

huge
group

unlocking business opportunity



INTEGRATED REPORT

for the year ended 29 February

2016

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

CONTENTS

01	ABOUT THIS REPORT	ifc
	Our vision	ifc
	Highlights	01
<hr/>		
02	THE GROUP	
	Corporate overview	02
	Group structure	03
<hr/>		
03	CORPORATE GOVERNANCE	
	Board of directors	04
	Chairman letter	06
	CEO's report	10
	Management Team	14
	Governance	16
	Compliance and Risk	24
	Sustainability report	25
	Report of the Audit Committee	26
	Report of the Social and Ethics Committee	27
<hr/>		
04	ANNUAL FINANCIAL STATEMENTS	
	Definitions	29
	Directors' Responsibilities and Approval	31
	Group Company Secretary's Certification	31
	Director's report	32
	Independent Auditor's Report	37
	Statement of Financial Position	38
	Statement of Profit or Loss and Other Comprehensive Income	39
	Statement of Changes in Equity	40
	Statement of Cash Flows	42
	Accounting Policies	43
	Notes to the Financial Statements	53
<hr/>		
05	SHAREHOLDER INFORMATION	
	Shareholder analysis	85
	Notice of Annual General Meeting	87
	Form of proxy	inserted
	Corporate information	ibc

OUR VISION

WE SHALL BUILD
A GROUP
THAT EXCELS
IN THE CREATION
OF CLIENT,
EMPLOYEE AND
STAKEHOLDER VALUE,
LED BY A
HUGE BRAND
AND SERVICE ETHIC

ABOUT THIS REPORT

SCOPE AND BOUNDARY

This report focuses on key developments and milestones achieved during the year ended 29 February 2016 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 #HugeGroupLtd.

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 29 February 2016.

James Charles Herbst
Chief Executive Officer

HIGHLIGHTS

THE TOTAL NUMBER OF CUSTOMERS INCREASED BY **35%** WHEN COMPARED TO THE PREVIOUS FINANCIAL YEAR

THE TOTAL NUMBER OF TELEPHONE LINES INCREASED BY **20%** WHEN COMPARED TO THE PREVIOUS FINANCIAL YEAR

REVENUE INCREASED BY **6%** WHEN COMPARED TO THE PREVIOUS FINANCIAL YEAR

EARNINGS AND HEADLINE EARNINGS PER SHARE INCREASED BY **44%** WHEN COMPARED TO THE PREVIOUS FINANCIAL YEAR

RESUMPTION
OF THE PAYMENT OF DIVIDENDS

OPERATING PROFIT INCREASED BY **44%** WHEN COMPARED TO THE PREVIOUS FINANCIAL YEAR

CORPORATE OVERVIEW

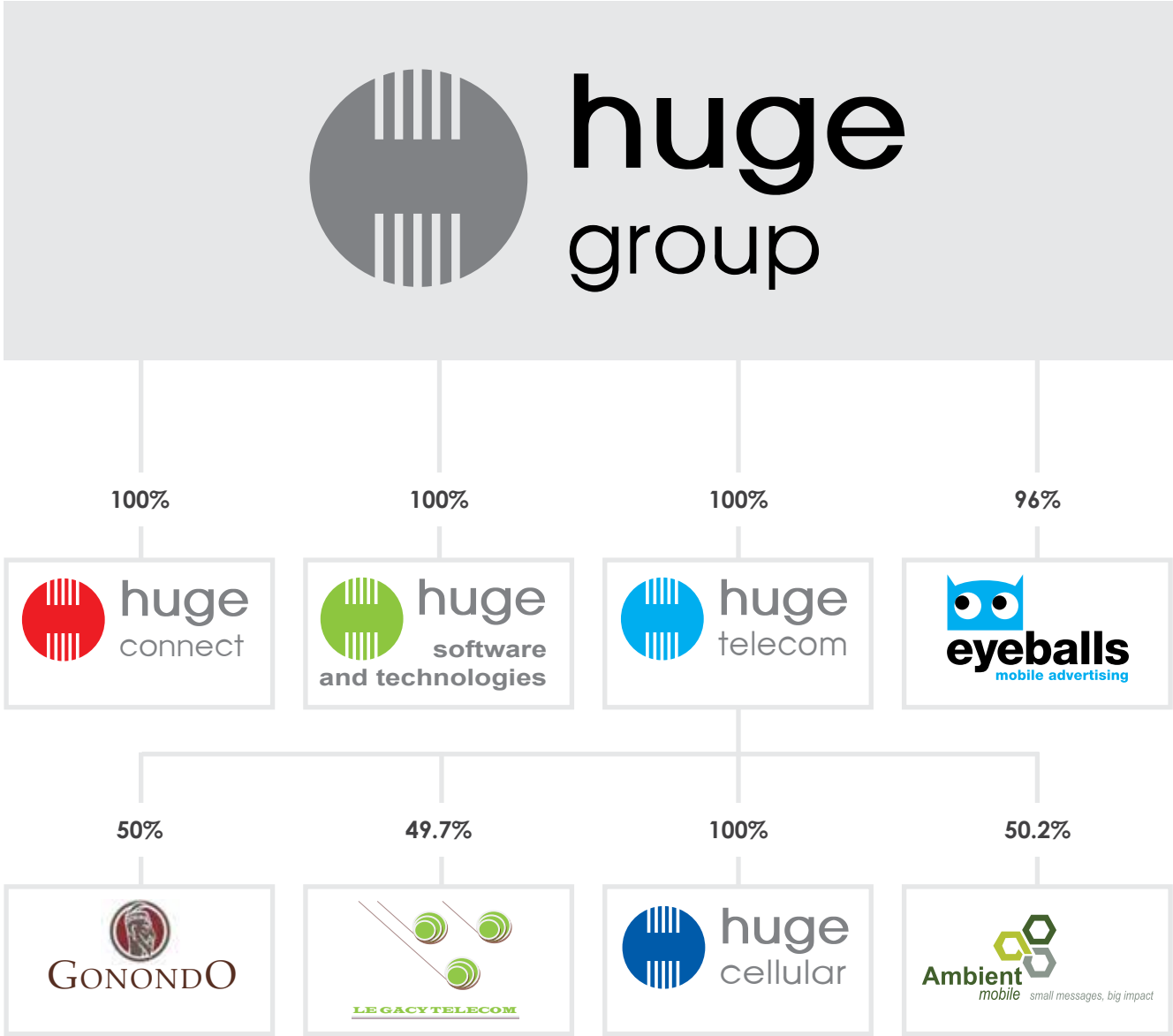


Huge Group Limited is an investment holding company listed on the JSE. The group of companies comprising Huge is focused on building value for all of its stakeholders. Its treasury operations are mandated to maximise the financial position of the Company in the debt and equity markets using both cash and derivative-based instruments.

Huge Telecom and Huge Connect, wholly-owned subsidiary companies of Huge and the principal trading operations of the Group, are two of South Africa's leading providers of voice, messaging and data connectivity services utilising a wireless GSM-based, fixed-cellular, last-mile solution.

Eyeballs is a technology provider whose technology consists of a software application that recipient users download and install, at no cost to themselves, on their mobile phones. It displays advertising and content images on the phone screen when calls are made or messages received. Eyeballs intends generating revenue from the successful deployment of the server-end of its technology on the servers of various customers, particularly mobile network operators operating internationally.

GROUP STRUCTURE



BOARD OF DIRECTORS



04

DR DUARTE FERDINAND DA SILVA (51)
INDEPENDENT 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 (45)

CHIEF EXECUTIVE OFFICER

BComm, BAcc, CA(SA), Chartered Financial Analyst

Appointed: 1 September 2006

James is a CA with sound experience in corporate finance, corporate law, investment banking and investment management, and listed Huge Group on the Alternative Exchange of the JSE in August 2007. Since his appointment as CEO, James has been instrumental in integrating Huge's two principal telecommunications businesses, which have been combined to form Huge Telecom.

DAVID ("DAVE") DEETLEFS (60)

GROUP FINANCIAL DIRECTOR/CHIEF OPERATING OFFICER

BComm, HDip Acc, CA(SA)

Appointed: 1 October 2012

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 the Huge Group, Dave held a number of senior executive positions within the ICT sector.

STEPHEN ("STEVE") PETER TREDOUX (56)
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 (62)

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.



VINCENT MOKHELE MOKHOLO (42)

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 (47)

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.

ZUNAID BULBULIA (47)

NON-EXECUTIVE DIRECTOR

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.

JEAN MICHELLE TYNDALE-BISCOE (45)

GROUP COMPANY SECRETARY

BA (Languages and Law), HDip Company Law

Appointed: 7 May 2012

Member of: Social and Ethics Committee

Up until joining Huge Group 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 Group on the Alternative Exchange of the JSE in August 2007.

CHAIRMAN'S LETTER



DUARTE FERDINAND DA SILVA
Non-executive Chairman

INTRODUCTION

Huge Telecom (Huge Group's principal operating subsidiary) turns 23 this year. It provides communications services in South Africa to corporate organisations of any size and to residential customers.

HUGE TELECOM'S SERVICE

Huge Telecom's primary service offering is a FLVO telephony (or connectivity) service built on the 2G of the GSM standard, which describes the protocols for 2G digital cellular networks used by mobile phones. GSM is the default global standard for mobile communications utilised by 90% of Mobile Network Operators internationally.

Huge Telecom uses the various MNOs' GSM wireless radio networks in providing connectivity services, specifically the 2G networks. This service makes use of devices other than cellphones, feature phones or smartphones and utilises FLCR or SOHOR equipment supplied by Huge Telecom to the customer. In the case of the FLCR format, this interfaces with PABX equipment, while the SOHOR format makes use of fixed and cordless GSM phones (Fixed Location GSM Phones).

Both FLCR and SOHOR are fixed location cellular services where communication takes place with a single radio cell or BTS of an MNO. The FLCRs and Fixed Location GSM Phones therefore operate from a fixed location, are not mobile and are not permitted to be moved from a designated fixed location. These Fixed Location Cellular Services can be contrasted with cellular services to cellphones, feature phones and smartphones, which are mobile cellular services involving communication with multiple radio cells or BTSs that regularly involve session and call handover.

Huge Telecom's service operates under Fixed Location Voice Only Radio and Core Network Access Agreements concluded the MNOs. This is in contrast to services provided under roaming agreements or traditional MVNO agreements.

Huge Telecom's service is a very effective substitute for the fixed-line (landline) service of a PSTN operator like Telkom. In essence, it is a fixed-line lookalike, where the last mile transmission used to process incoming and outgoing voice calls from and to any destination (international, national, local, mobile, VAN and VoIP) is wireless as opposed to copper cable used by a PSTN operator.

Huge Telecom provides a more cost-effective last mile solution as a substitute for the expensive, difficult to install, fixed-line 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 the last mile connection from a client's premises to the edge of the operator's network. 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 provides a more cost-effective last mile solution as a substitute for the expensive, difficult to install, fixed-line last mile. FLVO services are easy to install and operate as a static ecosystem. Aftersales service and maintenance costs are low. Huge Telecom therefore offers what is best described as a plug, play and walk away solution. Huge Telecom's FLCR service integrates comprehensively with PABXs, providing line hunting (distributing phone calls from a single telephone number to a group of several phone lines), and caller line identity or CLI.

HUGE TELECOM'S UNIQUE VALUE PROPOSITIONS (UVPs)

The FLVO telephony service provided by Huge Telecom provides the ability to install and deploy a telephony solution rapidly; the entire sales cycle, from sales initiation to contract processing and technology

implementation takes only a few days and this cycle is subject to continuous improvements, which is reducing the time taken to achieve implementation. The beauty of Huge Telecom's FLCR and SOHOR telephony services therefore lies in their simplicity and ease of installation.

HUGE TELECOM'S MARKET POSITION

Huge Telecom's FLCR telephony service is distributed mainly to SMEs. However, as it succeeds in demonstrating the mainstream characteristics of an FLVO service and as the adoption rate for this type of service improves, Huge Telecom's penetration into the mid and upper segments of the corporate market is increasing. Its SOHOR service is distributed mainly to SMMEs. However, Huge Telecom has used the SMME market segment to explore the residential market segment, while putting the distribution capability in place to target the residential market segment aggressively.

It is fortuitous that Huge Telecom's dominance at the moment lies in the SME and SMME segments of the market because that 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

CHAIRMAN'S LETTER CONTINUED

rate. Similarly, the consumer market is saturated and subject to intense levels of competition. The markets which Huge Telecom targets are really the "holy grail" in terms of both margins and sales opportunities because of the present low levels of penetration.

HUGE TELECOM'S DISTRIBUTION

Success is not only about having a great product or service. A service also needs to be sold quickly and efficiently. In this regard, Huge Telecom has a substantial external, indirect sales force through its distribution channel. Huge Telecom has over 550 resellers – or Business Partners as they are called. This great distribution capability underpins Huge Telecom's, and hence Huge Group's, true potential. Huge Telecom is a fast growing distribution company which is reflected ultimately in its growing base of annuity clients. Each of these Business Partners has, on average, five sales representatives. So in terms of "feet on the street", the indirect sales force consists of over 2 500 sales people.

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 the true potential of telecommunications in South Africa.

HUGE GROUP'S CAPITAL STRUCTURE

There were 1 10 901 443 ordinary shares of the Company in issue throughout the financial year. 9 646 926 ordinary shares were held by Huge Telecom as treasury shares.

The Group therefore has a net 101 254 517 (2015: 101 254 517) ordinary shares in issue.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Huge Group recognises the importance of BBBEE and meeting the requirements of the charter regulating the telecommunications industry – the ICT Charter. It is committed to participating in positive transformation in South Africa.

GOVERNANCE AND KING CODES

Huge Group 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.

NOTE FROM THE OUTGOING CHAIRMAN MR VINCENT MOKHOLO

The Board of directors with whom I have had the pleasure of working during my tenure as Non-executive Chairman have continued to excel in the execution of their responsibilities as custodians of the Company for the benefit of all stakeholders. 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.

