HUGE GROUP LTD
(Registration number 2006/023587/06)
Share code: HUG ISIN: ZAE000102042
("Huge" or "the Company")

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019

HIGHLIGHTS

- Gross dividend declared of 12.5 cents per share (0.00 cents in FY2018)
- Total revenue increased by 8% from R401 million to R433 million
- EBITDA increased by 16% from R129 million to R149 million
- Operating profit increased by 8% from R113 million to R122 million
- Basic earnings per share increased by 20% from 47.40 cents per share to 56.84 cents per share
- Headline earnings per share increased by 20% from 46.34 cents per share to 55.81 cents per share

The board of directors (**the Board** or **the Directors**) of Huge is pleased to present the reviewed provisional condensed consolidated annual financial results of the Company, its subsidiary companies and joint venture (**the Group**) for the year ended 28 February 2019.

COMPANY PROFILE

Huge is company listed on the Main Board of the JSE Limited (the **JSE**).

It has four principal operating subsidiary companies:

- Huge Connect Proprietary Limited (**Huge Connect**)
- Huge Networks Proprietary Limited (**Huge Networks**)
- Huge Software Proprietary Limited (**Huge Software**)
- Huge Telecom Proprietary Limited (**Huge Telecom**)

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

Huge Networks is a network service provider and data communications company that markets and sells a variety of products and services including internet data services, managed network services, branch connectivity, hosting services and website and system development. Huge Networks is a subsidiary of Huge Telecom. Prior to the end of the financial year, Huge Networks concluded agreements with Otel Communications Proprietary Limited and Otel Business Proprietary Limited (collectively referred to as **Otel**) which contemplated the acquisition by Huge Networks of the businesses of Otel (the **Otel Transaction**). These agreements became unconditional on 27 February 2019. The purchase consideration for the Otel Transaction was settled in Huge Networks ordinary shares, such that, after the issue of shares, Huge Telecom's shareholding in Huge Networks decreased from 100% to 50.03%.

Huge Software is an accounting software development company. It is a 75% held subsidiary of Huge. Huge Software presently offers two products to the SME market, being WebAccounting and its online Application, Webatar.

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

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 28 February 2019 FY2019 (12 months) R'000	**Audited 28 February 2018 FY2018 (12 months) R'000**
Total revenue	432 662	401 382
Gross profit	**257 320**	**224 538**
Other income	17 447	2 580
Operating expenses	(123 943)	(101 113)
Movement in credit loss allowances	(2 197)	2 465
EBITDA	**148 627**	**128 470**
Depreciation and Amortisation	(26 592)	(15 495)
Operating profit	**122 035**	**112 975**
Investment income	3 505	4 332
Gain on sale of investment	1530	
Share of (losses) / earnings from equity accounted investments	(19)	(72)
Impairment of property, plant and equipment	-	(2 794)
Reversal of impairment of financial assets	509	4 520
Finance costs	(15 339)	(11 036)
Profit before taxation	**112 221**	**107 925**
Income tax credit / (expense)	(21 716)	(30 861)
Net profit for the period	**90 506**	**77 064**
Non-controlling interest	(3 087)	223
Net profit attributable to owners of the company	**93 593**	**76 841**
Basic earnings per share (cents)	56.84	47.40
Diluted basic earnings per share (cents)	56.55	47.40

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 28 February 2019 FY2019 (12 months) R'000	**Audited 28 February 2018 FY2018 (12 months) R'000**
ASSETS		
Non-current assets		
Property, plant and equipment	226 682	178 669
Goodwill	609 821	593 443

Intangible assets	13 431	8 680
Investment in joint venture	597	616
Investment in associates	10	-
Loans to group companies	62 401	-
Loans receivable	8 454	7 496
Contract assets	14 912	-
Investments at fair value	45 006	-
Finance lease receivable	1 777	-
Deferred tax	16 453	12 805
	999 544	**801 709**
Current assets		
Inventories	2 510	1 219
Loans to group companies	4 208	-
Loans to shareholders	13	-
Loans receivable	10	-
Trade and other receivables	65 093	103 284
Finance lease receivables	608	-
Current tax receivable	1 891	15
Cash and cash equivalents	23 958	30 265
	98 292	**134 783**
Total assets	**1 097 836**	**936 492**
EQUITY AND LIABILITIES		
Share capital	605 893	618 772
Share based payment reserve	2 277	
Retained earnings	223 474	128 774
Equity attributable to equity holders of parent	**831 665**	**747 546**
Non-controlling interest	5 667	(3 016)
	837 312	**744 530**
Non-current liabilities		
Interest bearing liabilities	96 536	82 500
Finance lease liabilities	4 455	2 155
Deferred tax	37 539	30 670
	138 530	**115 325**
Current liabilities		
Interest bearing liabilities	73 989	22 199
Current tax payable	2 267	9 683
Finance lease liabilities	3 175	1 918
Deferred income	587	-
Trade and other payables	39 225	41 506
Bank overdraft	2 751	1 331
	121 994	**76 637**
Total liabilities	**260 524**	**191 962**
Total equity and liabilities	**1 097 836**	**936 492**
Number of ordinary shares in issue (‘000)	175 627	175 602
Net asset value per share (cents)	476.76	423.99
Net tangible asset value per share (cents)	121.88	81.10

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share based payment reserve	Accumulated profit	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Audited Balance as at 1 March 2017	**12**	**319 409**	**-**	**51 933**	**(3 001)**	**368 353**
Profit for the year	-	-	-	76 841	223	77 064
Issue of shares	5	299 346	-	-	-	299 351
Business combinations	-	-	-	-	(238)	(238)
Audited Balance as at 28 February 2018	**17**	**618 755**	**-**	**128 774**	**(3 016)**	**744 530**
Profit for the year	-	-	-	93 593	(3 087)	90 506
Issue of shares	-	225	-	-	-	225
Capital raising expenses	-	(729)	-	-	-	(729)
Elimination of treasury shares	-	(12 375)	-		-	(12 375)
Share-based payment	-	-	7 038		-	7 038
Common control transaction	-	-	-	(4 761)	-	(4 761)
Derecognition of non-controlling interest	-			(133)	133	-
Business combinations	-			1 241	11 636	12 878
Reviewed Balance as at 28 February 2019	**17**	**605 876**	**7 038**	**218 714**	**5 667**	**837 312**

