, which appear in this Integrated Report:

- Major shareholders – refer to page 102 of the Integrated Annual Report;
- Share capital of the Company – refer to note 17 of the AFS.

Directors' responsibility statement

The directors, whose names appear on pages 6 to 8 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Limited's Listings Requirements.

Material changes

Other than the facts and developments reported in the Integrated Report, there have been no material changes in the financial or trading position of the Company and its subsidiary companies since the date of signature of the Audit Report and up to the date of the notice of Annual General Meeting.

Special resolution number 2 – Non-executive directors' remuneration

"RESOLVED THAT, subject to the approval of 75% of the members present in person and by proxy, and entitled to vote at the meeting, the remuneration payable to the non-executive directors for the financial year commencing 1 March 2017, be approved as follows:

	Chairman	**Other directors/ Members of committees**
Monthly retainer	R45 000	R26 500
Meeting fees (per day): Attendance fee	R14 000	R14 000
Special Board meetings: Attendance fee	R5 000	R5 000

Explanatory note for special resolution number 2

In terms of section 69(9) of the Companies Act, shareholders are required to approve the remuneration of non-executive directors.

Notice of
Annual General Meeting (Continued)

Special resolution number 3 – General authority to enter into funding agreements, provide loans or other financial assistance

"RESOLVED THAT, subject to the approval of 75% of the members present in person and by proxy, and entitled to vote at the meeting, in terms of section 45 of the Companies Act, the Company be and is hereby granted a general authority authorising the Company and or any one or more of its wholly-owned subsidiary companies incorporated in South Africa to enter into direct or indirect funding agreements, guarantee a loan or other obligations, secure any debt or obligation, or to provide loans or financial assistance to a director of the Company or between any one or more of the subsidiary companies from time to time, subject to the provisions of the JSE Limited's Listings Requirements, the funding agreements and as the directors in their discretion deem fit."

Explanatory note for special resolution number 3

The purpose of this resolution is to enable the Company to enter into funding arrangements with directors or its subsidiary companies and to allow inter-group loans between subsidiary companies.

Voting and proxies

Certificated shareholders and dematerialised shareholders with "own name" registration

If you are unable to attend the Annual General Meeting of shareholders to be held in the Woody Woods Boardroom, 146a Kelvin Drive, Woodmead, 2191, at 10:00 on Thursday, 31 August 2017 and wish to be represented thereat, you should complete and return the attached form of proxy in accordance with the instructions contained therein and lodge it with, or post it to, the Company Secretary, 146a Kelvin Drive, Woodmead, 2191, so as to be received by no later than 10:00 on Tuesday, 29 August 2017 or they may be handed to the Chairman at the commencement of the meeting.

Dematerialised shareholders, other than those with "own name" registration

Explanatory note for special resolution number 3 (Continued)

If you hold dematerialised shares in Huge through a CSDP or broker and do not have an "own name" registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the Annual General Meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary authorisation to do so, or should you not wish to attend the Annual General Meeting in person, you must timeously provide your CSDP or broker with your voting instruction in order for the CSDP or broker to vote in accordance with your instruction at the Annual General Meeting.

Each shareholder, whether present in person or represented by proxy, is entitled to attend and vote at the Annual General Meeting. On a show of hands every shareholder who is present in person or by proxy shall have one vote and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

By order of the Board

Jean Michelle Tyndale-Biscoe
Company Secretary

23 June 2017

FORM OF PROXY

HUGE GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/023587/06)
Share code: HUG ISIN: ZAE000102042
("Huge" or "the Company")

FORM OF PROXY (for use by certificated and own name dematerialised shareholders only)

For use by certificated and "own name" registered dematerialised shareholders of the Company ("shareholders") at the Annual General Meeting of Huge to be held at 10:00 on Thursday,31 August 2017 in the Woody Woods Boardroom, 146a Kelvin Drive, Woodmead, 2191 ("the Annual General Meeting").

I/We (please print) ______________________________

of (address) ______________________________

Telephone Numbers Landline: ____________ Mobile: ____________

Email: ______________________________

being the holder/s of ____________ ordinary shares of R0,0001 cent each in Huge, appoint (see note 1):

1. ______________________________ or failing him/her,
2. ______________________________ or failing him/her,
3. the chairman of the Annual General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering, and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes		
	For	Against	Abstain
Ordinary resolution number 1 – Director retirement and re-election (Mr VM Mokholo)			
Ordinary resolution number 2 – Director retirement and re-election (Mr DR Gammie)			
Ordinary resolution number 3 – Appointment of auditor			
Ordinary resolution number 4 – Appointment of Audit Committee member (Mr DR Gammie)			
Ordinary resolution number 5 – Appointment of Audit Committee member (Mr AD Potgieter)			
Ordinary resolution number 6 – Appointment of Audit Committee member (Mr SP Tredoux)			
Ordinary resolution number 7 – General authority to allot and issue shares for cash			
Non-binding advisory vote 1 – approval of Company's remuneration policy			
Non-binding advisory vote 2 – approval of Company's remuneration implementation report			
Special resolution number 1 – General authority to acquire (repurchase) securities			
Special resolution number 2 – Non-executive directors' remuneration			
Special resolution number 3 – General authority to enter into funding agreements, provide loans or other financial assistance			

Signed at ______________________________ on ______________________________ 2017

Signature ______________________________

Assisted by me (where applicable) ______________________________

Name ____________ Capacity ____________ Signature ____________

Notes to the form of proxy

1. This form of proxy is for use by certificated shareholders and dematerialised shareholders with "own name" registration whose shares are registered in their own names on the record date and who wish to appoint another person to represent them at the Annual General Meeting. If duly authorised, companies and other corporate bodies who are shareholders having shares registered in their own names may appoint a proxy using this form of proxy, or may appoint a representative in accordance with the last paragraph below.