NOTE FROM THE INCOMING CHAIRMAN DR DUARTE DA SILVA

Huge Group transferred to the Main Board of the JSE Limited's Stock Exchange on 1 March 2016. This is a significant achievement and it will provide a platform for the Company to grow and market its business. In addition it enhances the ability to present the investment case to a wider spectrum of investor participants. This should also translate into the continued improvement in the liquidity of trade in Huge Group's ordinary shares.

Huge Telecom has found a niche in the telecommunications industry. Its focus on building significant distribution and on targeting the SME and residential user are some of the factors that make the Huge Group an attractive investment. The combination of predictable high margins and annuity-based revenue simplifies forecasting and minimises corporate risk. Added to this, is the fact that organic and acquisitive scaling of annuity revenue should expand profits exponentially. Huge Telecom's revenues are enhanced (improved margin) when consolidated with revenues exhibiting similar characteristics. While Huge Telecom is a service provider and enjoys service provider margins, one has to take into account the operator-like margins it generates. For those operators not engaging with Huge Telecom, its revenues are attractive. Huge Telecom underpins Huge Group's investment case. It has built a good track record of growth in revenue and margins over the last three years and it has resumed paying dividends. This successful foundation provides Huge Group with the ability to expand both organically and acquisitively.

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 Group expects to participate and be active in this telecommunications consolidation.



CEO'S REPORT



JAMES CHARLES HERBST
Chief Executive Officer

10

INVESTMENT HOLDING ACTIVITIES

At the time of writing this report, the Huge Group share price has appreciated from about 330 cents per share last year to about 520 cents per share. This price appreciation has significantly strengthened Huge Group's ability to contemplate mergers and acquisitions on a share-for-share basis. The volume of shares traded in the last year is also encouraging and this has strengthened Huge Group's potential ability to acquire companies for cash on the basis of a vendor placing of shares.

MEDIA ACTIVITIES

The Group is committed to finding opportunities in media that will assist it in creating value from existing investments. Eyeballs Mobile Advertising signed a global software licencing agreement with Media 24 Proprietary Limited, a Naspers Limited company, in terms of which Eyeballs Mobile Advertising has licenced its technology to Media 24 on a global non-exclusive use basis. We believe that further transactions of this nature will be signed in the future. The parallel use of the Eyeballs Mobile Advertising technology by organisations with a global footprint is bound to enhance Huge Group's ability to leverage value from this investment.

TELECOMMUNICATIONS ACTIVITIES

Huge Telecom is the Group's principal revenue and profit generator. In the past six years Huge Telecom has increased its gross profit percentage substantially. Its distribution channel has seen exponential growth – from 63 Business Partners in July 2010 to over 550 Business Partners today. This increase has resulted in higher levels of sales activity and revenues. Huge Telecom now installs five times more telephone lines (or connections) than it did six years ago.

REVIEW OF OPERATIONS

DISTRIBUTION

We continue to grow our distribution capabilities aggressively. During 2016 we increased our Business Partners by 127, from 425 to 552 Business Partners. This represents a 30% increase in the total number of Business Partners.

We also continue to focus on increasing the activity levels of our Business Partners. Business Partner activity levels measured by the number of active Business Partners increased during 2016 by 24%.

We continue to grow our distribution capabilities aggressively. During 2016 we increased our Business Partners by 127, from 425 to 552 Business Partners. This represents a 30% increase in the total number of Business Partners.

CUSTOMERS

Huge Telecom has over 12 700 customers. Huge Telecom provides FLCR services to over 9 800 customers (2015: 7 900, 2014: 5 500 and FY2013: 4 400). Huge Telecom provides SOHOR services to over 2 900 customers (2015: 1 500, 2014: 900 and 2013: 500). It has no more than a 1.3% exposure to its single largest customer – customer concentration risk is therefore low.

SALES

Increased levels of Business Partner activity continue to have a significant impact on the sale of Huge Telecom's products and services. 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 was 810 units (2015: 1 040 units, 2014: 689 units and 2013: 309 units).

CHURN

Churn is the termination of contracts in respect of existing telephone lines and this has an impact on the net growth of telephone lines. The appointment of an increasing number of Business Partners is 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.

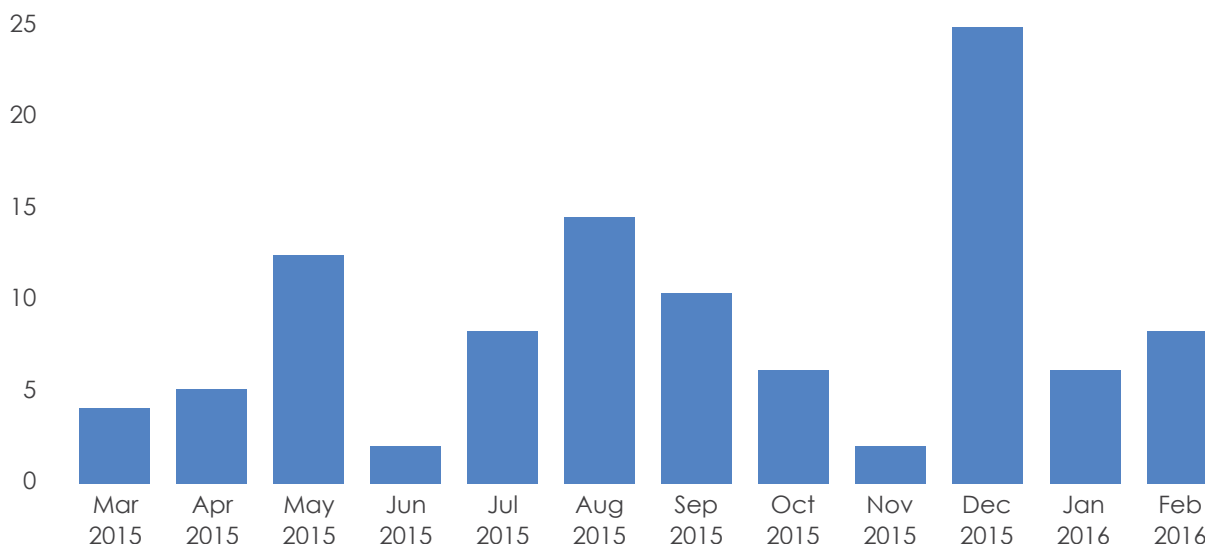
During the year under review, average monthly churn of telephone lines was 295 units (2015: 249 units, 2014: 281 units and 2013: 281 units).

REVENUE

A key feature of revenue growth in the future is the number of active selling Business Partners. Revenue for 2016 has increased by 5.8% when compared to 2015. There is about a 12 month lead time between sales activity and its effects on revenue. Net growth or net churn in any period is felt financially, on average, 12 months later. The revenue generated during 2016 is a result of the sales and churn activity in prior periods. The revenue generated during 2017 will be a function of the sales and churn activity in 2016.

CEO'S REPORT CONTINUED

MONTH-ON-MONTH INCREASE IN AVERAGE REVENUE PER TRADE WEIGHTED DAY 2015 OVER 2014



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 trends depicted graphically above during 2016.

The mix between calls to mobile and to fixed-line numbers (where prices to the former are higher than to the latter) was 64%: 36% during the year (2015: 68%: 32%, 2014: 80%: 20%, 2013: 89%: 11%).

The average selling price for a mobile minute during 2016 was R0.94 cents per minute (2015: R0.87, 2014: R0.93 and 2013: R1.15).

The average selling price for a fixed-line minute during 2016 was R0.40 cents per minute (2015: R0.38, 2014: R0.38 and 2013: R0.44).

Huge Telecom continues to be successful in increasing its fixed annuity income to variable annuity income ratio. The fixed annuity income consists of line rentals and other similar charges which are protected from price compression, and which are subject to annual escalations. Current monthly fixed annuity income charges are in the order of about R4 million (2015: R3.1 million, 2014: R1.6 million and 2013: R1.5 million). Fixed annuity income is growing at about R110 000 per month presently. This has a 66x multiplier effect on revenue for the next 12 months, or R7.2 million. Our annual fixed annuity income is therefore running at a rate of R56.4 million (being R4 million x 12 plus R7.2 million).

SUPPLY-SIDE ECONOMICS

The mobile termination rate decreased from 20 cents per minute to 16 cents per minute (a 20% decrease) on 1 October 2015, the fixed-line termination rate between

area codes (i.e. national calls) decreased from 15 cents per minute to 12 cents per minute (a 20% decrease), and the fixed-line termination rate within area codes (i.e. local calls) decreased from 12 cents per minute to 11 cents per minute (an 8% decrease). Huge Telecom benefited from these lower termination rates for only five months of 2016. The factors listed above will have had an effect on gross profit margins for the period under review.

Origination rates are higher than termination rates currently.

On 1 October 2016 mobile termination rates will decrease by three cents per minute from 16 cents per minute to 13 cents per minute (a 19% decrease), the fixed-line termination rates between area codes will decrease by two cents per minute from 12 cents per minute to 10 cents per minute (a 17% decrease) and the fixed-line termination rates within area codes will decrease by one cent per minute from 11 cents per minute to 10 cents per minutes (a 9% decrease). These decreases will benefit Huge Telecom in the form of reduced call cost prices.

GROSS MARGINS

Gross margins after direct expenses (such as consumables and distribution costs) increased again this year, by 2.8% from 39.6% to 40.7%.

OVERHEADS

The two primary overhead costs in Huge Telecom were well controlled during the year. Staff costs reduced by 2.1%. Depreciation increased by 3.5% as a result of increased capital expenditure on router equipment, a direct result of increased sales activity.

FUTURE PROSPECTS

Huge Group's balance sheet continues to strengthen. The currency of its shares also continues to improve. The performance metrics related to its principal subsidiary, Huge Telecom, are positive – sales activity remains high, revenue is increasing, gross margins are high and the resultant cash flows are expanding. Huge Telecom's cash flows now position Huge Group for growth, whether organically or by acquisition.

At the moment the investment case for Huge Group is built principally around Huge Telecom's investment case.

While Huge Telecom's FLVO service has been incredibly successful, a significant portion of Huge Telecom's intrinsic value is its distribution. A distribution model has been developed that will work across a broad range of products and services. Very close attention has been 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 and it differentiates Huge Group from an investment perspective. This is where the real value in Huge Group and Huge Telecom lie – it is the distribution capability that creates all the potential.

The subscriber value associated with Huge Telecom's base of approximately 34 000 installed telephone lines adds to the investment case.

Huge Telecom has also built, and more importantly controls, a "last mile" network or local loop between each of its customers and the mobile network operators. As many commentators suggest, the last mile or local loop is the most valuable part of a network. With the total cost of installing a telephone line at about R5 000, a further part of the value of a Huge Group ordinary share can be ascribed to Huge Telecom's last mile network.

Huge Telecom continues to grow and reinforce 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.

The voice revenues from consumers that the MNOs have enjoyed historically are declining. Data is all the rage but margins on data are lower. Cell C, MTN and Vodacom are desperate to eat Telkom's lunch and Huge Telecom is able to show them how. Telkom needs a substitute for its expensive, difficult to install, last mile and this makes Huge Telecom a perfect partner.

The value of Huge Telecom, and therefore Huge Group, comprises two parts: its Fixed Location Voice Only telephony service and distribution footprint, and the value of its customer or subscriber cash flows. Huge Telecom's customer cash flows should be valued on the

economies that scale can bring. The profits that Huge Telecom's customers will generate if these customers are consolidated by another industry participant higher up the value chain are greater than the profits it can generate on its own. The Huge Telecom telephony service is largely annuity in nature – the revenues repeat every month. If this annuity revenue were to be consolidated by an industry participant higher up the value chain, only termination costs to competitor networks and commissions to resellers would have to be incurred, resulting in higher attributable profit after tax for each unit of revenue – this is because Huge Telecom's after sales service and maintenance costs are low in relation to total revenue.

The global software licencing agreement that Eyeballs Mobile Advertising signed with Media 24 Proprietary Limited, a Naspers Limited company, in October last year is profound. The Eyeballs Mobile Advertising technology has an option value and with the rate of adoption of smart mobile devices the real estate value in advertising to them is exciting.

IN CLOSING

I would like to extend my gratitude to Dave Deetlefs and his 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 all play such a valuable role in our success – we appreciate your loyal support and look forward to continuing to strengthen our relationships in the future.

MANAGEMENT TEAM



14

DAVID ("DAVE") DEETLEFS (60)
CHIEF OPERATING OFFICER

BComm, HDipAcc, CA(SA)
Joined: 1 October 2012

JOHANNES ("JOHANN") ALBERTS (38)
MANAGING EXECUTIVE – COMMERCIAL OPERATIONS

Cert in Fraud Examination,
Adv Cert in Fraud Examination,
BComm (Internal Audit) – in progress
Joined: 5 June 2012

JAMES CHARLES HERBST (45)
CHIEF EXECUTIVE OFFICER

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

JEAN MICHELLE TYNDALE-BISCOE (45)
GENERAL MANAGER – CORPORATE RESOURCES

BA (Languages and Law),
HDip Company Law
Joined: 7 May 2012

GEOVANNA SUTHERLAND (42)
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 Huye is committed to the principles and guidelines of the King Code, 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 Huye 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. Up until 29 February 2016, new directors appointed to the Board during the year were required to attend the Directors' Induction Programme in terms of the LR. With effect from 1 March 2016, the listing of Huye 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 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.

CHANGES TO THE BOARD DURING AND POST YEAR END

Mr Zunaid Bulbulia was appointed to the Board on 28 January 2016. Subsequent to year end, Dr Duarte da Silva was appointed Non-executive Chairman of the Company. Mr Vincent Mokholo's designation changed from Non-executive Chairman to Non-executive Director as a result of the appointment of Dr da Silva.

INDEPENDENCE OF THE BOARD AND BOARD BALANCE

The Board of Huye comprises three executive and six non-executive directors, three 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 31 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.