During FY2018:

- 24 373 551 ordinary shares were issued for cash at a price of 615 cents per share, amounting to R149 897 339.
- 25 208 333 ordinary shares issued were issued as part of a business combination involving Connectnet Broadband Wireless Proprietary Limited (which has subsequently been renamed Huge Connect) at a price of 600 cents per share, amounting to R151 249 998.
- 468 750 ordinary shares were issued at a price of 800 cents per share, amounting to R3 750 000.

During FY2019:

- 25 000 ordinary shares were issued as part of the acquisition of additional shares in Ambient Mobile Proprietary Limited (which was subsequently renamed Huge Messaging) at a price of 900 cents per share, amounting to R225 000.

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 28 February 2019 FY2019 (12 months) R'000	**Audited 28 February 2018 FY2018 (12 months) R'000**
Profit before taxation	**112 221**	**107 925**
Adjusted for non-cash movements	31 293	19 399
Adjusted for working capital movements	(44 339)	(38 452)
Net finance costs	864	(5 744)
Tax (paid) received	(25 865)	(16 566)
Cash flows from operating activities	**74 174**	**66 562**
Cash flows from investing activities		
Purchase of property, plant and equipment	(110 946)	(96 709)
Proceeds from disposal of property, plant and equipment	36 575	1 995
Purchase of intangible assets	(4 115)	(5 132)
Business combinations	(4 219)	(109 330)
Change in degree of control	(4 761)	-
Purchase of financial assets		(1 284)
Purchase of investment in associate	(5)	-
Loans to group companies repaid	10	-
Purchase of investment at fair value	(45 006)	-
Advances of loans receivable at amortised cost	(968)	-
Loans to shareholders repaid	(13)	-
	(133 446)	**(210 460)**
Cash flows from financing activities		
Proceeds from share issue	(12 879)	148 101
Repayment of other financial liabilities	-	(37 249)
Repayment of interest bearing liabilities	64 624	-
Repayment of shareholder loans	-	(170)
Finance lease receipts/(payments)	(201)	615
	51 544	**111 297**
Net cash movement for the period	**(7 727)**	**(32 601)**
Cash at the beginning of the period	28 934	61 535
Total cash at the end of the period	**21 207**	**28 934**

SEGMENTAL REPORTING

The Directors have considered IFRS 8 Operating Segments and are of the opinion, based on the information provided to the chief operating decision maker (**CODM**), that the current operations of the Group can be split into three main operating segments, namely a Corporate Office Grouping, a Telecom Grouping and a Financial Technology (**Fintech**) Grouping. The summarised information included below is in line with the requirements of IAS 34. The revenue generated from the products and services provided by the various Group companies to all customers is done so on a countrywide basis, with no geographical differentiation.

Operating Segments

In terms of Huge's segmental reporting, for FY2019 the Telecom Grouping comprised the following companies:

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

- 50.03% held Huge Networks, the holding company of which is Huge Telecom (the effective date of the Otel Transaction was 27 February 2019; prior to this date Huge Networks was a wholly owned subsidiary company of Huge Telecom)
- 100% held Huge Technologies Proprietary Limited (previously Huge Software and Technologies Proprietary Limited), the holding company of which is Huge
- 49% held Huge Cellular Proprietary Limited (**Huge Cellular**), the holding company of which was, prior to 26 February 2019, Huge Telecom (on 26 February 2019 Huge Telecom undertook a Broad-Based Black Economic Empowerment (**BBBEE**) transaction in which it disposed of 51% of Huge Cellular to Windfall 111 Proprietary Limited (**Windfall**), a company controlled by Mr V Mokholo and Mrs S Mokholo, a related party to Huge given that Mr Mokholo is a non-executive director of the Company)
- 49% held Huge Soho Proprietary Limited, the holding company of which was, prior to 26 February 2019, Huge (on 26 February 2019, Huge undertook a BBBEE transaction in which it disposed of 51% of Huge Soho to Windfall)
- 96% held Huge Media Proprietary Limited (previously Eyeballs Mobile Advertising Proprietary Limited), the holding company of which is Huge
- 100% held Huge Messaging Proprietary Limited (previously Ambient Mobile Proprietary Limited), the holding company of which is Huge (previously, 50.2% of Huge Messaging was held by Huge Telecom)
- 100% held Huge Mobile Proprietary Limited (previously Le Gacy Telecom (FRA) Proprietary Limited), the holding company of which is Huge (previously 49.66% of Huge Mobile was held by Huge Telecom)

In terms of Huge's segmental reporting, for FY2019 the Fintech Grouping comprised the following companies:

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

In terms of Huge's segmental reporting, for FY2019 the Corporate Office Grouping comprised the following companies:

- Huge itself
- 75% held Huge Software Proprietary Limited (previously Accknowledge Systems Proprietary Limited), the holding company of which is Huge
- The Connectnet Incentive Trust (the **CI Trust**), the beneficiaries of which are certain employees, directors and/or consultants of the Connectnet Broadband Wireless Group.

<u>Changes to the Operating Segments</u>

For FY2019, Huge Media Proprietary Limited and Huge Messaging Proprietary Limited formed part of the Telecom Grouping. For FY2018, Huge Media Proprietary Limited and Huge Messaging Proprietary Limited formed part of the Corporate Office Grouping. The results of Huge Media Proprietary Limited and Huge Messaging Proprietary Limited are not regarded as material in the FY2019 or FY2018 financial periods.