   Other shareholders should not use this form. All beneficial holders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, and do not have their shares registered in their own name, must provide the CSDP or broker with their voting instructions. Alternatively, if they wish to attend the Annual General Meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.

2. This form of proxy will not be effective at the Annual General Meeting unless received at the registered office of the Company at 146a Kelvin Drive, Woodmead, 2191, South Africa, not later than 10:00 on Tuesday, 29 August 2017.

3. This proxy shall apply to all the ordinary shares registered in the name of shareholders at the record date unless a lesser number of shares are inserted.

4. A shareholder may appoint one person as the proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the Annual General Meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may delegate the authority given to him/her in this form of proxy by delivering to the Company, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy of this form of proxy.

5. Unless revoked, the appointment of proxy in terms of this form of proxy remains valid until the end of the Annual General Meeting even if such meeting or a part thereof is postponed or adjourned.

6. If:

   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or

   6.2 the shareholder gives contrary instructions in relation to any matter; or

   6.3 any additional resolution/s which are properly put before the Annual General Meeting; or

   6.4 any resolution listed in the form of proxy is modified or amended,

   the proxy shall be entitled to vote or abstain from voting, as he/she thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the form of proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the form of proxy shall comply with those instructions.

7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:

   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or

   7.2 the Company has already received a certified copy of that authority.

8. The chairman of the Annual General Meeting may, at the chairman's discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the chairman prior to the time when the Annual General Meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
    10.1 delivers a copy of the revocation instrument to the Company and to the proxy or proxies concerned, so that it is received by the Company by not later than 10:00 on Thursday, 31 August 2017; or
    10.2 appoints a later, inconsistent appointment of proxy for the Annual General Meeting; or
    10.3 attends the Annual General Meeting in person.
11. If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the Annual General Meeting by giving written notice of the appointment of that representative. This notice will not be effective at the Annual General Meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's registered office at 146a Kelvin Drive, Woodmead, 2191, South Africa, not later than 10:00 on Tuesday, 29 August 2017.

Summary of rights established by section 58 of the Companies Act, as required in terms of sub-section 58(8)(b)(i):

I. A shareholder may at any time appoint any individual, including a non-shareholder of the company, as a proxy to participate in, speak and vote at a shareholders' meeting on his/her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1)(b)).

II. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph VI.III below or expires earlier in terms of paragraph X.IV below (section 58(2)).

III. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).

IV. A proxy may delegate his/her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy ("proxy instrument") (section 58(3)(b)).

V. A copy of the proxy instrument must be delivered to the company, or to any other person acting on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the Memorandum of Incorporation of the company at least 48 hours before the meeting commences.

VI. Irrespective of the form of instrument used to appoint a proxy:
    VI.I. the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58(4)(a));
    VI.II. the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and
    VI.III. if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company (section 58(4)(c)).

Notes to the form of proxy (Continued)

VII. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph VI.III above (section 58(5)).

VIII. If the proxy instrument has been delivered to a company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so (section 58(6)(b)).

IX. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation or proxy instrument provides otherwise (section 58(7)).

X. If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of proxy instrument:

X.I. the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised (section 58(8)(a));

X.II. the invitation or form of proxy instrument supplied by the company must:

X.II.I. bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));

X.II.II. contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and

X.II.III. provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii));

X.III. the company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and

X.IV. the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph VII above (section 58(8)(d)).

Corporate Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company holding investments in subsidiary companies operating in the telecommunications and software industries
Directors	Zunaid Bulbulia Duarte Ferdinand da Silva David Deetlefs *(Resigned 31 May 2017)* Dennis Robert Gammie James Charles Herbst Vincent Mokhele Mokholo Anton Daniel Potgieter Stephen Peter Tredoux
Registered office	3M Building 1st Floor, East Wing 146a Kelvin Drive Woodmead 2191
Business address	3M Building 1st Floor, East Wing 146a Kelvin Drive Woodmead 2191
Postal address	PO Box 1585 Kelvin 2054
Auditor	BDO South Africa Incorporated
Business address	22 Wellington Road Parktown 2193
Postal address	Private Bag X60500 Houghton 2041
Group Company Secretary	Jean Michelle Tyndale-Biscoe (Resigned 15 June 2017)
Business address	3M Building 1st Floor, East Wing 146a Kelvin Drive Woodmead
Postal address	PO Box 1585 Kelvin 2054
Tax reference number	9378909155
VAT reference number	4390253955
Level of assurance	These consolidated and separate annual financial statements have been audited in compliance with section 30(2)(a) of the Companies Act
Preparer	The consolidated and separate annual financial statements were internally compiled ultimately under the supervision of: Zunaid Bulbulia BCom, BCom (Accounting), Honours, BCompt, (CTA), CA(SA)
Published	23 June 2017