AUDIT COMMITTEE

The Audit Committee during the year under review comprised Mr DR Gammie (Chairman), Mr SP Tredoux and Mr AD Potgieter. Mr Z Bulbulia was appointed to the Audit Committee with effect from 28 January 2016, and Dr D da Silva subsequent to year end.

The Audit 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.

Dr 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 ("SENS") 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 Financial Director;
- 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 Financial Director 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 Group Financial Director, Mr D Deetlefs, 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.

GOVERNANCE CONTINUED

RISK COMMITTEE

The Risk Committee during the year under review comprised Mr DR Gammie (Chairman), MR SP Tredoux and Mr AD Potgieter. Mr Z Bulbulia was appointed to the Risk Committee on 28 January 2016, and Dr D da Silva subsequent to year end.

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 27 of the Integrated Report.

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 thereof:

Director	Board		Audit		Risk		Remuneration		Social and Ethics	
	Meetings	Percentage attended	Meetings	Percentage attended	Meetings	Percentage attended	Meetings	Percentage attended	Meetings	Percentage attended
VM Mokholo <i>Non-executive Chairman</i>	4/4	100	4/4*	100	2/2*	100	1/1	100	N/A	N/A
JC Herbst <i>Chief Executive Officer</i>	4/4	100	4/4*	100	2/2*	100	1/1*	100	N/A	N/A
D Deetlefs <i>Group Financial Director</i>	4/4	100	4/4*	100	2/2*	100	1/1*	100	2/2	100
SP Tredoux <i>Lead independent non-executive director</i>	4/4	100	4/4	100	2/2	100	N/A	N/A	2/2	100
AD Potgieter <i>Non-executive director</i>	4/4	100	4/4	100	2/2	100	1/1	100	N/A	N/A
DR Gammie <i>Independent non-executive director</i>	4/4	100	4/4	100	2/2	100	1/1	100	N/A	N/A
Z Bulbulia# <i>Non-executive director</i>	1/1	100	1/1	100	1/1	100	N/A	N/A	N/A	N/A
Designated Advisor	4/4	100	1/4	25	N/A	N/A	N/A	N/A	N/A	N/A
Company Secretary	4/4	100	4/4	100	2/2	100	1/1	100	2/2	100
Auditor	N/A	N/A	4/4	100	N/A	N/A	N/A	N/A	N/A	N/A

* Invitee

Appointed 28 January 2016

GOVERNANCE CONTINUED

FEES PAID TO NON-EXECUTIVE DIRECTORS

The fees paid to non-executive directors are discussed by the Remuneration Committee and recommended to the Board. With effect from 1 March 2015, and in line with the King III report on Corporate Governance, the non-executive directors were paid a monthly retainer of R21 500 per month, and the non-executive Chairman, a monthly retainer of R36 000 per month. The current meeting fees are given in the table below:

	Chairman	Member
Board	13 000	13 000
Board Committee	13 000	13 000

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 ensure that the cost of non-executive director remuneration is kept to a minimum each year. Any *ad hoc* special Board meetings over and above the regular Board meetings attract a fee of R3 000, and are to be scheduled for 16:00 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 37 of the AFS.

GROUP COMPANY SECRETARY

The Group Company Secretary is Jean Tyndale-Biscoe, a full-time employee of the Group. The Group 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 and 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.

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	✓		
Effective management of company's ethics	✓		
Responsible corporate citizenship	✓		
Assurance statement on ethics in integrated annual report	✓		
BOARDS AND DIRECTORS			
The Board is the focal point for, and custodian of, corporate governance	✓		
Directors act in the best interests of the Company	✓		
Framework for the delegation of authority has been established	✓		
Directors are appointed through a formal process	✓		
The Board is assisted by a competent, suitably qualified and experienced Company Secretary	✓		
Appointment of well-structured committees and oversight of key functions	✓		
Directors and executives are fairly and responsibly remunerated	✓		
The Company's remuneration policy is approved by its shareholders	✓		
Strategy, risk, performance and sustainability are inseparable	✓		
The Chairman of the Board is an independent non-executive director		✓ ¹	
The Board is comprised with a balance of power, with a majority of non-executive directors who are independent		✓ ²	
Formal induction and on-going training of directors is conducted	✓		
Regular performance evaluation of the Board, its committees and the individual directors		✓ ³	
An agreed governance framework between the group and its subsidiary boards is in place		✓ ⁴	
Remuneration of directors and senior executives is disclosed	✓		
AUDIT COMMITTEE			
Effective and independent	✓		
Chaired by an independent non-executive director	✓		
A combined assurance model is applied to improve efficiency in assurance activities			✓ ⁵
Suitably skilled and experienced non-independent non-executive directors	✓		
Oversees integrated reporting	✓		
Satisfies itself on the expertise, resources and experience of the Company's finance functions	✓		
Oversees internal audit			✓ ⁶
Oversees the external audit process	✓		
Integral to the risk management process	✓		
Reports to the Board and shareholders on how it has discharged its duties	✓		

GOVERNANCE CONTINUED

Governance element and associated principle	Comply	Partially comply	Under review/ do not comply
GOVERNANCE OF RISK			
The Board is responsible for the governance of risk and setting levels of risk tolerance	✓		
The Board delegates the process of risk management to management	✓		
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓		
The Board receives assurance on the effectiveness of the risk management process	✓		
The Risk Committee assists the Board in carrying out its responsibilities	✓		
The Board ensures that risk assessments and monitoring is performed on a continual basis	✓		
Management implements appropriate risk responses	✓		
Sufficient risk disclosure to stakeholders	✓		
GOVERNANCE OF INFORMATION TECHNOLOGY			
The Board is responsible for information technology (IT) governance	✓		
Management is responsible for the implementation of an IT governance framework	✓		
IT is an integral part of the company's risk management	✓		
The Audit Committee assists the Board in carrying out its IT responsibilities	✓		
IT is aligned with the performance and objectives of the Company	✓		
The Board monitors and evaluates significant IT investments and expenditure	✓		
IT assets are managed effectively	✓		
COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS			
The Board ensures that the Company complies with relevant laws	✓		
Compliance risk forms an integral part of the Company's risk management process	✓		
The Board and directors have a working understanding of the relevance and implications of non-compliance	✓		
The Board has delegated to management the implementation of an effective compliance framework	✓		
GOVERNING STAKEHOLDER RELATIONSHIPS			
Appreciation that stakeholders' perceptions affect the Company's reputation	✓		
There is an appropriate balance between its various stakeholder groupings	✓		
Transparent and effective communication to stakeholders	✓		
Delegated to management to proactively deal with stakeholder relationships	✓		
Equitable treatment of stakeholders	✓		
Disputes are resolved effectively and timeously	✓		

Governance element and associated principle	Comply	Partially comply	Under review/ do not comply
INTEGRATED REPORTING AND DISCLOSURE			
Ensures the integrity of the Company's integrated annual report	✓		
Sustainability reporting and disclosure is independently assured			✓ ⁷
Sustainability reporting and disclosure is integrated with the Company's financial reporting	✓		

Notes:

1. The previous Non-executive Chairman, Mr VM Mokholo held an executive position in Ambient Mobile, one of the Company's associate companies.
2. The Board consisted of two executive and five non-executive directors as at 29 February 2016. Two of the non-executive directors were independent and the Group has a Lead Independent Director, Mr SP Tredoux.
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.
7. The Board is responsible for ensuring that sustainability reporting and disclosure is accurate.

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 together with the Integrated Report for the year ended 29 February 2016.

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 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 an Internal Audit function 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.

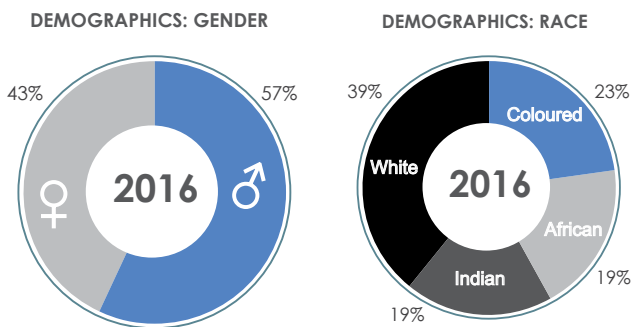
SUSTAINABILITY REPORT

Huge Group Limited listed on the Alternative Exchange of the JSE during August 2007. The listing was moved to the Main Board of the JSE with effect from 1 March 2016.

Huge Group, through its main operating subsidiary, Huge Telecom, provides communications services to corporate organisations and residential customers in South Africa. All revenue generated by the Group is generated in South Africa.

The Group employs just over 120 full-time employees and seven temporary staff 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 29 February 2016, staff demographics were as follows:



The Group offers technical internships in terms of the government-led initiative launched in order to create employment-based learning opportunities for young South Africans attempting to enter the job market and improve their skills. In addition, 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.

The Company has an established and active Employee Equity and Skills Development Committee (combined). During August 2015, the MICT Seta conducted an audit within Huge Telecom, which audit was passed with flying colours.

The Group employs just over 120 full-time employees and seven temporary staff in five offices within South Africa, with a presence in Cape Town, Durban, Port Elizabeth, Bloemfontein and Johannesburg.

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 services 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 school. Other projects undertaken during the year included a Mandela Day food distribution initiative.

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 29 February 2016, 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, or to contact the Company Secretary directly at jtyndale-biscoe@hugetelecom.co.za.

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 was nominated to the Audit Committee on 28 January 2016, and Dr D da Silva joined the Audit Committee after year end.

STATEMENT OF THE AUDIT COMMITTEE'S RESPONSIBILITIES FOR THE YEAR ENDED 29 FEBRUARY 2016

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 2016 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 Financial Director;
- 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 2016 financial year. One of its mandate responsibilities was the assessment of the independence of the auditor. The committee is satisfied that the auditor is independent of the Company.

No substantial changes to the Terms of Reference were adopted during the 2016 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 Group Financial Director.

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 Hugel to be a fair presentation of its financial position on 29 February 2016, its financial performance for the year ended 29 February 2016, the changes in equity and cash flows for the period then ended, in accordance with IFRS and the Companies 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)

Group Financial 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 mandate; and
- Reporting to shareholders on matters that fall within the scope of its mandate.

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 be the focus of the committee for the foreseeable future.

INDEX

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

Definitions	29
Directors' Responsibilities and Approval	31
Group Company Secretary's Certification	31
Directors' Report	32
Independent Auditor's Report	37
Statement of Financial Position	38
Statement of Profit or Loss and Other Comprehensive Income	39
Statement of Changes in Equity	40
Statement of Cash Flows	42
Accounting Policies	43
Notes to the Consolidated and Separate Annual Financial Statements	53

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:

“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 49.9% held subsidiary company of Huge Telecom up until 14 April 2015, and a 50.2% subsidiary company of Huge Telecom with effect from 14 April 2015;
“the Board”	the board of directors of the Company as constituted from time to time;
“BTS”	Business Telephone System;
“CFDs”	Contracts for Difference;
“CGU”	cash generating unit;
“CIBs”	Connection Incentive Bonuses;
“the Commissioner”	the Commissioner of the Companies and Intellectual Property Commission;
“the Companies Act”	the Companies Act of South Africa;
“DIBs”	Discretionary Incentive Bonuses;
“EBIT”	earnings before interest and taxation;
“EPS”	earnings per share;
“Eyeballs”	Eyeballs Mobile Advertising Proprietary Limited, registration number 2007/004818/07, and an 84% subsidiary company of Huge with effect from 12 October 2014, and a 96% subsidiary company of Huge with effect from 14 September 2015;
“Eyeballs Technology”	computer software developed by Eyeballs;
“FCR”	Fixed Cellular Routing;
“FirstRand Bank”	FirstRand Bank Limited, registration number 1929/001225/06, and the bankers to Huge;
“FLCR”	Fixed Location Cellular Routing;
“FLVO”	Fixed Line Voice Over;
“FSB”	the Financial Services Board;
“functional currency”	South African Rand;
“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;
“GSM”	Global System for Mobile Communications;
“Group”	Huge and its subsidiary companies;
“HEPS”	headline earnings per share;
“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 Cellular”	Huge Cellular Proprietary Limited, registration number 2008/004068/07, and a wholly-owned subsidiary company of Huge Telecom;
“Huge Connect”	Huge Connect Proprietary Limited, registration number 2002/022642/07, the name of which was changed from Huge Mobile to Huge Connect on 10 February 2016, and a wholly-owned subsidiary company of Huge;

DEFINITIONS

"Huge Software"	Huge Software and Technologies Proprietary Limited, registration number 2008/006066/07, the name of which was changed from Huge Software to Huge Software and Technologies on 31 July 2015, 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;
"JSE"	the JSE Limited, registration number 2005/022939/06;
"LCR"	Least Cost Routing;
"Le Gacy"	Le Gacy Telecom (FRA) Proprietary Limited, registration number 2007/033510/07, and a 49.7% held subsidiary company of Huge Telecom;
"LR"	the Listings Requirements of the JSE;
"MNO"	Mobile Network Operator;
"MVNO"	Mobile Virtual Network Operator;
"MOI"	Memorandum of Incorporation;
"MTR"	mobile termination rate;
"MTS"	the CGU comprising Huge Software and Eyeballs up until 28 February 2014;
"Nedbank"	Nedbank Limited, registration number 1951/000009/06;
"Pacific Breeze"	Pacific Breeze Trading 417 Proprietary Limited, registration number 2006/008999/07;
"PABX"	Private Automated Branch Exchange;
"PSTN"	Public Switched Telephone Network;
"SARS"	the South African Revenue Service;
"Shares"	ordinary par value shares of R0.0001 each;
"SOHOR"	Small Office Home Office Residential;
"SSFs" or "SSF contracts"	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 Proprietary Limited, registration number 2010/002213/07;
"Telecom"	the CGU comprising Huge Telecom, Huge Mobile, Huge Cellular, Ambient and Le Gacy up until 28 February 2014;
"Telemasters"	Telemasters Holdings Limited, registration number 2006/015734/06;
"Telkom"	Telkom SA SOC Limited, registration number 1991/005476/30;
"VAN"	Value Added Network;
"VAT"	Value Added Tax;
"Vodacom"	Vodacom Proprietary Limited, registration number 1993/003367/07;
"VoIP"	Voice Over Internet Protocol; and
"Watermark"	Watermark Securities Proprietary Limited, registration number 1999/010690/07.