	Reviewed 28 February 2019	**Elimination**	**Telecom Grouping**	**Fintech Grouping**	**Corporate Office Grouping**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**
Total revenue	**432 662**		**269 954**	**160 354**	**2 354**
Gross profit	**257 320**		**145 990**	**109 372**	**1 958**
Other income	17 447		1 967	1 009	14 471
Operating expenses	(126 140)		(62 748)	(35 510)	(27 882)
EBITDA	**148 627**		**85 209**	**74 872**	**(11 453)**

Depreciation and amortisation	(26 592)		(16 196)	(10 184)	(213)
Operating profit/(loss)	**122 035**		**69 013**	**64 688**	**(11 666)**
Investment income	3 505		1 072	1 642	791
Gain/(loss) on sale of investment	1 530		(13)	-	1 543
Loss from equity accounted investments	(19)		(19)	-	-
Reversal of impairment of financial assets	509		509	-	-
Finance costs	(15 339)		(5 210)	(17)	(10 112)
Profit/(loss) before income tax	**112 221**		**65 352**	**66 313**	**(19 444)**

	Audited 28 February 2018	**Elimination**	**Telecom Grouping**	**Fintech Grouping**	**Corporate Office Grouping**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**
Total revenue	**401 382**	**-**	**262 524**	**136 920**	**1 938**
Gross profit	**224 538**	**-**	**126 855**	**96 054**	**1 629**
Other income	2 580	-	1 285	1 295	-
Operating expenses	(98 648)	-	(56 880)	(21 700)	(20 068)
EBITDA	**128 470**	**-**	**71 260**	**75 649**	**(18 439)**
Depreciation and amortisation	(15 495)	-	**(9 679)**	**(5 816)**	**-**
Operating profit/(loss)	**112 975**	**-**	**61 581**	**69 833**	**(18 439)**
Investment income	4 332	-	611	2 973	748
Loss from equity accounted investments	(72)	-	(72)	-	-
Impairment of property, plant and equipment	(2 794)	-	(2 794)	-	-
Reversal of impairment of financial assets	4 520	-		4 520	-
Finance costs	(11 036)	-	(1 600)	(13)	(9 423)
Profit/(loss) before income tax	**107 925**	**-**	**57 726**	**77 313**	**(27 114)**

COMMENTARY

REVIEW OF OPERATIONS

<u>General overview</u>

Huge has, like many South African companies, been impacted by the prevailing negative local economic environment. The Group has also faced challenges in respect of market volatility, personnel changes and a demanding M&A environment. Notwithstanding these challenges, the Group has produced growth in earnings for the year under review, underpinned by solid operational results.

Following engagement with its shareholders, Huge has shifted its emphasis to cash generation. In doing so the Board has taken into account the need to balance the Company's growth aspirations. The Company is therefore pleased to announce the declaration of a gross cash dividend of 12.50 cents per share.

In the three years since moving its listing onto the Main Board of the JSE, Huge has delivered 450% growth in profit after tax. It has also expanded its offering to include numerous products and services. It has increased its market capitalisation substantially and it has created a head office structure which will enable future expansion. Notwithstanding its focus on delivering earnings, it appears that the market has down-rated Huge for not having delivered a significant acquisition during FY2019. In this regard, the Company expended considerable time on two significant opportunities which were aligned with the Growing Huge Strategy but was unfortunately not successful in closing out either opportunity. Fortunately, the Group was successful in concluding two strategic but smaller bolt-on acquisitions.

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

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

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

Notwithstanding the challenges relating to FST, it has been proved to be a viable substitute for copper cable connections and as a result, the other mobile telephone network operators in South Africa are also eager to partner with Huge Cellular in taking FST to the market.

During FY2019, Huge enjoyed a full year's contribution from Huge Connect, Huge Networks and Huge Software, whereas in FY2018 it only enjoyed a contribution of eleven months from Huge Connect and Huge Networks and a contribution of nine months from Huge Software.

<u>Operational overview</u>

Group revenue increased by 8%. While the Fintech Grouping enjoyed larger revenue gains this was offset by smaller revenue gains in the Telecom Grouping, mainly as a result of the challenges with FST.

Group gross profit margins remained healthy at c. 60%. Declining margins in the Fintech Grouping where offset by rising margins in the Telecom Grouping. Group EBITDA, after adding back depreciation in cost of sales and depreciation as a separate line item, amounted to R149 million EBITDA. The termination of the ESA has improved the Group's conversion of EBITDA into free cash, which is expected to improve while Huge Cellular depletes the amounts owing by Cell C to Huge Cellular in terms of the ESA. No further cash outflows relating to GSM transmission costs are expected for FY2020.

Group operating expenses increased by 28% largely as a result of the inclusion of Huge Connect, Huge Networks and Huge Software for a full twelve months and the inclusion of the aforesaid IFRS share based charges relating to the Fintech Grouping and Huge Connect. On a like for like basis, Group operating expenses decreased by 2.8% The creation of the Corporate Office Grouping is a recent development, having only taken place in the FY2018. Previously, costs related to Huge were absorbed at subsidiary company level. Given the need to support the implementation of the Growing Huge Strategy, the formation of suitably resourced head office structure has been essential. The Corporate Office Grouping includes consulting and professional fees, all insurance costs, statutory and listing costs, audit and legal fees. The head office also funds all corporate action events. Ultimately, the intention is that the head office costs included in the Corporate Office Grouping will be funded by acquisitions. During FY2019, the operating costs relating to the Corporate Office Grouping increased by 38% from R20.1 million to R27.8 million.

During FY2019, the Group concluded a ZAR200 Million Term Facility Agreement with Futuregrowth Asset Management Proprietary Limited (the **Facility**). The Facility replaced the ZAR90 Million Term Facility Agreement concluded as part of the acquisition of Huge Connect and Huge Networks. The Facility provides the Group with access to cash resources at improved interest rates.