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 to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise 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 12 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 page 37.

The AFS set out on pages 38 to 85, which have been prepared on the going concern basis, were approved by the board of directors on 10 August 2016 and were signed on its behalf by:

James Charles Herbst
Chief Executive Officer

David Deetlefs
Group Financial Director

GROUP COMPANY SECRETARY'S 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

10 August 2016

DIRECTORS' REPORT

The directors submit their report for the year ended 29 February 2016.

1. NATURE OF BUSINESS

Huge is an investment holding company holding investments in subsidiary companies and a joint venture company operating in the telecommunications, media, technology and software industries. The Company maintains a listing on the Main Board of the Johannesburg Stock Exchange, having transferred from the AltX on 1 March 2016, and conducts its business within the Republic of South Africa.

The Group comprises the following operations:

Huge Telecom and Huge Connect are engaged in providing voice, messaging and data connectivity services using wireless, GSM-based, fixed cellular last mile solutions to residential customers and a wide range of corporate clients, from large corporate to small and medium enterprises.

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.

Ambient provides the technology platform used in the provision of messaging services by Huge Telecom and Huge Connect 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.

2. FINANCIAL RESULTS

Full details of the financial position, results of operations 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 current cash flow projections of the Group;
- The renewal for a further year of the loan funding obtained from Afrasia Special Opportunities Fund (now SSL) during November 2015;
- The continuing increase in monthly channel sales, together with the resulting revenue flow and profitability improvements;
- The future cash flow projections of the Group; and
- The expected further improvement in the Group's profitability as reflected in the budget for the year that will end on 28 February 2017, which budget was approved by the Board during February 2016.

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

4. BORROWING POWERS

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

5. INTANGIBLE ASSETS

EYEBALLS TECHNOLOGY

The expenditure incurred in the development of the Eyeballs Technology was impaired previously on the basis that there were limited revenue generating opportunities related to this software application at the time of its development. 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. Further development costs have been incurred during the year under review to update the application software.

6. INTEREST IN SUBSIDIARY COMPANIES AND JOINT VENTURE

The net profit/(losses) after taxation of each subsidiary company and the joint venture was:

Name of subsidiary and joint venture	% shareholding	2016	2015
Huge Telecom	100.0	4 487 447	(2 687 989)
Huge Connect	100.0	4 065 053	204 627
Huge Cellular	100.0	845 485	339 953
Huge Software	100.0	3 096 768	3 626 034
Eyeballs	96.0	3 987 536	60 324
Ambient	50.2	1 528 771	(515 377)
Le Gacy	49.7	(88 253)	(52 269)
Gonondo (joint venture)	50.0	(9 512)	23 545
		17 913 295	998 848

During the year under review, the Group acquired a further 12% of the issued share capital of Eyeballs from the Nash Lewin Trust. This acquisition increased Huge Group's holding in Eyeballs from 84% at the beginning of the financial year, to 96% as at the date of this report.

A further three shares in Ambient Mobile were acquired by Huge Telecom from the Taung Trust, thereby increasing Huge Telecom's interest in Ambient Mobile from 49.9% at the beginning of the financial year, to 50.2% as at the date of this report.

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 132 760 000 shares. This includes 99 646 601 shares issued on 7 August 2007, being the date on which the Company listed on the AltX. The listing of the Company was moved to the Main Board of the Johannesburg Stock Exchange with effect from 1 March 2016.

The number of shares in issue at 29 February 2016 amounts to 110 901 443 (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 5 August 2015, 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 10 August 2016.

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 (2015: nil shares). The Company has, since incorporation, repurchased and cancelled in aggregate 21 858 557 (2015: 21 858 557) shares.

SHARES OF THE COMPANY ACQUIRED AND HELD BY HUGE TELECOM

The Group (through Huge Telecom) holds 9 646 926 (2015: 9 646 926) shares as treasury shares.

DIRECTORS' REPORT CONTINUED

9. DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 29 February 2016, the following directors held Shares in the issued share capital of the Company:

Number of shares held	Direct	Indirect	Total	%
2016				
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
2015				
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

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:

5 AUGUST 2015

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

The approval of the scale of the non-executive directors' remuneration for the financial year commencing 1 March 2015, 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. PRO-ACTIVE MONITORING OF FINANCIAL STATEMENTS

The first correspondence with regard to this matter was received from the JSE on 21 February 2013, the main theme of which was that the JSE was instructing the Company to restate its AFS for the 2010, 2011 and 2012 financial years (the Relevant AFS) as a result of the accounting treatment of certain Single Stock Futures (SSFs), with which the JSE disagreed (the Restatement Decision).

The Company objected to the JSE's findings, but on 20 January 2014, received a letter from the JSE stating that the Company's objections had been dismissed, and that the Company was instructed to restate the Relevant AFS (the Final Decision).

On 21 February 2014, the Company addressed a letter to the JSE explaining that the SSFs which were the subject of the Final Decision had been closed out during December 2013, and requested the JSE to take this fact into consideration with regard to the Final Decision. In addition, the Company requested that the JSE furnish the Company with full and comprehensive reasons for the Restatement Decision and the Final Decision for the purposes of preparing an appeal submission in the event that the JSE did not reverse the Final Decision.

The JSE directed a reply to the Company dated 27 October 2014, in which it informed the Company that it had decided that there was no merit in Huge's request. It therefore issued a directive to Huge in terms of section 8.65(b) of the LR to restate its AFS for the years ended on the last day of February 2010, 2011 and 2012.

In reply, the Company addressed a letter to the JSE dated 27 November 2014, wherein the Company advised the JSE that the Company's legal advisors had been instructed to prepare a review application, which application was expected to be delivered in January 2015. In addition, the Company requested that all future correspondence in this regard be addressed to the Company's legal advisors.

On 24 April 2015, the Company instituted an action in the Gauteng Local Division of the High Court of South Africa, for the judicial review of certain decisions of the JSE in terms of section 6(2)(e)(iii) of the Promotion of Administrative Justice Act, 2 of 2000.

Subsequent to this, a dispute arose with regard to the completeness of the record of the Restatement Decision filed by the JSE. The Company launched an interlocutory application, and on 8 March 2016, Satchwell, J ruled in favour of Huge and ordered the JSE to provide certain documents for inclusion in the record.

A date for the hearing of the Main Application has not been set.

The Board remains of the view that (i) the Restatement Decision and the Final Decision is ultra vires the powers of the JSE; (ii) the restatement of the Relevant AFS is not in the best interests of the Company and its shareholders, and (iii) the directors have a statutory obligation to present separate and consolidated AFS that they consider fairly present the financial position, results and cash flows, and are not misleading – which they achieved by adopting the accounting treatments in question. The Board has, in proper discharge of its fiduciary duties, authorised the Company to take all and any action in order to ensure the fullest ventilation of the issues and to confirm as to whether or not the JSE has the applicable jurisdiction in respect of the Restatement Decision and the Final Decision and that all of the audit opinions and expert advice received by the Company with regard to the accounting and disclosure of the SSFs is incorrect as contended by the JSE.

13. LITIGATION

DISPUTE BETWEEN HUGE AND TELEMASTERS

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

After protracted correspondence, the matter was referred for arbitration. No formal date for arbitration had been set down as at the time of publication of this report.

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.

DIRECTORS' REPORT CONTINUED

14. DIVIDENDS

The Board resolved to resume paying dividends during the 2015 financial year. The existing dividend policy of the Company is to pay a low, regular dividend supplemented by additional dividends when earnings exceed expectation, and is based on the application of a target dividend payout ratio of 50%, implying a dividend cover of two.

A gross dividend of 4 cents per share was declared and paid to shareholders on 6 July 2015.

A further gross interim dividend of 4 cents per share was declared and paid to shareholders on 29 December 2015.

15. EVENTS AFTER THE REPORTING PERIOD

On 1 March 2016, the listing of Huga was transferred from the Alternative Exchange to the Main Board of the JSE. Other than this and the matter referred to in note 12 to the Directors' Report dealing with the Pro-Active Monitoring of the Financial Statements, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HUGE GROUP LIMITED

We have audited the consolidated and separate financial statements of Huge Group set out on pages 38 to 85, which comprise the statements of financial position as at 29 February 2016 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Huge Group Limited as at 29 February 2016 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 29 February 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 5 years.



BDO South Africa Incorporated

FM Bruce-Brand

Director

Registered Auditor

10 August 2016

STATEMENT OF FINANCIAL POSITION

as at 29 February 2016

Figures in Rand	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Assets					
Non-current assets					
Property, plant and equipment	4	61 093 147	46 084 734	–	–
Goodwill	5	215 153 482	215 153 482	–	–
Intangible assets	6	1 557 610	2 298 204	13 925	–
Investments in subsidiaries	7	–	–	113 343 479	113 343 479
Investment in joint venture company	8	709 479	714 235	–	–
Deferred tax	9	6 415 059	3 332 871	27 474	1 532 333
Deferred expenditure	10	6 223 654	4 444 301	–	–
		291 152 431	272 027 827	113 384 878	114 875 812
Current assets					
Inventories	11	1 293 585	1 025 496	–	–
Loans to Group companies	12	–	–	36 954 642	35 282 687
Trade and other receivables	13	27 568 332	34 859 740	4 486 789	8 900 521
Deferred expenditure	10	9 493 593	6 824 736	–	–
Cash and cash equivalents	14	4 555 029	4 740 908	3 778	3 458
		42 910 539	47 450 880	41 445 209	44 186 666
Total assets		334 062 970	319 478 707	154 830 087	159 062 478
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	16	229 323 391	229 323 391	230 686 422	230 686 422
Reserves	17	–	–	–	14 949 000
Accumulated profit (loss)		33 737 533	23 098 084	(82 063 844)	(95 630 113)
		263 060 924	252 421 475	148 622 578	150 005 309
Non-controlling interest	18	(3 184 633)	(4 101 164)	–	–
		259 876 291	248 320 311	148 622 578	150 005 309
Liabilities					
Non-current liabilities					
Instalment sales	19	2 143 469	769 978	–	–
Deferred tax	9	1 422 350	498 951	–	–
		3 565 819	1 268 929	–	–
Current liabilities					
Interest-bearing liability	20	20 000 000	20 611 824	–	–
Loans from shareholders	21	461 382	2 756 612	461 382	2 756 612
Other financial liabilities	22	693 884	788 181	–	–
Current tax payable		1 248 236	–	–	–
Instalment sales	19	1 676 837	606 211	–	–
Trade and other payables	23	36 667 554	45 126 639	5 746 127	6 300 557
Bank overdraft	14	9 872 967	–	–	–
		70 620 860	69 889 467	6 207 509	9 057 169
Total liabilities		74 186 679	71 158 396	6 207 509	9 057 169
Total equity and liabilities		334 062 970	319 478 707	154 830 087	159 062 478

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2016

Figures in Rand	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Revenue	25	216 517 470	204 588 718	-	-
Cost of sales	26	(128 328 207)	(123 649 298)	-	-
Gross profit		88 189 263	80 939 420	-	-
Other income	27	1 295 775	1 067 552	8 683 372	11 801 874
Selling and administration expenses		(25 222 723)	(23 877 091)	(92 015)	536 820
Employee costs		(41 306 747)	(42 197 034)	-	-
Operating profit	28	22 955 568	15 932 847	8 591 357	12 338 694
Investment revenue	29	492 107	620 663	402 901	11 514
Net change in fair value of financial instruments	30	-	3 318 892	-	-
(Loss) profit from joint venture company	8	(4 756)	11 772	-	-
Finance costs	30	(4 697 131)	(2 700 334)	(16)	(225 402)
Profit before taxation		18 745 788	17 183 840	8 994 242	12 124 806
Taxation	32	910 553	(5 932 852)	(1 504 858)	(2 281 470)
Profit for the year		19 656 341	11 250 988	7 489 384	9 843 336
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		19 656 341	11 250 988	7 489 384	9 843 336
Total comprehensive income attributable to:					
Owners of the parent		18 779 903	11 525 383	7 489 384	9 843 336
Non-controlling interest		876 438	(274 395)	-	-
		19 656 341	11 250 988	7 489 384	9 843 336
Earnings per share					
Per share information					
Basic earnings per share	(cents)	33	18.55	12.80	-
Diluted earnings per share	(cents)	33	18.55	12.80	-

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2016

Figures in Rand	Share capital	Share premium	Total share capital	Other reserves	Accumulated profit	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 1 March 2014	8 025	208 402 505	208 410 530	(482 456)	11 888 288	219 816 362	(3 659 900)	216 156 462
Profit (loss) for the year	-	-	-	-	11 525 383	11 525 383	(274 395)	11 250 988
Rights issue	2 000	19 998 000	20 000 000	-	-	20 000 000	-	20 000 000
Rights issue expenses	-	(297 139)	(297 139)	-	-	(297 139)	-	(297 139)
Issue of new shares	100	1 209 900	1 210 000	-	-	1 210 000	-	1 210 000
Changes in ownership	-	-	-	-	166 869	166 869	(166 869)	-
Lapsing of share options	-	-	-	482 456	(482 456)	-	-	-
Total movement for the year	2 100	20 910 761	20 912 861	482 456	(315 587)	21 079 730	(166 869)	20 912 861
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
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 29 February 2016	10 125	229 313 266	229 323 391	-	33 737 533	263 060 924	(3 184 633)	259 876 291
Notes	16	16	16	17				

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2016

Figures in Rand	Share capital	Share premium	Total share capital	Other reserves	Accumulated profit	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 1 March 2014	9 896	224 712 665	224 722 561	(482 456)	(104 990 993)	119 249 112	-	119 249 112
Profit for the year	-	-	-	-	9 843 336	9 843 336	-	9 843 336
Rights issue	2 000	19 998 000	20 000 000	-	-	20 000 000	-	20 000 000
Shares cancelled	(906)	(14 948 094)	(14 949 000)	14 949 000	-	-	-	-
Share issue	100	1 209 900	1 210 000	-	-	1 210 000	-	1 210 000
Rights issue expenses	-	(297 139)	(297 139)	-	-	(297 139)	-	(297 139)
Lapsing of share options	-	-	-	482 456	(482 456)	-	-	-
Total movement for the year	1 194	5 962 667	5 963 861	15 431 456	(482 456)	20 912 861	-	20 912 861
Balance at 1 March 2015	11 090	230 675 332	230 686 422	14 949 000	(95 630 113)	150 005 309	-	150 005 309
Profit for the year	-	-	-	-	7 489 384	7 489 384	-	7 489 384
Transfer between reserves	-	-	-	(14 949 000)	14 949 000	-	-	-
Dividends	-	-	-	-	(8 872 115)	(8 872 115)	-	(8 872 115)
Total movement for the year	-	-	-	(14 949 000)	6 076 885	(8 872 115)	-	(8 872 115)
Balance at 29 February 2016	11 090	230 675 332	230 686 422	-	(82 063 844)	148 622 578	-	148 622 578
Notes	16	16	16	17				

STATEMENT OF CASH FLOWS

for the year ended 29 February 2016

Figures in Rand	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Cash flows from operating activities					
Cash generated from (used in) operations	34	26 663 372	(10 170 866)	8 825 035	8 716 056
Interest income	29	492 107	620 663	402 901	11 514
Finance costs	31	(4 461 574)	(2 700 334)	(16)	(225 402)
Net cash from (used in) operating activities		22 693 905	(12 250 537)	9 227 920	8 502 168
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(21 424 388)	(17 824 728)	-	-
Proceeds from disposal of property, plant and equipment		71 000	34 500	-	-
Purchase of other intangible assets	6	(2 506 211)	(2 503 889)	(13 925)	-
Movement in investments in subsidiaries		-	-	51 675	-
Proceeds from loans from Group companies		-	-	1 901 995	-
Funds paid to Group companies		-	-	-	(30 823 126)
Net cash (used in) from investing activities		(23 859 599)	(20 294 117)	1 939 745	(30 823 126)
Cash flows from financing activities					
Proceeds from share issue	16	-	1 210 000	-	1 210 000
Proceeds from rights issue	16	-	20 000 000	-	20 000 000
Share issue expenses		-	(297 139)	-	(297 139)
Repayment of other financial liabilities		(94 297)	(379 765)	-	-
Proceeds from interest-bearing liability		-	20 611 824	-	-
Repayment of interest-bearing liability		(611 824)	-	-	-
Proceeds from shareholders' loans		-	1 410 651	-	1 410 651
Repayment of shareholders' loans		(2 295 230)	-	(2 295 230)	-
Instalment sale receipts	19	2 208 560	557 537	-	-
Dividends paid		(8 100 361)	-	(8 872 115)	-
Net cash (used in) from financing activities		(8 893 152)	43 113 108	(11 167 345)	22 323 512
Total cash movement for the year		(10 058 846)	10 568 454	320	2 554
Cash at the beginning of the year		4 740 908	(5 827 546)	3 458	904
Total cash at end of the year	14	(5 317 938)	4 740 908	3 778	3 458

ACCOUNTING POLICIES

for the year ended 29 February 2016

1. PRESENTATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The AFS have been prepared in accordance with IFRS, its interpretations as adopted by the IASB, the Financial Reporting Guides (SAICA-APC) and in the manner required by the Companies Act. The AFS have been prepared on the historical cost basis, except for certain financial instruments carried at fair value, 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 that 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 AFS of the Company.

Joint arrangements

Joint arrangements are a separate legal entity, where the joint partners do not have direct responsibilities for the assets and liabilities and therefore the arrangement is classified as 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 initially recorded 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.

ACCOUNTING POLICIES

for the year ended 29 February 2016

1. PRESENTATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

1.2 CONSOLIDATION CONTINUED

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 continually evaluated 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, and less than 50% of the voting power in Ambient in the prior year, the investment is considered a subsidiary company as the definition of control in IFRS 10 has been satisfied.

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.

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 initially recorded, 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
Computer equipment	3 years
Leasehold improvements	Lease period

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.

ACCOUNTING POLICIES

for the year ended 29 February 2016

1. PRESENTATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

1.5 INTANGIBLE ASSETS CONTINUED

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 initially recognised at cost. Patents are subsequently carried 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.

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.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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.

Financial instruments are measured initially at fair value.

For financial instruments which are not 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.

Fair value determination

The best evidence of fair value on initial recognition is an observable price in an active market, unless the fair value is evidenced by comparison with other observable current market transactions of the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. Subsequent to initial recognition, the fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (as for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other financial instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

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.

ACCOUNTING POLICIES

for the year ended 29 February 2016

1. PRESENTATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

1.6 FINANCIAL INSTRUMENTS CONTINUED

Trade and other receivables and loans receivable continued

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.

Derivative financial instruments

Derivative financial instruments (which are not designated as hedging instruments) consist of CFDs, are measured initially at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as either financial assets or liabilities at fair value through profit or loss.

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 duration of the contract. 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 eventually be transferred.

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.

ACCOUNTING POLICIES

for the year ended 29 February 2016

1. PRESENTATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

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 is 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.

ACCOUNTING POLICIES

for the year ended 29 February 2016

1. PRESENTATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

1.14 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.15 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 or 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.

1.16 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 2013. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 33.

1.17 BORROWING COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

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:

Amendment to IFRS 8: Operating Segments: Annual improvements Project

Management is now required to disclose the judgements made in applying the aggregation criteria. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2016 Consolidated and Separate Annual Financial Statements.

The impact of the amendment is not material.

Amendment to IAS 24: Related Party Disclosures: Annual Improvements Project

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity (management entity). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2016 Consolidated and Separate Annual Financial Statements.

The impact of the amendment is not material.

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 2016 or later periods:

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its consolidated and separate annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the consolidated and separate annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 Consolidated and Separate Annual Financial Statements.

The impact of this amendment is currently being assessed.

Amendment to IAS 34: Interim Financial Reporting: Annual Improvements Project

The amendment allows an entity to present disclosures required by paragraph 16A either in the interim consolidated and separate annual financial statements or by cross reference to another report, for example, a risk report, provided that other report is available to users of the consolidated and separate annual financial statements on the same terms as the interim consolidated and separate annual financial statements and at the same time.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 Consolidated and Separate Annual Financial Statements.

The impact of this amendment is currently being assessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE CONTINUED

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement 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.

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.

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.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE CONTINUED

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.

Amendment to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate consolidated and separate annual financial statements of an entity.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 Consolidated and Separate Annual Financial Statements.

The impact of this amendment is currently being assessed.

IFRS 16 Leases

- IFRS 16 is a new leases standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.
- IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.
- IFRS 16 supersedes the following Standards and Interpretations:
 - (a) IAS 17 Leases;
 - (b) IFRIC 4 Determining whether an Arrangement contains a Lease;
 - (c) SIC-15 Operating Leases – Incentives; and
 - (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE CONTINUED

IFRS 16 Leases continued

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.

Disclosure Initiative: amendments to IAS 7

Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Group expects to adopt the amendment for the first time in the 2018 Consolidated and Separate Annual Financial Statements.

The impact of this amendment is currently being assessed.

3. SEGMENTAL INFORMATION

Operating segments

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 now 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 prior 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.

Products and services

Refer to note 25 for further information in this regard.

Geographical regions

The Group operates out of five regional offices, located in Johannesburg, Cape Town, Durban, Port Elizabeth and Bloemfontein. Operations are, however, not accounted for on a regional basis but rather at a national level.

4. PROPERTY, PLANT AND EQUIPMENT

	GROUP					
	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Router equipment	99 487 386	(43 032 267)	56 455 113	81 599 687	(37 674 693)	43 924 994
Furniture and fixtures	313 512	(220 622)	92 890	281 509	(172 253)	109 256
Motor vehicles	4 437 867	(2 031 904)	2 405 963	3 179 989	(1 686 027)	1 493 962
Computer equipment	7 373 457	(5 247 793)	2 125 664	5 393 571	(4 837 049)	556 522
Leasehold improvements	377 158	(363 641)	13 517	–	–	–
Total	111 989 380	(50 896 233)	61 093 147	90 454 756	(44 370 022)	46 084 734

Reconciliation of property, plant and equipment

	GROUP				
	Opening balance	Additions	Disposals	Depreciation	Total
2016					
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
2015					
Router equipment	32 251 274	16 376 154	–	(4 702 434)	43 924 994
Furniture and fixtures	131 140	24 571	–	(46 455)	109 256
Motor vehicles	892 614	1 003 210	(5 069)	(396 793)	1 493 962
Computer equipment	1 070 747	340 472	–	(854 697)	556 522
Leasehold improvements	104 790	80 321	–	(185 111)	–
	34 450 565	17 824 728	(5 069)	(6 185 490)	46 084 734

Encumbered assets

Three (2015: Seven) light commercial vehicles with a carrying value of R 329 506 (2015: R567 934) serve as security for instalment sale agreements concluded with Wesbank. Refer to note 19.

Ten (2015: Five) light commercial vehicles with a carrying value of R1 790 536 (2015: R873 303) serve as security for instalment sale agreements concluded with Merchant West Proprietary Limited. Refer to note 19.

A General Notarial Bond to the value of R24 million is registered in favour of SSL over the movable assets (router equipment) of Huge Software to the value of R56 455 113 (2015: R43 924 994).

The net book value of the movable assets at year end amounts to R56 455 113 (2015: R43 924 994).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

5. GOODWILL

Figures in Rand	GROUP					
	2016			2015		
	Cost	Accu- mulated impairment	Carrying value	Cost	Accu- mulated impairment	Carrying value
Goodwill	215 251 256	(97 774)	215 153 482	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.

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 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 R239 516 000 (2015: R242 765 000).

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 29 February 2016 (2015: 12%) and 10.0% for the years to 28 February 2017 to 2021 (2015: 12.0%);
- cost of sales growth rate of 10.0% for the year to 29 February 2016 (2015: 20.0%) and 10.0% for the years 28 February 2017 to 29 February 2021 (2015: 12.0%);
- operating costs increasing at a growth rate of 5.5% for the year to 29 February 2016 (2015: 4.3%), and 5.5% for the years from 28 February 2017 to 2021 (2015: 5.8%);
- a weighted average cost of capital represented by a pre-tax discount rate of 17.09% (2015: 16.07%); and
- a terminal growth rate of 3.1% (2015: 3.5%).

While 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

Figures in Rand	GROUP					
	2016			2015		
	Cost	Accumulated amortisation and impairment losses	Carrying value	Cost	Accumulated amortisation and impairment losses	Carrying value
Router Development Technology	1 274 951	–	1 274 951	604 308	–	604 308
Computer software, internally generated	18 144 209	(18 055 316)	88 893	21 386 675	(20 236 438)	1 150 237
Computer software, purchased	2 658 738	(2 562 808)	95 930	2 596 537	(2 052 878)	543 659
Patents	372 358	(274 522)	97 836	–	–	–
Total	22 450 256	(20 892 646)	1 557 610	24 587 520	(22 289 316)	2 298 204

Figures in Rand	COMPANY					
	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, purchased	13 925	–	13 925	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

6. INTANGIBLE ASSETS CONTINUED

Reconciliation of intangible assets	GROUP				
	Opening balance	Additions	Transfers	Amortisation	Total
Figures in Rand					
2016					
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	GROUP			
	Opening balance	Additions	Amortisation	Total
Figures in Rand				
2015				
Router Development Technology	–	668 451	(64 143)	604 308
Computer software, internally generated	1 805 574	1 821 719	(2 477 056)	1 150 237
Computer software, purchased	1 002 960	13 719	(473 020)	543 659
	2 808 534	2 503 889	(3 014 219)	2 298 204

Reconciliation of intangible assets	COMPANY		
	Opening balance	Additions	Total
Figures in Rand			
2016			
Computer software, purchased	–	13 925	13 925

Eyeballs Technology

The expenditure incurred in the development of the Eyeballs Technology was impaired previously on the basis that there were limited revenue generating opportunities related to this software application at the time of its development. 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 smart phone devices means that the Eyeballs Technology is marketable. Further development costs have been incurred during the year under review to update the application software.

Router Development Technology

During the year under review, Huge Software acquired certain intellectual property to facilitate the development of the Group's own router equipment. The cost of such Intellectual Property together with development costs incurred during the year amount to R670 643 (2015: R668 451) and are included under the additions.

7. INVESTMENTS IN SUBSIDIARIES

Figures in Rand	Held by	Percentage holding 2016	Percentage holding 2015	Carrying amount 2016	Carrying amount 2015
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	84.0	6 115 194	6 166 869
Huge Cellular	Huge Telecom	100.0	100.0	–	–
Ambient	Huge Telecom	50.2	49.9	–	–
Le Gacy	Huge Telecom	49.7	49.7	–	–
				188 870 616	188 922 291
Provision for impairment of investment in Huge Connect				(69 411 943)	(69 411 943)
Provision for impairment of investment in Eyeballs				(6 115 194)	(6 166 869)
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 gross of impairment losses.

During the year under review Huge acquired a further 12% of the issued share capital of Eyeballs, for a consideration of R166 869.

The investments in Eyeballs and Huge Connect have been impaired by R75 527 137 to date (2015: R75 578 812), due to the uncertainty of the recoverability of the carrying amounts of these investments.