As at 28 February 2019, the Group's net debt position was R91 million, while it still has access to R50.5 million in terms of the Facility. At 28 February 2019, the Group's debt to EBITDA ratio was 0.60. In terms of the Facility, the Group's debt to EBITDA ratio may not exceed 2.5 times. The Company is entitled to make a distribution provided that, after taking into account the intended distribution, the Group's debt to EBITDA ratio is less than 2.5 times.

The effective tax rate applicable to Group profit before tax is c. 20%. It is expected that the Group will continue to enjoy this level of effective tax for the medium term.

FUTURE PROSPECTS

In fortifying the sustainability of the Group, the Board has sought to build a management team which can support the Growing Huge Strategy, which includes growing by acquisition. The Board is of the view that the changes which have taken place recently will augment this strategy. The Board is confident in the value that will be delivered with the inclusion of its new Chief Operating Officer, Andy Openshaw and the appointment of a new Chief Financial Officer, Samantha Sequeira.

The Board continues to believe that Huge Telecom's FST is a game changer. FST has been proved and accepted by the market and its application will become more pervasive, as is being evidenced by the appetite of a wider audience of mobile telephone network operators and customers. The Board views Huge Telecom as an important growth engine for the Group.

The Board continues to explore initiatives to participate in the digital world relating to payments by leveraging Huge Connect's real estate of 48 000 customers and circa 180 000 connected devices. Huge Connect provides Huge with a platform to pursue high growth opportunities in this area. In particular, Huge Connect provides Huge with a gateway into Fintech where Huge can create, in partnership with financial institutions, disruptive and innovative solutions for its customer real estate.

The acquisition of the Otel businesses and the acquisition of a controlling stake in Pansmart Proprietary Limited (**Pansmart**) will position the Telecom Grouping well to grow organically at rates of growth higher than those it has previously enjoyed.

The Board has engaged with various shareholders during the year under review and based on these engagements has decided to balance the growth objectives of the Growing Huge Strategy with income objectives of its shareholders, which has enabled the Board to propose the declaration of a dividend to shareholders.

BASIS OF PREPARATION

The reviewed provisional condensed consolidated annual financial results have been prepared in accordance with the framework concepts and the recognition and measurement principles of International Financial Reporting Standards (**IFRS**) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and includes the information required by IAS 34: Interim Financial Reporting, the Companies Act of South Africa, and the JSE's Listings Requirements (**Listings Requirements**).

The reviewed provisional condensed consolidated annual financial results are prepared on the historical cost basis, with the exception of certain financial instruments subsequently measured at fair value. Details of the group's significant accounting policies are consistent with those applied in the previous financial year except for those listed below.

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

The reviewed provisional condensed consolidated annual financial results for the year ended 28 February 2019 were prepared under the supervision of the Chief Financial Officer of the Company, S Sequeira, and will be included in the 2019 Integrated Annual Report to be issued to shareholders on or before 28 June 2019.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these reviewed provisional condensed consolidated annual financial results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated annual financial statements for the year ended 28 February 2018, with the exception of the judgements and estimates related to the adoption of IFRS 15 Revenue from Contracts with Customers.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these reviewed provisional condensed consolidated annual financial results comply with IFRS and are consistent with those used in the preparation of the annual financial results of the Group for the year ended 28 February 2018, with the exception of IFRS15 Revenue from Contracts with Customers which was adopted in the period under review commencing from 1 March 2018.

ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

The Group is in the business of supplying network devices, network services and software licence fees to SME's.

INDEPENDENT AUDITOR'S REVIEW CONCLUSION

A donation, to the value of R 14 470 932 (being R1 200 000 in cash and R13 270 932 in Huge Group Limited shares), made by the Connectnet Vendors has been treated as other income in the condensed consolidated statement of profit and other comprehensive income statement.

In our opinion, the donation of Huge Group Limited shares should have been accounted for in the reviewed condensed consolidated statement of changes in equity when taking into account the requirements of IAS 32.

Based on our review, other than this, nothing else has come to our attention that causes us to believe that the provisional condensed consolidated financial statements do not fairly present, in all material respects, the financial position of Huge Group Limited for the year ended 28 February 2019 and its financial performances and cash flows for the year then ended, in accordance with JSE Limited Listing Requirements, International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BOARD'S RESPONSE TO THE INDEPENDENT AUDITOR'S REVIEW CONCLUSION

During FY2018, the vendors of the Connectnet Broadband Wireless Group (the **Connectnet Vendors**), which comprised Connectnet Broadband Wireless Proprietary Limited (which was subsequently renamed Huge Connect) and Sainet Internet Proprietary Limited (which was subsequently renamed Huge Networks) established the Connectnet Incentive Trust and made, of their own volition, donations of Huge ordinary shares with a value of R13 270 932 and cash amounting to R1 200 000 to the Connectnet Incentive Trust. In terms of the Connectnet Incentive Trust, the donations made by the Connectnet Vendors was/is to be distributed over a period of four years (from June 2017 to June 2020) to beneficiaries who are employees, directors and/or consultants of the Connectnet Broadband Wireless Group.

The Connectnet Incentive Trust was established by the Connectnet Vendors for the purpose of influencing the performance and long-term sustainability of the companies that had been ultimately sold by the Connectnet Vendors to Huge in order to assist the Connectnet Vendors in meeting the profit warranties they have given to Huge.

The value of the distributions of Huge ordinary shares over a five-year were estimated to be R1 170 994 in May 2017, R2 341 996 in May 2018, R3 512 990 in May 2019, R4 683 983 in May 2020 and thereafter R1 560 969. Therefore, over a period of five years, the total donations received by the Connectnet Incentive Trust were expected to be distributed to the aforesaid beneficiaries.