Subsidiary companies in which less than 50% of the voting power held

Although Huge Telecom 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

8. INVESTMENT IN JOINT VENTURE COMPANY

Figures in Rand	Held by	GROUP		COMPANY	
		2016	2015	2016	2015
		Percentage ownership interest	Percentage ownership interest	Carrying amount	Carrying amount
Gonondo	Huge Telecom	50.0	50.0	709 479	714 235
<p>The above mentioned joint venture company is incorporated and has its effective place of business in South Africa. The below information represents 100% of Gonondo's results.</p> <p>Carrying amount</p> <p>The movement in the carrying amount of the investment in the joint venture company is as follows:</p>					
Gonondo equity – 100%		500 148	509 660	–	–
Huge Telecom share – 50%		250 074	254 830	–	–
Goodwill		459 405	459 405	–	–
Carrying amount		709 479	714 235	–	–
<p>The Group's share of earnings in the joint venture company is made up as follows:</p>					
(Loss) profit from the joint venture company		(4 756)	11 772	–	–
Share of retained earnings from the joint venture company		(4 756)	11 772	–	–
<p>Summary of financial information in the joint venture company</p>					
Statement of financial position					
Non-current assets		38 947	76 794	–	–
Current assets		649 372	573 500	–	–
Long-term liabilities – non-interest bearing		(3 065)	(13 382)	–	–
Current liabilities – non-interest bearing		(185 106)	(127 252)	–	–
Equity		500 148	509 660	–	–
Statement of comprehensive income					
Revenue		1 277 899	1 300 258	–	–
Other expenses		(1 292 563)	(1 277 374)	–	–
Investment income		10 705	9 818	–	–
Finance costs		(9 224)	–	–	–
Taxation income (expense)		3 671	(9 157)	–	–
(Loss) profit for the year		(9 512)	23 545	–	–
Statement of cash flows					
Cash flows from operating activities		76 785	163 198	–	–
Net cash flow		76 785	163 198	–	–

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
9. DEFERRED TAX				
Deferred tax asset	6 415 059	3 332 871	27 474	1 532 333
Deferred tax liability	(1 422 350)	(498 951)	-	-
	4 992 709	2 833 920	27 474	1 532 333
Reconciliation of deferred tax asset				
At beginning of year	2 833 920	3 531 409	1 532 333	3 813 803
Included in income tax expense	2 158 789	(697 489)	(1 504 859)	(2 281 470)
	4 992 709	2 833 920	27 474	1 532 333
Composition of deferred tax				
Tax losses available for set off against future taxable income	5 340 011	2 300 096	27 474	1 532 333
Allowance for doubtful debts	612 558	481 337	-	-
Accrual for leave pay	462 489	551 352	-	-
Property, plant and equipment	(1 343 209)	(480 651)	-	-
Finance leases	-	(18 214)	-	-
Intangible assets	(79 140)	-	-	-
	4 992 709	2 833 920	27 474	1 532 333
Recognition of deferred tax asset				
Deferred tax assets in certain subsidiary companies have been raised on assessed tax losses based on conservative forecasts of future taxable income from operations and management's assessment of future cash flows, together with the anticipated growth in operational income in those subsidiary companies. The directors are satisfied that the deferred tax assets will be recovered.				
10. DEFERRED EXPENDITURE				
Deferred DIBs	13 770 772	9 791 049	-	-
Deferred SOHOR expenditure	1 946 475	1 477 988	-	-
	15 717 247	11 269 037	-	-
Non-current portion	6 223 654	4 444 301	-	-
Current portion	9 493 593	6 824 736	-	-
	15 717 247	11 269 037	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
11. INVENTORIES				
Router equipment	639 129	271 242	-	-
SOHOR Devices	654 456	754 254	-	-
	1 293 585	1 025 496	-	-
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.				
12. LOANS TO GROUP COMPANIES				
Subsidiary companies				
Huge Telecom	-	-	8 002 092	14 029 757
Huge Connect	-	-	2 255 014	6 140 346
Huge Software	-	-	28 952 550	21 252 930
Eyeballs	-	-	20 995 912	20 684 528
	-	-	60 205 568	62 107 561
Impairment of Huge Connect	-	-	(2 255 014)	(6 140 346)
Impairment of Eyeballs	-	-	(20 995 912)	(20 684 528)
	-	-	36 954 642	35 282 687
The loans are unsecured, interest free, and have been subordinated by the Company. There are no fixed terms of repayment.				
Current assets	-	-	36 954 642	35 282 687
The provision for impairment for Huge Connect was adjusted by R3 885 332 in line with the decrease in the loan to Huge Connect.				
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	22 333 039	25 029 732	-	-
Staff loans	-	7 247	-	-
Deposits	748 504	420 989	-	-
Other receivables	466 785	5 381 768	466 785	4 880 517
Amounts subject to legal dispute	4 020 004	4 020 004	4 020 004	4 020 004
	27 568 332	34 859 740	4 486 789	8 900 521

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 in the amount of R20 000 000 (2015: R13 750 000) to FirstRand Bank (refer to note 14).

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 R4.176 million. Huge has claims against Telemasters in the amount of R4.392 million 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.

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
14. CASH AND CASH EQUIVALENTS				
Cash on hand	6 923	2 831	–	–
Bank balances	4 548 106	4 738 077	3 778	3 458
Bank overdraft	(9 872 967)	–	–	–
	(5 317 938)	4 740 908	3 778	3 458
Current assets	4 555 029	4 740 908	3 778	3 458
Current liabilities	(9 872 967)	–	–	–
	(5 317 938)	4 740 908	3 778	3 458

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

- Huge
- Huge Telecom
- 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 R10 000 000.
- Settlement encashment facility of R8 000.
- Settlement payments and collection system (PACS) facility of R3 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 of Huge Telecom to FirstRand Bank:

Surety	Amount
James Charles Herbst	9 300 000
Huge Connect	Unlimited
Huge Group	Unlimited

- Unlimited cession in favour of FirstRand Bank of credit balances held at FirstRand Bank amounting to R4 548 106;
- Subordination by Huge of its loan account balances held against Huge Telecom in favour of FirstRand Bank;
- Cession by Huge Telecom of any and all rights which it has against its debtors, from time to time, upon terms and conditions acceptable to FirstRand Bank; and
- Subordination of director's loan by James Charles Herbst in Huge Telecom.

At year end the facility was not fully utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

14. CASH AND CASH EQUIVALENTS CONTINUED

Covenants

Huge Telecom undertakes to:

- Not incur any further interest bearing debt without the Bank's prior written consent;
- Not pay dividends without the Bank's prior written consent;
- Not undertake any share buy-backs without the Bank's prior written consent;
- Not conduct any bank accounts with another bank or financial institution;
- Huge Telecom shall ensure that its utilisation of the Overdraft facility will not exceed 50% of the value of good ceded debts. For the purposes hereof: "good ceded debts" shall be all debts, exclusive of those outstanding for longer than 60 days;
- Maintain a minimum adjusted shareholders' interest of R10 000 000 (ten million Rand). Shareholders interest is regarded as inclusive of ceded/subordinated loan accounts, share capital, share premium, and retained income, but excluding any intangibles, non-distributable reserves, deferred tax assets, unsubstantiated debit loans and non-listed investments; and
- Maintain a minimum earnings before interest, taxes, depreciation, and amortisation ("EBITDA") of R10 000 000 (ten million Rand) per annum.

Huge Telecom shall not, without the Bank's prior written consent:

- 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 the assets; or
- 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 otherwise dispose of the whole or the substantial part of its assets or the whole or the substantial part of its undertaking.

15. FINANCIAL ASSETS BY CATEGORY

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

Figures in Rand	GROUP	
	Loans and receivables	Total
2016		
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
2015		
Trade and other receivables	30 839 736	30 839 736
Cash and cash equivalents	4 740 908	4 740 908
	35 580 644	35 580 644

Figures in Rand	COMPANY	
	Loans and receivables	Total
2016		
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
2015		
Loans to group companies	35 282 687	35 282 687
Trade and other receivables	4 880 517	4 880 517
Cash and cash equivalents	3 458	3 458
	40 166 662	40 166 662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
16. SHARE CAPITAL				
Authorised				
1 000 000 000 Shares	100 000	100 000	100 000	100 000
Reconciliation of number of shares in issue				
Issued shares	110 901 443	110 901 443	110 901 443	110 901 443
Shares held by Huge Telecom as treasury shares	(9 646 926)	(9 646 926)	(9 646 926)	(9 646 926)
	101 254 517	101 254 517	101 254 517	101 254 517

Figures in Rand	Number of shares	GROUP		COMPANY	
		Share capital	Share premium	Share capital	Share premium
Issued share capital					
Opening balance at 1 March 2014	80 254 517	8 025	208 402 505	9 896	224 712 665
Rights issue	20 000 000	2 000	19 998 000	2 000	19 998 000
Rights issue expenses	–	–	(297 139)	–	(297 139)
Issue of new shares	1 000 000	100	1 209 900	–	1 209 900
Shares received as dividend <i>in specie</i> from Huge Telecom	9 060 000	–	–	100	–
Shares cancelled	(9 060 000)	–	–	(906)	(14 948 094)
Opening balance at 1 March 2015	101 254 517	10 125	229 313 266	11 090	230 675 332
Closing balance at 29 February 2016	101 254 517	10 125	458 626 532	11 090	230 675 332
Treasury shares					
Opening balance at 1 March 2014	18 706 926	1 871	14 883 148	–	–
Declared as dividend <i>in specie</i> to Huge Group	(9 060 000)	(906)	(14 948 094)	–	–
Opening balance at 1 March 2015	9 646 926	965	(64 946)	–	–
Closing balance at 29 February 2016	9 646 926	965	(64 946)	–	–

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
Total share capital				
Issued shares	10 125	10 125	11 090	11 090
Share premium	229 313 265	229 313 265	230 675 332	230 675 332
	229 323 390	229 323 390	230 686 422	230 686 422

During the 2015 financial year Huge Telecom declared a dividend *in specie* to Huge of 9 060 000 shares of Huge to the value of R14 949 000.

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 5 August 2015. This authority remains in force until the next annual general meeting to be held on 14 September 2016.

During the prior financial year, the Company issued 20 000 000 shares by way of a rights offer at an issue price of R1.00 per share. The Company also issued a further 1 000 000 shares at an issue price of R1.21 per share.

A gross dividend of 4 cents per share was declared and paid to shareholders on 6 July 2015.

A further gross interim dividend of 4 cents per share was declared and paid to shareholders on 29 December 2015.

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

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
17. RESERVES				
Share option reserve				
Opening balance	-	(482 456)	-	(482 456)
Transfer of call option premium on lapsing of Directors' call options	-	482 456	-	482 456
	-	-	-	-

Directors' call options

Directors' call options over 1 645 980 shares acquired on 22 March 2011 consisted of five reducing balance call options embedded in single call option agreements signed by Hufe with three past directors of Hufe Telecom. At each successive call option exercise date the number of shares underlying the respective call options reduced.

The remaining outstanding call options in respect of 219 464 (109 732 x 2) shares lapsed during the year ended 28 February 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

Figures in Rand		Eyeballs	Ambient	Le Gacy	Total
18. NON-CONTROLLING INTEREST					
Non-controlling shareholding	(%)	16.0	50.1	50.3	
Balance at 28 February 2014		(2 603 540)	(259 324)	(797 036)	(3 659 900)
Share of profit (loss) for the year		9 652	(257 740)	(26 307)	(274 395)
Change in ownership		(166 869)	–	–	(166 869)
Balance at 28 February 2015		(2 760 757)	(517 064)	(823 343)	(4 101 164)
Non-controlling shareholding	(%)	4.0	49.8	50.3	
Share of profit (loss) 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)

Summary of financial information of the subsidiary companies

Figures in Rand	GROUP					
	Eyeballs		Ambient		Le Gacy	
	2016	2015	2016	2015	2016	2015
Statement of financial position						
Non-current assets	4 239 532	238 737	741 708	31 094	–	–
Current assets	1 967	929	347 651	945 052	81 646	108 624
Current liabilities	(21 020 822)	(21 006 525)	(2 484 112)	(3 899 670)	(482 515)	(421 240)
Equity	(16 779 323)	(20 766 859)	(1 394 753)	(2 923 524)	(400 869)	(312 616)
Statement of comprehensive income						
Revenue	–	–	3 382 927	4 630 065	151 025	311 043
Cost of sales	–	–	(2 263 357)	(3 393 892)	(73 134)	(180 967)
Other income	238 047	360 973	1 127 245	330 750	–	–
Other expenses	(176 882)	(196 817)	(1 270 436)	(1 935 531)	(166 144)	(182 345)
Finance costs	(30 518)	(103 829)	(192 640)	(149 716)	–	–
Investment income	–	–	3 324	2 949	–	–
Income tax expense	3 956 889	–	741 708	–	–	–
Profit (loss) for the year	3 987 536	60 327	1 528 771	(515 375)	(88 253)	(52 269)
Statement of cash flows						
Cash flows from operating activities	(35 080)	186 282	918 885	(680 561)	(75 989)	(36 572)
Cash flows from investing activities	(123 288)	(269 795)	–	–	67 089	82 102
Cash flows from financing activities	159 406	(83 552)	(1 366 151)	1 092 372	–	–
Net cash outflow	1 038	39	(447 266)	411 811	(8 900)	45 530

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
19. INSTALMENT SALES				
Minimum instalment payments due				
– within one year inclusive	1 676 837	611 770	–	–
– in second to fifth year inclusive	3 060 383	884 072	–	–
	4 737 220	1 495 842	–	–
Less: future finance charges	(916 914)	(119 653)	–	–
Present value of minimum instalment payments	3 820 306	1 376 189	–	–
Present value of minimum instalment payments due				
– within one year	1 676 837	606 211	–	–
– in second to fifth year	2 143 469	769 978	–	–
	3 820 306	1 376 189	–	–
Non-current liabilities	2 143 469	769 978	–	–
Current liabilities	1 676 837	606 211	–	–
	3 820 306	1 376 189	–	–

The Group leases certain assets under instalment sale agreements. The average term is 42 months ending during 2017 and the rate of borrowing is variable. Interest rates are linked to the prime overdraft rate at the contract date. Monthly instalments are R90 188 (2015: R45 759) inclusive of interest.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
20. INTEREST-BEARING LIABILITY				
SSL loan	20 000 000	20 611 824	-	-
Current liabilities				
Held at amortised cost	20 000 000	20 611 824	-	-

The loan is secured, bears interest at prime plus 9% (2015: 20% per annum), is repayable by no later than 30 November 2016, and is subject to the following covenants:

Collateral:

- General Notarial Bond over the assets of Huge Software to the value of R56 455 113;
- 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 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.

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 of issuing of security or furnishing of any loans or other form of financial assistance by companies in the Group, with the exception of the FirstRand 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 available 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.

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
21. LOANS FROM SHAREHOLDERS				
Anton Daniel Potgieter	(24 092)	(688 080)	(24 092)	(688 080)
James Charles Herbst	(437 290)	(2 068 532)	(437 290)	(2 068 532)
	(461 382)	(2 756 612)	(461 382)	(2 756 612)
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.				
Current liabilities	(461 382)	(2 756 612)	(461 382)	(2 756 612)
22. OTHER FINANCIAL LIABILITIES				
Held at amortised cost				
Nash Lewin Trust – Development loan	–	144 846	–	–
Not The Only Company Proprietary Limited – Development loan	–	7 131	–	–
J Ingram	82 068	74 956	–	–
EM Kerby	557 670	507 845	–	–
GB Shiers	54 146	53 403	–	–
	693 884	788 181	–	–
The Nash Lewin Trust – Development loan and Not The Only Company Proprietary Limited – Development loan are unsecured, bear interest at the prime overdraft rate (2015: prime) and have no fixed terms of repayment.				
The J Ingram, EM Kerby and GB Shiers loans are unsecured, bear interest at the prime overdraft rate (2015: 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.				
Current liabilities				
At amortised cost	693 884	788 181	–	–
23. TRADE AND OTHER PAYABLES				
Trade payables	23 507 346	28 767 661	247 809	360 211
VAT	274 575	414 550	1 117 956	1 574 082
Trade payables subject to legal dispute	4 331 554	4 331 554	4 331 554	4 331 554
Payroll accruals	1 923 952	1 358 459	48 808	34 710
Accrued leave pay	208 700	1 980 561	–	–
Accrued business partner commission	6 112 179	8 075 493	–	–
Deposits received	309 248	198 361	–	–
	36 667 554	45 126 639	5 746 127	6 300 557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

24. FINANCIAL LIABILITIES BY CATEGORY

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

Figures in Rand	GROUP	COMPANY
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
2016		
Loans from shareholders	461 382	461 382
Finance lease liabilities	3 820 306	–
Other financial liabilities	693 884	–
Trade and other payables	23 816 594	247 809
Bank overdraft	9 872 967	–
Interest-bearing liability	20 000 000	–
	58 665 133	709 191
2015		
Loans from shareholders	2 756 612	2 756 612
Finance lease liabilities	1 376 189	–
Other financial liabilities	788 181	–
Trade and other payables	28 966 022	260 211
Interest-bearing liability	20 611 824	–
	54 498 828	3 116 823

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
25. REVENUE				
Voice connectivity services	210 272 211	196 469 376	–	–
Messaging services	4 353 332	5 889 108	–	–
Telephone management services	1 891 927	2 230 234	–	–
	216 517 470	204 588 718	–	–
26. COST OF SALES				
Voice connectivity services	82 676 758	86 768 974	–	–
Messaging services	5 368 307	3 393 892	–	–
Telephone management services	1 710 236	1 588 644	–	–
Router equipment depreciation	5 357 574	4 702 434	–	–
Business Partner commissions	31 220 837	21 921 042	–	–
Field support costs	1 994 495	5 274 312	–	–
	128 328 207	123 649 298	–	–
27. OTHER INCOME				
Profit on sale of property, plant and equipment	58 583	29 431	–	–
Administration fees received	942 673	997 421	8 683 372	11 801 874
Rental income	73 500	36 000	–	–
Sundry income	221 019	4 700	–	–
	1 295 775	1 067 552	8 683 372	11 801 874

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
28. OPERATING PROFIT				
Operating profit for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
– Straight-line basis	4 063 680	3 568 674	–	–
Equipment				
– Straight-line basis	174 936	197 320	150 187	138 377
	4 238 616	3 765 994	150 187	138 377
Fair value adjustments of derivatives	–	(3 318 892)	–	–
Reversal of impairment on investment in subsidiary	–	–	–	(166 869)
Depreciation of property, plant and equipment	6 403 558	6 185 489	–	–
Amortisation of intangible assets	3 246 805	3 014 219	–	–
Reversal of impairment of intangible assets	(11 300)	–	–	–
Reversal of impairments of loan to Group companies	–	–	(3 625 624)	(3 683 579)
Employee costs	41 306 747	42 197 034	1 484 329	1 561 649
Contributions to defined contribution plan	3 818 311	3 771 673	–	–
Legal expenses	1 566 238	1 983 289	–	–
Bad debts written off	843 231	365 416	–	–
29. INVESTMENT REVENUE				
Interest revenue				
Margin deposits	–	129 743	–	–
Bank	26 291	182 799	1 375	9 675
Interest charged on trade and other receivables	64 290	133 825	–	1 839
Other receivables	401 526	174 296	401 526	–
	492 107	620 663	402 901	11 514
30. NET CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS				
Fair value gain on CFDs	–	3 318 892	–	–
The CFDs held by Huge Telecom were collateralised fully by cash, which had been posted as a 100% margin. The CFDs were closed out on 8 October 2014 at a spot price of 170 cents per reference instrument. Accordingly, Huge held no CFDs after this date.				
31. FINANCE COSTS				
Shareholders' loans	92 044	389 868	–	225 402
Trade and other payables	46 783	51 497	16	–
Finance leases	235 557	97 216	–	–
Derivatives	–	303 488	–	–
Bank overdraft	324 210	970 335	–	–
Loan funding	3 998 537	887 930	–	–
	4 697 131	2 700 334	16	225 402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
32. TAXATION				
Major components of the tax (income) expense				
Current				
Local income tax – current period	1 248 2363	–	–	–
Deferred				
Originating and reversing temporary differences	(2 158 789)	5 932 852	1 504 858	2 281 470
	(910 553)	5 932 852	1 504 858	2 281 470
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	(%) (30.8)	(7.0)	(40.3)	(30.4)
Disallowable charges	(%) 6.3	8.7	0.1	0.0
Utilised/unutilised assessed loss	(%) (8.4)	4.8	29.0	21.2
	(%) (4.9)	34.5	16.7	18.8

33. EARNINGS AND HEADLINE EARNINGS PER SHARE

Figures in Rand	GROUP			
	Gross	Tax	NCI	Net
2016				
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
2015				
Profit attributable to ordinary equity holders of the parent entity	–	–	–	11 525 383
Adjusted for:				
Profit on disposal of property, plant and equipment	(29 431)	8 241	–	(21 190)
Headline earnings	(29 431)	8 241	–	11 504 193
Weighted average number of ordinary shares				
Issued ordinary shares at 1 March	101 254 517	80 254 517	–	–
Effect of rights offer of 20 000 000 shares	–	9 369 863	–	–
Effect of issue of 1 000 000 shares	–	416 438	–	–
Weighted average number of ordinary shares in issue at 29/28 February (basic, diluted and headline)	101 254 517	90 040 818	–	–
Per share statistics				
Basic earnings per share	(cents) 18.55	12.80	–	–
Headline earnings per share	(cents) 18.51	12.78	–	–
Diluted basic earnings per share	(cents) 18.55	12.80	–	–
Diluted headline earnings per share	(cents) 18.51	12.78	–	–

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
34. CASH GENERATED FROM (USED IN) OPERATIONS				
Profit before taxation	18 745 788	17 183 840	8 994 242	12 124 806
Adjustments for:				
Depreciation	6 403 558	6 185 490	–	–
Amortisation	3 246 805	3 014 219	–	–
Profit on sale of property, plant and equipment	(58 583)	(29 431)	–	–
Loss (income) from joint venture	4 756	(11 772)	–	–
Interest received	(492 107)	(620 663)	(402 901)	(11 514)
Finance costs	4 697 131	2 700 334	16	225 402
Reversal of impairment loss	–	–	(3 6256 624)	–
Changes in working capital:				
Inventories	(268 089)	(1 025 496)	–	–
Trade and other receivables	7 291 384	29 289 450	4 413 732	(4 547 433)
Deferred expenditure	(4 448 210)	(7 502 402)	–	–
Derivative margin deposits	–	3 400 079	–	–
Trade and other payables	(8 459 085)	(62 754 514)	(554 430)	924 795
	26 663 372	(10 170 866)	8 825 035	8 716 056
35. COMMITMENTS				
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	2 830 406	2 670 194	–	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

36. RELATED PARTIES

Relationships

Subsidiary companies	Huge Telecom, Huge Connect, Huge Cellular, Huge Software, Eyeballs, Ambient and 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) Not The Only Company Proprietary Limited (James Charles Herbst) The Nash Lewin Trust (Nathan Lewin)
Members of key management	James Charles Herbst, David Deetlefs
Director 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.

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
Related-party balances				
Loan accounts – Owing (to) by related parties				
Anton Daniel Potgieter	(24 092)	(688 080)	(24 092)	(688 080)
James Charles Herbst	(437 290)	(2 068 532)	(437 290)	(2 068 532)
Huge Telecom	-	-	8 002 092	14 029 757
Huge Connect	-	-	2 255 014	6 140 346
Eyeballs	-	-	20 995 912	20 684 528
Huge Software	-	-	28 952 550	21 252 930
Gregory Beaufort Shiers	(54 146)	(53 403)	-	-
Jarratt Ingram	(82 068)	(74 996)	-	-
Edward Mitchell Kerby	(557 670)	(507 845)	-	-
Michael Ronald Beamish – Development loan	-	(247 131)	-	-
Not The Only Company Proprietary Limited – Development loan	-	(7 131)	-	-
The Nash Lewin Trust – Development loan	-	(144 846)	-	-
Related-party transactions				
Interest paid to (received from) related parties				
Anton Daniel Potgieter	184 612	174 296	-	-
James Charles Herbst	169 020	225 402	-	-
Edward Mitchell Kerby	49 825	44 417	-	-
Gregory Beaufort Shiers	4 837	7 136	-	-
Jarratt Ingram	7 332	9 014	-	-
Michael Ronald Beamish – Development loan	-	45 581	-	-
Not The Only Company Proprietary Limited – Development loan	-	45 581	-	-
The Nash Lewin Trust – Development loan	-	12 666	-	-
Purchases from (sales to) related parties				
Accknowledge	258 025	122 400	-	-
Gonondo	1 491 132	1 284 646	-	-
Management fees (received) paid to related parties				
Huge Telecom	-	-	(8 613 141)	(6 740 202)
Huge Software	-	-	(22 673)	(38 023)
Huge Connect	-	-	(30 397)	(39 238)
Ambient	-	-	(11 119)	(57 963)
Le Gacy	-	-	(6 041)	(17 885)
Huge Telecom	-	-	600 000	90 000

All related party transactions are at arm's-length.

37. DIRECTORS' EMOLUMENTS

Figures in Rand	EXECUTIVE			
	Emoluments	Medical aid	Provident fund	Total
2016				
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
2015				
James Charles Herbst	2 839 306	121 450	231 702	3 192 458
David Deetlefs	2 113 970	–	185 148	2 299 118
	4 953 276	121 450	416 850	5 491 576

Figures in Rand	NON-EXECUTIVE	
	Directors' fees	Total
2016		
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
2015		
Dennis Robert Gammie	276 740	276 740
Stephen Peter Tredoux	276 740	276 740
Vincent Mokhele Mokholo	422 180	422 180
Anton Daniel Potgieter	276 740	276 740
	1 252 400	1 252 400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

38. RISK MANAGEMENT

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated the authority for designing and operating processes that ensure the effective implementation of objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies which it sets.

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, 19, 20, 21 and 22, 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 14.

During the prior financial year, Huge Software secured loan funding of R20 million, which is used to fund capital requirements for the Group. There have been no changes to the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

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

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

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasting cash inflows and outflows on a weekly 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 90 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 commitment to providing loan funding to the Company, 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 R4 331 554 (2015: R4 331 554), whilst Trade and other receivables includes an amount of R4 020 004 (2015: R4 020 004) subject to legal dispute. The possible settlement of such legal disputes 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.

38. RISK MANAGEMENT CONTINUED

Figures in Rand	GROUP					
	Carrying value	Contractual cash flow	Within six months	Between six and 12 months	Between one and five years	No fixed terms
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	–	–
Bank overdraft	9 872 967	9 872 967	9 872 967	–	–	–
Loans from shareholders	461 382	–	–	–	–	461 382
Total	58 665 133	58 426 781	33 689 561	21 676 837	3 060 383	1 155 266
At 28 February 2015						
Trade and other payables	28 966 022	28 966 022	28 966 022	–	–	–
Instalment sales	1 376 189	1 495 842	–	611 770	884 072	–
Other financial liabilities	788 181	–	–	–	–	788 181
Interest-bearing liability	20 611 824	20 611 824	–	20 611 824	–	–
Loans from shareholders	2 756 612	–	–	–	–	2 756 612
Total	54 498 828	51 073 688	28 966 022	21 223 594	884 072	3 544 793
Figures in Rand	COMPANY					
	Carrying value	Contractual cash flow	Within six months	Between six and 12 months	Between one and five years	No fixed terms
At 29 February 2016						
Trade and other payables	247 809	247 809	247 809	–	–	–
Loans from shareholders	461 382	–	–	–	–	461 382
Total	709 191	247 809	247 809	–	–	461 382
At 28 February 2015						
Trade and other payables	360 211	360 211	360 211	–	–	–
Loans from shareholders	2 756 612	–	–	–	–	2 756 612
Total	3 116 823	360 211	360 211	–	–	2 756 612

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings secured at variable rates expose the Group's cash flow to change in the level of interest rates. During 2016 and 2015, the Group's borrowings at variable rate were denominated in Rand.