In terms of IFRS 2 Share-based Payments the distributions to the aforesaid beneficiaries are required to be treated as charges to be debited to the income statement of Huge. In other words, Huge will bear a charge of R14 470 932 for which there is no corresponding outflow of resources embodying economic benefits.

Subsequent to the release of the reviewed provisional condensed consolidated annual financial results of the Company, its subsidiary companies and joint venture for the year ended 28 February 2018, Huge received an opinion from an IFRS advisor that stated that the Connectnet Incentive Trust was/is an entity controlled by Huge in accordance with IFRS10 Consolidated Financial Statements. At the same time, the opinion of the IFRS advisor stated that the donations made by the Connectnet Vendors was income of the Connectnet Incentive Trust.

On the basis of the aforementioned opinion, Huge accounted for the Connectnet Incentive Trust as an entity controlled by it. As a result, the donations received by the Connectnet Incentive Trust, which have been treated as income in the separate financial statements of the Connectnet Incentive Trust were treated as income in the consolidated statement of financial performance of Huge.

In FY2019, Huge has accounted for donations received of R14 470 932 and IFRS 2 Share-based Payments of R7 037 595. The net effect of this accounting is an increase in profit before taxation for the current year of R7 433 337. In the next three financial years, it is estimated that Huge will account for IFRS 2 Share-based payments of R7 334 337. Therefore, over a five-year period, there will, on the basis of Huge's accounting treatment, be no effect on the profit or loss of the Group. On the other hand, the accounting treatment preferred by the auditor of Huge will, over a period of five years, result in a negative impact on Huge's profits of R14 470 932 with no associated outflow from the Group of resources embodying economic benefits.

As a result of the application of IFRS10 to the Connectnet Incentive Trust, the Huge ordinary shares donated by the Connectnet Vendors are also required to be included as part of the Group's treasury shares. Accordingly, the Group's treasury share capital has increased from 9 646 926 shares in the previous reporting period to 10 852 953 shares in the year under review.

The Board is of the view that the auditor's application of IAS 32 is inappropriate in the circumstances and has chosen to adopt the approach suggested in the IFRS advisor's opinion. In the Board's opinion, its accounting treatment does result in the fair presentation of Huge's financial performance.

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Standards and interpretations in issue but not yet adopted and not yet effective

Information on standards issued by the IASB, but not effective for the current financial year, has been provided below where it is expected that the new standards will have a material impact on the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments neither adopted nor listed below are not expected to have a material impact on the Group's financial statements.

IFRS 16 Leases
This standard is effective for years commencing on or after 1 January 2019. This standard will be adopted by the Group for the financial reporting period commencing on 1 March 2019. IFRS 16 requires a lessee to recognize a right of use of an asset and its concomitant lease obligation for any lease other than a short term lease, or a lease relating to low value assets – which leases may be treated similarly to operating leases under the current standard IAS 17, if the exceptions are applied. A lessee measures its lease obligation at the present value of future lease payments and recognises a right of use of an

asset initially measured at the same amount as the lease obligation, including costs directly related to entering into the lease. A right of use of an asset is subsequently treated in a similar way to other assets such as property, plant and equipment, or intangible assets, dependent on the nature of the underlying item.

The Group has a number of property rental agreements in place. In accordance with IFRS 16 Leases, a right of use of an asset and the lease obligations associated with rentals would be recognised in the statement of financial position. The extent of the recognition is yet to be determined. The Group will take a decision on the transition method to be applied, or the application of exceptions related to short term and low value asset leases at a later point in time.

Standards Early Adopted

No standards were early adopted in the current financial year.

Basic Earnings and Headline Earnings Per Share

	Reviewed 28 February 2019 (12 months) R'000	**Reviewed 28 February 2019 (12 months) cents**	**Audited 28 February 2018 (12 months) R'000**	**Audited 28 February 2018 (12 months) cents**
Basic Earnings per share				
Profit or loss attributable to the equity owners of the parent	93 593	**56.84**	76 841	**47.40**
Weighted average number of shares in issue ('000)	164 671	-	162 100	-
Basic earnings per share (cents)	**93 593**	**56.84**	**76 841**	**47.40**
Headline Earnings Per Share				
Profit or loss attributable to the equity owners of the parent	93 593	56.84	76 841	47.40
Adjusted for:				
Impairment of property, plant and equipment	-	-	2 794	1.72
Reversal Impairment of financial assets			(4 520)	(2.78)
Gain on disposal of investment	(1 548)	(0.94)	-	-
Gain on disposal of property, plant and equipment	(807)	(0.49)	-	-
Tax effects	659	0.40	-	-
Headline earnings per share (cents)	**91 897**	**55.81**	**75 115**	**46.34**
Weighted average number of shares in issue ('000)	164 787	-	162 100	-
Diluted basic earnings per share				
Profit or loss attributable to the equity owners of the parent	93 593	56.55	76 841	47.40
Weighted diluted average number of shares in issue ('000)	165 505	-	162 100	-

Diluted basic earnings per share (cents)	**93 593**	**56.55**	**76 841**	**47.40**

Diluted headline earnings per share				
Headline profit or loss attributable to the equity owners of the parent	91 897	55.53	75 115	46.34
Weighted diluted average number of shares in issue ('000)	165 505	-	162 100	-
Diluted headline earnings per share (cents)	**91 897**	**55.53**	**75 115**	**46.34**

Fair Value Disclosures

Categories of financial instruments

Categories of financial assets

Reviewed 28 February 2019 (12 months)	**Fair value through profit or loss-Mandatory**	**Amortised cost**	**Leases**	**Total**	**Fair value**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**
Loans to group companies	-	66 608	-	66 608	66 608
Loans to shareholders	-	13	-	13	13
Loans receivable	-	8 464	-	8 464	8 464
Investments at fair value	45 006	-	-	45 006	45 006
Finance lease receivables	-	-	2 385	2 385	2 385
Trade and other receivables	-	59 646	-	59 646	59 646
Cash and cash equivalents	-	23 958	-	23 958	23 958
	45 006	**158 689**	**2 385**	**206 080**	**206 080**