At 29 February 2016, 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 R343 012 (2015: R83 405) lower/higher.

At 29 February 2016, 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 R3 322 (2015: R96 244) lower/higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
38. RISK MANAGEMENT CONTINUED				
Variable interest rate instruments				
Cash and cash equivalents	(5 317 938)	4 740 908	3 778	3 458
Interest-bearing liability	(20 000 000)	(20 611 824)	–	–
Other financial liabilities	(693 884)	(788 181)	–	–
Instalment sales	(3 820 306)	(1 376 189)	–	–
	(29 832 128)	2 576 538	3 778	3 458

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, cash and cash equivalents, investment securities and other receivables.

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:

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
Financial instrument				
Loans to Group companies	–	–	36 954 642	35 282 687
Trade receivables	23 548 328	30 839 736	466 785	4 880 517
Cash and cash equivalents	4 555 029	4 740 908	3 778	3 458
	29 103 357	35 580 644	37 425 205	40 166 662

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 provision 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 provision 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 provision 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 29 February 2016, R2 327 101 (2015: R3 052 470) were past due but not impaired.

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

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
30 days past due	90 015	19 365	–	–
60 days past due	444 362	216 730	–	–
90 days past due	374 333	523 648	–	–
120+ days past due	1 418 391	2 292 727	–	–

Figures in Rand	GROUP		COMPANY	
	2016	2015	2016	2015
38. RISK MANAGEMENT CONTINUED				
Trade and other receivables impaired				
As of 29 February 2016, trade and other receivables of R2 266 912 (2015: R2 098 195) were impaired by way of a provision.				
The ageing of this impairment is as follows:				
120+ days past due	2 266 912	2 098 195	–	–
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	2 098 195	1 417 221	–	–
Provision for impairment	1 011 948	1 046 390	–	–
Utilised provision	(843 231)	(365 416)	–	–
	2 266 912	2 098 195	–	–

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.

Foreign currency risk

The Group's transactions are carried out in Rand. The Group does not carry out any operations with international companies and therefore there is no exposure to foreign currency exchange risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2016

39. LITIGATION

Dispute between Huge and Telemasters

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

After protracted correspondence, the matter was referred for arbitration. No formal date for arbitration had been set down as at the time of publication of this report. Refer to page 35.

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.

40. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Consolidated and Separate Annual Financial Statements, which significantly affect the financial position of the Group or the results of its operations to the date of this report.

41. 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 current cash flow projections of the Group;
- The renewal for a further year of the loan funding obtained from AfrAsia Special Opportunities Fund (now SSL) during November 2015;
- The continuing increase in monthly channel sales, together with the resulting revenue flow and profitability improvements;
- The future cash flow projections of the Group; and
- The expected further improvement in the Group's profitability as reflected in the budget for the year that will end on 28 February 2017, which budget was approved by the Board during February 2016.

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

SHAREHOLDER ANALYSIS

1. SHAREHOLDER ANALYSIS

	2016			2015		
	Number of shareholders	Number of shares	% shareholding	Number of shareholders	Number of shares	% shareholding
Public	525	33 796 841	30.47	350	52 396 650	47.25
Non-public	12	77 104 602	69.53	11	58 504 793	52.75
	537	110 901 443	100	361	110 901 443	100

2. NON-PUBLIC SHAREHOLDER ANALYSIS

	2016		2015	
	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	5 783 390
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	18 706 926
Praesidium Hedge Fund	1	20 111 952	1	8 595 000
Peregrine Equities Proprietary Limited	1	13 059 286	1	14 571 429
	12	77 104 602	11	58 504 793

NOTE: Praesidium Hedge Fund comparative figures are included for information purposes only and did not require disclosure in 2015, nor are they included in the totals for 2015.

3. MAJOR SHAREHOLDERS

	2015		2014	
	Number of shares	% shareholding	Number of shares	% shareholding
Praesidium Hedge Fund	20 111 952	18.13	8 595 000	7.75
Pacific Breeze	14 260 891	12.86	14 260 891	12.86
Peregrine Equities	13 059 286	11.78	14 571 429	13.14
Praesidium Trust	10 350 000	9.33	10 148 744	9.15
Eagle Creek Investments*	9 805 567	8.84	9 805 567	8.84
Huge Telecom	9 646 926	8.70	9 646 926	8.70
	77 234 622	69.64	67 028 557	60.44

* A non beneficial holding related to JC Herbst.

SHAREHOLDER ANALYSIS

4. SHAREHOLDER ANALYSIS AND INFORMATION

Type of shareholder	2016		2015	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Individuals	468	31 936 693	287	47 286 090
Nominees and trusts	28	14 811 025	29	23 064 357
Close corporations	5	224 688	4	321 000
Companies, financial institutions and other institutions	36	63 929 037	41	40 229 996
	537	110 901 443	361	110 901 443

5. SIZE OF SHAREHOLDING

	2016		2015	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
0 – 1 000 shares	98	34 869	60	27 951
1 001 – 5 000 shares	152	456 538	70	216 943
5 001 – 100 000 shares	248	5 189 662	177	5 550 446
100 001 – 1 000 000 shares	27	9 916 841	40	16 576 529
1 000 001 shares and over	12	95 312 533	14	88 529 574
	537	110 901 443	361	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 Wednesday, 14 September 2016, to consider and if deemed fit, to pass, with or without modification, the following ordinary and special resolutions.

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 – Jean Tyndale-Biscoe) by Monday, 12 September 2016, 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, Jean Tyndale-Biscoe, 146a Kelvin Drive, Woodmead, 2191 so as to be received by no later than 10:00 on Monday, 12 September 2016.

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 29 July 2016 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, 9 September 2016. 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, 6 September 2016.

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 11) require a minimum of 50% + 1 of the voting rights in order to be passed.

ORDINARY RESOLUTION NUMBER 1 – ADOPTION OF ANNUAL FINANCIAL STATEMENTS

"RESOLVED THAT the annual financial statements of the Company and its subsidiary companies for the period ended 29 February 2016, together with the directors' report and the auditors' report thereon and the report of the Audit Committee, be received, considered and adopted."

Explanatory note for ordinary resolution number 1

The purpose of ordinary resolution number 1 is to obtain shareholder approval for the annual financial statements presented for the year ended 29 February 2016.

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

ORDINARY RESOLUTION NUMBER 2 – DIRECTOR RETIREMENT AND RE-ELECTION (MR AD POTGIETER)

"RESOLVED THAT Mr AD Potgieter, who retires in accordance with the Company's MOI but offers himself for re-election, be and is hereby re-elected as a non-executive director of Huge Group Limited."

ORDINARY RESOLUTION NUMBER 3 – DIRECTOR RETIREMENT AND RE-ELECTION (MR SP TREDOUX)

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

Explanatory note for ordinary resolutions numbers 2 and 3

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 4 and 5 of the Integrated Report.

ORDINARY RESOLUTION NUMBER 4 – 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."

NOTICE OF ANNUAL GENERAL MEETING

Explanatory note for ordinary resolution number 4

The purpose of ordinary resolution number 4 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 2017.

ORDINARY RESOLUTION NUMBER 5 – 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 6 – 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 7 – 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.”

ORDINARY RESOLUTION NUMBER 8 – APPOINTMENT OF AUDIT COMMITTEE MEMBER (DR DF DA SILVA)

“RESOLVED THAT Dr DF da Silva, the independent non-executive Chairman of the Board, be and is hereby approved as a member of the Audit Committee.”

ORDINARY RESOLUTION NUMBER 9 – APPOINTMENT OF AUDIT COMMITTEE MEMBER (MR Z BULBULIA)

“RESOLVED THAT Mr Z Bulbulia be and is hereby approved as a member of the Audit Committee.”

Explanatory note for ordinary resolutions numbers 5 – 9

In terms of the Companies Act, 71 of 2008, 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 4 and 5 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 10 – APPROVAL OF REMUNERATION POLICY

“RESOLVED THAT shareholders endorse, by way of a non-binding advisory vote, the Company’s remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees) as set out on page 18 of the Annual Report.”

Explanatory note for ordinary resolution number 10

Chapter 2 of King III dealing with Boards and directors requires companies to every year table their remuneration policy to shareholders for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

This ordinary resolution is of an advisory nature and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company’s remuneration policy. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% of the voting rights plus one vote to be cast on the resolution.

ORDINARY RESOLUTION NUMBER 11 – 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 shares of the Company as they in their discretion deem fit, subject to the provisions of the Companies Act, 71 of 2008, the Listings Requirements of the JSE Limited and the Company’s MOI, provided that:

- The 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 equity 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 15 months from the date of this meeting;
- The 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 shares which, together with prior issues during any financial year, will constitute 5% or more of the number of shares of the class in issue, the Company shall by way of an announcement on the Securities Exchange News Service (SENS) give full details thereof, including the effect on the net asset value and earnings per share of the Company;
- The number of ordinary shares issued for cash shall not, in aggregate, exceed 15% of the Company's listed ordinary shares as at the date of this notice (being 110 901 443 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 shares may be issued is 10% of the weighted average traded price of the Company's shares 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 11

The purpose of ordinary resolution number 11 is to provide the directors of the Company with a general authority to issue unissued shares in the Company as and when the need may arise.

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 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, 71 of 2008 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 constituting, on a cumulative basis, 3% of the number of securities 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 in aggregate in any one financial year may not exceed 20% of the Company's issued share capital of that class, as the case may be, as at the date of passing of this special resolution number 1;
- Securities 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, 71 of 2008, and that from the time that the test is applied, there have been no material changes to the financial position of the Group;
- At any point in time, the Company and/or its subsidiary companies may only appoint one agent to effect any such acquisition; and
- 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 in writing prior to the commencement of the prohibited period. The Company will instruct a 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 to execute the repurchase programme submitted to the JSE.”

NOTICE OF ANNUAL GENERAL MEETING

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, 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 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.

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 85.
- Share capital of the Company – refer to note 16 of the AFS.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 4 and 5 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 on 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 2016, be approved as follows:

Figures in Rand	Chairman	Other directors/ members of committees
Monthly retainer	40 000	23 000
Meeting fees (per day): attendance fee	14 000	14 000
Special Board meetings: attendance fee	4 500	4 500

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.

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, No. 71 of 2008, the Company be and is hereby granted a general approval authorising that 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 Huge shareholders to be held in the Woody Woods Boardroom, 146a Kelvin Drive, Woodmead, 2191, at 10:00 on Wednesday, 14 September 2016 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, Jean Tyndale-Biscoe, 146a Kelvin Drive, Woodmead, 2191, so as to be received by no later than 10:00 on Monday, 12 September 2016.

DEMATERIALIZED SHAREHOLDERS, OTHER THAN THOSE WITH “OWN NAME” REGISTRATION

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
Group Company Secretary

10 August 2016

FORM OF PROXY



unlocking business opportunity

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 Wednesday, 14 September 2016 in the Woody Woods Boardroom, 146a Kelvin Drive, Woodmead, 2191 ("the Annual General Meeting").

I/We _____ (please print)

of _____ (address)

Telephone numbers Landline: _____ Mobile: _____

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 – Adoption of annual financial statements			
Ordinary resolution number 2 – Director retirement and re-election (Mr AD Potgieter)			
Ordinary resolution number 3 – Director retirement and re-election (Mr DR SP Tredoux)			
Ordinary resolution number 4 – Appointment of Auditor			
Ordinary resolution number 5 – Appointment of Audit Committee member (Mr DR Gammie)			
Ordinary resolution number 6 – Appointment of Audit Committee member (Mr AD Potgieter)			
Ordinary resolution number 7 – Appointment of Audit Committee member (Mr SP Tredoux)			
Ordinary resolution number 8 – Appointment of Audit Committee member (Dr DF da Silva)			
Ordinary resolution number 9 – Appointment of Audit Committee member (Z Bulbulia)			
Ordinary resolution number 10 – Approval of remuneration policy			
Ordinary resolution number 11 – General authority to allot and issue shares for cash			
Special resolution number 1 – General authority to acquire (repurchase) securities (including ordinary shares)			
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 _____ 2016

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 Monday, 12 September 2016.
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 Monday, 12 September 2016; 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 Monday, 12 September 2016.

SUMMARY OF RIGHTS ESTABLISHED BY SECTION 58 OF THE COMPANIES ACT, 71 OF 2008 (COMPANIES ACT), AS REQUIRED IN TERMS OF SUB-SECTION 58(8)(B)(I):

1. A shareholder may at any time appoint any individual, including a non-shareholder of the Company, as a proxy to participate in, speak and vote at a shareholders' meeting on his/her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1)(b)).
2. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 below or expires earlier in terms of paragraph 10.4 below (section 58(2)).
3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).
4. A proxy may delegate his/her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy (proxy instrument) (section 58(3)(b)).
5. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the Memorandum of Incorporation (MOI) of the Company at least 48 hours before the meeting commences.
6. Irrespective of the form of instrument used to appoint a proxy:
 - 6.1 the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58(4)(a));
 - 6.2 the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and
 - 6.3 if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).
7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
8. If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's MOI to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b)).
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).
10. If a Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument:
 - 10.1 the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is to be used by the Company:
 - 10.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));
 - 10.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and
 - 10.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii));
 - 10.3 the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and
 - 10.4 the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 7 above (section 58(8)(d)).

CORPORATE INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company holding investments in subsidiary companies and a joint venture company operating in the telecommunications, media, technology and software industries
Directors	Zunaid Bulbulia Duarte Ferdinand da Silva David Deetlefs 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
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: David Deetlefs BCom, H Dip Acc, CA(SA)
Published	10 August 2016