Audited 28 February 2018 (12 months)	**Amortised cost**	**Total**	**Fair value**
	R'000	**R'000**	**R'000**
Loans receivable	7 496	7 496	7 496
Trade and other receivables	60 322	60 322	60 322
Cash and cash equivalents	30 265	30 265	30 265
	98 083	**98 083**	**98 083**

Categories of financial liabilities

Reviewed 28 February 2019 (12 months)	**Amortised cost**	**Leases**	**Total**	**Fair value**
	R'000	**R'000**	**R'000**	**R'000**

Trade and other payables	32 835	21	32 856	32 856
Borrowings	170 525	-	170 525	170 525
Finance lease obligations	-	7 631	7 631	7 631
Bank overdraft	2 748	-	2 748	2 748
	206 108	**7 652**	**213 760**	**213 760**

Audited 28 February 2018 (12 months)	**Amortised cost**	**Leases**	**Total**	**Fair value**
	R'000	**R'000**	**R'000**	**R'000**
Trade and other payables	37 436	253	37 689	37 689
Borrowings	104 699	-	104 699	104 699
Finance lease obligations	-	4 073	4 073	4 073
Bank overdraft	1 331	-	1 331	1 331
	143 466	**4 326**	**147 792**	**147 792**

Disaggregation of revenue- Quantitative disclosure

	Fintech Grouping		**Corporate Office**		**Telecom Grouping**		**Total Operating Segments**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
South Africa	145 668	121 841	2 354	1 938	269 573	264 220	417 595	387 999
Africa	14 686	15 079	-	-	381	462	15 067	15 541
	160 354	**136 920**	**2 354**	**1 938**	**269 954**	**264 682**	**432 662**	**403 540**
Major goods/service lines								
Network devices	1 457	413	-	-	70 868	72 594	72 325	73 007
Network services	158 897	136 507	-	-	199 086	191 636	357 983	328 143
Software licence fees	-	-	2 354	1 938	-	-	2 354	1 938
	160 354	**136 920**	**2 354**	**1 938**	**269 954**	**264 229**	**432 662**	**403 087**
Timing of revenue recognition								
Goods transferred at a point in time	1 457	413	-	-	692	508	2 149	921
Services transferred over time	158 897	136 507	2 354	1 938	269 262	263 721	430 513	402 166
	160 354	**136 920**	**2 354**	**1 938**	**269 954**	**264 229**	**432 662**	**403 087**

Business Combinations

Huge Cellular

On 26 February 2019 Huge Telecom, the holding company of Huge Cellular, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Cellular to Windfall in a BBBEE transaction. Windfall is controlled by Mr V Mokholo and Mrs S Mokholo, a related party to Huge given that Mr Mokholo is a non-executive director of the Company. Huge did not retain control of this entity, which is now an associate of the Group.

Huge Messaging

On 31 August 2018 Huge Telecom, which held 50.2% of Huge Messaging (previously Ambient Mobile Proprietary Limited), entered in a Sale of Shares Agreement in terms of which it acquired 49.8% of the shares from minority shareholders. Huge Messaging became a wholly owned subsidiary company of Huge Telecom.

On 22 January 2019, Huge acquired 100% of the shares of Huge Messaging from Huge Telecom. As a result, Huge Messaging became a wholly owned subsidiary company of Huge.

Huge Mobile

On 17 August 2018 Huge Telecom, which held 49.66% of Huge Mobile Proprietary Limited (previously Le Gacy Telecom (FRA) Proprietary Limited), entered in a Sale of Shares Agreement in terms of which it acquired 50.44% of the shares from minority shareholders. Huge Mobile became a wholly owned subsidiary company of Huge Telecom.

On 31 August 2019, Huge acquired 100% of the shares of Huge Mobile from Huge Telecom. As a result, Huge Mobile became a wholly owned subsidiary company of Huge.

Huge Networks

Huge Networks concluded agreements with Otel Communications Proprietary Limited and Otel Business Proprietary Limited which contemplated the acquisition by Huge Networks of the businesses of Otel. These agreements became unconditional on 27 February 2019. The purchase consideration for the businesses of Otel was settled in Huge Networks ordinary shares, such that, after the issue of shares, Huge Telecom's shareholding in Huge Networks decreased from 100% to 50.03%. Huge Telecom has retained control of Huge Networks.

Huge Soho

On 26 February 2019 Huge, the holding company of Huge Soho, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Soho to Windfall in a BBBEE transaction. Windfall is controlled by Mr V Mokholo and Mrs S Mokholo, a related party to Huge given that Mr Mokholo is a non-executive director of the Company. Huge did not retain control of this entity, which is now an associate of the Group.

Aggregated business combinations

The aggregated business combinations include the sale of Huge Soho Proprietary Limited, Huge Cellular Proprietary Limited and acquisition of the Otel Communications Proprietary Limited and Otel Business Proprietary Limited assets and assumed liabilities.

	Reviewed 28 February 2019 (12 months) R'000	Audited 28 February 2018 (12 months) R'000
Property, plant and equipment	1 964	27 151
Intangible assets	2 023	345
Finance lease receivable	2 385	-
Loans receivable	-	1 692
Deferred expenditure	-	1 390
Inventories	188	787
Current tax receivable	-	12
Trade and other receivables	(77 526)	10 006
Cash and cash equivalents	(1 471)	18 170
Financial liabilities at fair value	-	(141 195)
Financial lease liabilities	(2 895)	-
Deferred tax	(247)	(3 891)
Provisions	-	(2 133)
Borrowings	(1 201)	-
Loans from group companies	59 949	(120)
Loans from shareholders	-	(771)
Current tax payable	2 169	(2 712)
Bank overdraft	(2 748)	-
Trade and other payables	15 443	(8 509)
Total identifiable net liabilities	(1 968)	(99 778)
Non-controlling interest	-	238
Goodwill	16 378	378 290
	14 409	**278 750**

Consideration (paid)/received

Cash	-	(270 500)
Purchase consideration receivable	10	-
Equity - Renounceable Letters of Allocation	-	(151 250)
Equity	(12 877)	-
Liabilities assumed	-	1 805
Liabilities settled	-	141 195
		(278 750)

Net cash outflow on acquisition

Cash consideration paid	-	(278 750)
Cash acquired	(4 219)	18 170
	(4 219)	**(260 580)**

Related Party Disclosures

Relationships
Subsidiary companies:
- Huge Connect
- Huge Media
- Huge Messaging
- Huge Mobile
- Huge Networks
- Huge Software
- Huge Technologies
- Huge Telecom

Joint Controlled Arrangement
- Gonondo

Associates
- Huge Cellular
- Huge Soho

IFRS10 Controlled Entities
- Connectnet Incentive Trust

Members of key management
- James Charles Herbst
- Zunaid Bulbulia (resigned 31 December 2018)

Directors of subsidiary companies
- Andre Lessing
- Marius Oberholzer
- Gunter Engling (resigned 6 November 2018)
- Craig Rowan
- Robert Burger

Shareholders behind non-controlling interests
- Jarratt Ingram
- Edward Mitchell Kerby
- Gregory Beaufort Shiers

Associate of non-executive directors
- Casa Da Luz Proprietary Limited (an associate company of Dr Duarte Da Silva)

	28 February 2019 (12 months) R'000	**28 February 2018 (12 months) R'000**
Loan Account – owing (to) by related parties		
Gunter Engling	-	-
James Charles Herbst	(13)	-
Jarratt Ingram	-	(98)
Edward Mitchell Kerby	-	(693)
Gregory Beaufort Shiers	-	(50)
Huge Cellular (Pty) Ltd	64 201	-
Huge Soho (Pty) Ltd	2 408	-
Windfall 111 Properties (Pty) Ltd	10	-
	(66 606)	**(841)**
Interest paid to (received from) related parties		
James Charles Herbst	-	5
Jarratt Ingram	-	6

Edward Mitchell Kerby	-	39
Anton Daniel Potgieter	-	(61)
Gregory Beaufort Shiers	-	3
	(-)	**(8)**
<u>Purchases from (sales to) related parties</u>		
Casa Da Luz Proprietary Limited	838	770
Dee-Anco Investments Proprietary Limited	-	1 762
Gonondo	470	1 097
	1 308	**1 498**

TREASURY SHARES

As at 28 February 2019, the Company had 175 627 077 ordinary shares in issue, of which 9 646 926 ordinary shares are held by Huge Telecom as treasury shares. 1 206 027 ordinary shares are held by the Connectnet Incentive Trust, which has been classified in terms of IFRS10 as an entity controlled by Huge Connect and therefore by Huge. As a result of the consolidation of the Connective Incentive Trust the investment in Huge ordinary shares has been reclassified as treasury shares.

LITIGATION STATEMENT

<u>Dispute between Huge and TeleMasters Holdings Limited (TeleMasters)</u>
During February 2013 Telemasters cancelled an agreement with Huge for the supply of MTN airtime and suspended the SIM cards held by the Company. In its Statement of Claim issued on 31 May 2013, Telemasters alleges that the Company is indebted to it in the amount of R4.176 million plus interest thereon.

In its Plea and Counterclaim issued on 11 June 2014, the Company:
1. admitted that TeleMasters was entitled to raise R1.7 million for monthly subscriptions for the period 15 January 2013 to 14 February 2013 in respect of 2 820 SIM cards;
2. admitted that TeleMasters was entitled to raise R8 084 for monthly subscriptions for the period 15 February 2013 to 18 February 2013 in respect of 100 SIM cards;
3. claimed that Telemasters is indebted to it in the amount of R4.392 million plus interest thereon in respect of amounts overcharged by Telemasters and which is made up as follows:

a) R1.215 million in respect of "Itemised Billing" for which it was not entitled to charge;
b) R1.034 million in respect of "Administration Fees" for which it was not entitled to charge;
c) R2.143 million in respect of "Gross Out of Bundle Charges" (being a claim of R4.053 million in respect of Gross Out of Bundle Charges, less a credit note passed by TeleMasters in respect thereof of R1.910 million) in respect of which it was not entitled to charge.

The matter is subject to arbitration by the Arbitration Foundation of Southern Africa. The assets and liabilities relating to this dispute have been recognised at levels appropriate to the Company's assessment of the outcome of the arbitration hearing.

During February 2017, Huge and TeleMasters decided to separate out for decision (the **Separation**), before deciding on the claim and counterclaim, the following issues (the **Separated Issues**):

i. Was TeleMasters entitled to charge Huge a fee in respect of Itemised Billing?
ii. Was TeleMasters entitled to charge huge the Administration Fees?
iii. Was TeleMasters entitled to charge Huge for calls made on SIM cards, where those calls had been zero rated by the network operator in the depleting of any accumulated value?"

The hearing was set down for five days, commencing on 2 October 2017. The parties argued the Separated Issues before the arbitrator on 4 October 2017.

No definitive relief was claimed on account of the Separation but the arbitrator's decision on the Separated Issues was anticipated to contribute to a convenient resolution of some issues between the parties.

In terms of an award of the arbitrator, dated 6 October 2017, the arbitrator made the following award in respect of the Separated Issues:

A. In respect of issue number i above, the arbitrator decided in favour of Huge;

B. In respect of issue number ii above, the arbitrator decided in favour of TeleMasters;

C. In respect of issue number iii above, the arbitrator decided in favour of TeleMasters.

The remaining issues arising out of the Statement of Claim and the Plea and Counterclaim were postponed *sine die* and no order was made thereon.

<u>Dispute between Cell C Service Provider Company (Cell C)</u>

In October 2012 Huge Cellular and Cell C Service Provider Company Proprietary Limited (Cell C) entered into a written agreement in terms of which Cell C sold specified cellular telephone services referred to as the Cell C services to Huge Cellular. The agreement was amended on several occasions. In its amended form the agreement amended the type and nature of the cellular telephone services that Cell C was to provide, and obliged Huge Cellular to pay a minimum monthly amount to Cell C. Cell C was obliged to deduct the cost of the cellular telephone services actually used by Huge Cellular during the term of the agreement from the minimum monthly amount that Huge Cellular had agreed to pay in advance. The amended agreement created a mechanism to allow Huge Cellular to carry forward any portion of the cumulative minimum monthly amounts not actually used by Huge Cellular in prior months. The amount carried forward by Huge Cellular was referred to as the accumulated shortfall. The amended agreement specifically dealt with Huge Cellular's entitlement to carry forward the accumulated shortfall and stipulated that the accumulated shortfall could be carried forward on an unlimited basis until July 2019, and thereafter up to a maximum of the value of 250 million airtime minutes, with any unused accumulated shortfall to expire in February 2022. A further amendment to the agreement related to an amendment to its term, and the extension of the agreement. In its amended form the agreement contemplated an initial period, which would have ended on 28 February 2022. Huge Cellular was given the option to renew the agreement. Huge Cellular did not elect to renew the agreement and it came to an end on 28 February 2019. Over time the amount which Huge Cellular paid to Cell C as minimum monthly amounts was consistently more than its actual usage, with the result that Huge Cellular built up a very large accumulated shortfall. The accumulated shortfall at the end of February 2019 was in the region of R50 million.

Cell C threatened to terminate Huge Cellular's access to the Cell C mobile telephone network at midnight on 28 February 2019 notwithstanding that Huge Cellular would have an unused accumulated shortfall of about R50 million, and notwithstanding that the parties had specifically agreed that Huge Cellular could carry forward the accumulated shortfall until specified dates and that it would only expire in February 2022. Given Cell C's stated intention to terminate Huge Cellular's access to the Cell C mobile telephone network, Huge Cellular declared a dispute under the agreement and activated the dispute resolution mechanisms in the agreement. The dispute resolution mechanisms required the parties' Chief Executive Officers to attempt to resolve the matter and if that was not successful the dispute was then to be arbitrated. Therefore, the final determination of whether Huge Cellular is entitled to continued access to the Cell C mobile telephone network until it has used up all of the accumulated shortfall is a matter that will be finally determined by arbitration.

Prior to launching the urgent application Huge Cellular requested Cell C, on an interim basis, and pending finalisation of the dispute, to agree that Huge Cellular was entitled to continued access to the Cell C mobile telephone network after February 2019 until it had used up the accumulated shortfall.

Cell C refused to provide the interim undertaking and Huge Cellular resolved to bring an urgent application.

The urgent application was heard by his Lordship Mr Justice Mashile. On 26 February 2019 his Lordship handed down the judgement which contained the following Order:

> *"Pending final resolution of the dispute between [Huge Cellular] and [Cell C] in terms of clause 16 of the agreement, which is annexure 'D' to the founding affidavit and which dispute was declared in annexure 'I' of the founding affidavit:*
>
> *Cell C is interdicted from terminating [Huge Cellular's] access to the Cell C mobile telephone network in respect of SIM cards issued to [Huge Cellular] prior to 28 February 2019; and …"*

Subsequent to the Order the Chief Executive Officers of Huge Cellular and Cell C met to see whether the dispute could be amicably resolved, but no agreement could be reached. The parties have engaged each other to deal with the dispute by way of arbitration. The parties have agreed that Advocate CDA Loxton SC will act as the arbitrator and on 7 May 2019 a first pre-arbitration meeting was held. At the pre-arbitration meeting the parties agreed a comprehensive timetable to conduct the arbitration and agreed that the arbitration hearing will take place from 23 to 27 March 2020.

<u>Other litigation</u>

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.

SUBSEQUENT EVENTS

Subsequent to 28 February 2019, Huge acquired a controlling shareholding in Pansmart. Huge's acquisition of a controlling shareholding in Pansmart took effect on 13 May 2019.

GOING CONCERN

The Board has undertaken a detailed review of the going concern capability of the Company (and all subsidiary companies of the Company that form the Group) with reference to certain assumptions and plans underlying various cash flow forecasts.

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

DIVIDENDS

DIVIDEND DECLARATION

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

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

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

The issued share capital of the Company at the declaration date is 175 627 077 ordinary shares. The Company's tax reference number is 9378909155.

In compliance with the requirements of Strate Proprietary Limited and the JSE Limited, the following timetable is applicable:

Declaration date	Friday, 31 May 2019
Last day to trade cum dividend	Tuesday, 18 June 2019
Shares commence trading ex dividend	Wednesday, 19 June 2019
Record date	Friday, 21 June 2019
Dividend payment date	Monday, 24 June 2019

Share certificates may not be dematerialised or re-materialised between Wednesday, 19 June 2019, and Friday, 21 June 2019, both days inclusive.

GOVERNANCE

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

Johannesburg
3 June 2019

Sponsor
Questco Corporate Advisory (Pty) Ltd
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Transfer Secretaries
Computershare Investor Services (Pty) Ltd
2nd Floor, Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196

Directors
Non-Executive: Dr DF Da Silva (Chairman), SP Tredoux* (Lead Independent Director), DR Gammie*, BC Armstrong*, CWJ Lyons*, VM Mokholo
Executive: JC Herbst (Chief Executive Officer), AP Openshaw (Chief Operating Officer), S Sequeira (Chief Financial Officer)
*Independent