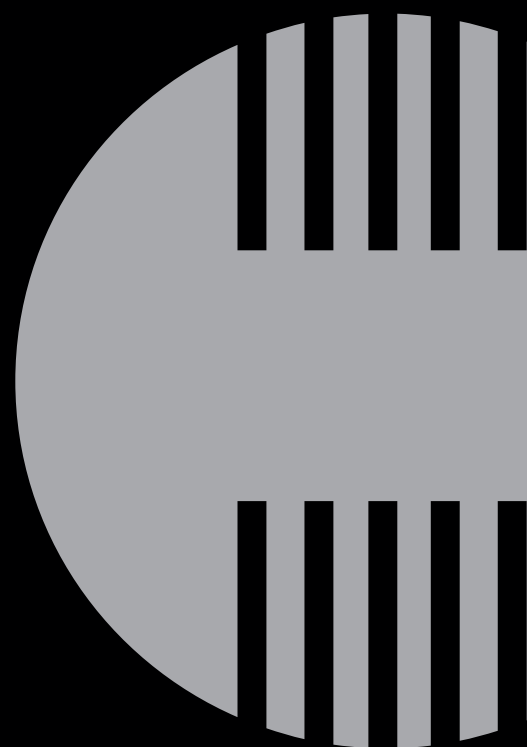


2018
INTEGRATED REPORT
FOR THE YEAR ENDED 28 FEBRUARY

contents

Scope and boundary	1
Materiality	1
Assurance	1
Feedback	1
Forward looking information	1
Approval	1
Our huge story	2
Business Model	2
Group Organogram	4
Stakeholders	4
Performance highlights	5
Acquisition of Huge Connect and Huge Networks	5
Strategic Performance	6
Chairman's Letter	6
Strategy Report:	10
• Where We've Come From	
• The Growing Huge Strategy	
Chief Executive Officer's Review	14
Cross-Selling Model	17
Six Capitals	18
• Using the Six Capitals to Provide Connectivity	
• Full Suite Telephony	
• Huge 3G Router	
• Elsie Ngidi School	
Material Issues and Risk Management	25
Chief Financial Officer's Report	26
Governance	29
Governance Report	29
Directors spread	36
Executive Committee spread	39
Committee Reports	40
Remuneration Report	45
B-BBEE Compliance Plan	51
Annual Financial Statements	52
Annual Financial Statements	52
Shareholder information	117
Shareholder analysis	117
Notice of annual general meeting	119
Form of proxy	127
Corporate information	Inside back cover



OUR REPORT

Reporting scope and boundary

This Integrated Report is Huger's primary report to its shareholders and other stakeholders for the financial year 1 March 2017 to 28 February 2018. It provides information on Huger's business model, strategy, operational and financial performance and illustrates how Huger has created value through connectivity. Management aims to provide a balanced and accurate assessment of matters relating to Huger's financial, economic, social and governance position. This Integrated Report includes the Consolidated Annual Financial Statements and is available at www.hugergroup.com.

The reporting process has been guided by the Integrated Reporting Framework (the IR Framework) of the International Integrated Reporting Council, the King IV Report on Corporate Governance, the JSE Listings Requirements and the Companies Act 71 of 2008 (as amended).

Materiality

This Integrated Report focuses on information which the directors believe is material to shareholders' understanding of Huger's ability to create value in the short, medium and longer term. The materiality test applied by the Board is based on internal and external matters, both positive and negative, that substantially affect the ability of Huger to deliver its strategy and which could have a material impact on revenue, profitability and growth.

Assurance

The content of this Integrated Report has been reviewed by the Board and management but has not been subject to independent assurance. The Consolidated Annual Financial Statements have been assured by Huger's independent auditor, BDO South Africa Inc.

Feedback

Huger welcomes interaction with all stakeholders. Further information with regard to Huger may be found on the Group website at www.hugergroup.com or by emailing info@hugergroup.com. Stakeholders are invited to visit the Company's Facebook page or contact the Company via twitter.



#HugeGroup Ltd



@HugeGroup Ltd

Forward-looking information

This Integrated Report includes forward-looking statements which relate to the possible future financial position and results of Huger. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances which may or may not occur in the future. Huger does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events, other than that which is required by the Listings Requirements of the JSE Limited. The forward-looking statements have not been reviewed or reported by Huger's external auditor.

Approval

The Board of Huger Group Limited has approved the publication of this Integrated Report for the year-ended 28 February 2018.

Duarte da Silva

Chairman

James Herbst

Chief Executive Officer

ICONOGRAPHY



Acquisition (page 5)



Growing Huger Strategy (page 12)



Cross-Selling Model (page 17)



Huger 3G Router (page 23)



Full Suite Telephony (page 22)



B-BBEE Compliance Plan (page 51)

01 / OUR HUGE STORY

THE HUGE BUSINESS MODEL

OUR VISION

BUILDING A GROUP THAT POSITIONS ITSELF TO REALISE EXTRAORDINARY OPPORTUNITIES.

OUR MISSION

WE INVEST IN AND GROW COMPANIES THAT PROVIDE SOLUTIONS WHICH ARE SIMPLE, INNOVATIVE AND FIT FOR PURPOSE.

Huge Group is an investment holding company listed on the Main Board of the JSE, with a secondary listing on A2X Markets. The group of companies comprising Huge Group is rooted in a well-established portfolio focussing on telephony, data and payment connectivity. People live in a connected world where everyone and everything needs to be connected at the touch of a button. Huge provides the connectivity to make this possible.

As an investment holding company, Huge is focussed on unlocking opportunities through the strategic acquisition and agglomeration of powerful, and independently successful and complementary subsidiary companies. By adopting this approach to create synergies, Huge strives to unlock business and share value multiples far in excess of the proverbial sum of their parts.

OUR SERVICE PROVIDERS



WORKING WITH A COMMON BASE OF SUPPLIERS, THE GROUP OPERATES WITHIN A DECENTRALISED MANAGEMENT MODEL WHERE EACH SUBSIDIARY COMPANY TAKES CONTROL OF THEIR OWN OPERATIONS.



OUR BUSINESSES



We provide value-added data services using GSM-based cellular data networks for business-to-business and machine-to-machine applications.



We provide a wireless full suite telephony service that gives our customers a replacement for their traditional "telco" fixed line services.



We provide customers with a complete solution to all their current and future data, internet, communications and private network needs.

OUR BUSINESS ENABLERS

ALL OUR SOLUTIONS ARE LOCALLY DESIGNED, DEVELOPED AND PRODUCED WHICH MEANS OUR PEOPLE CAN CREATE AND IMPLEMENT BESPOKE, CUSTOMER-SPECIFIC SOLUTIONS AT HIGHLY COMPETITIVE TARIFFS.

Extensive distribution capacity

Critical scale of operations

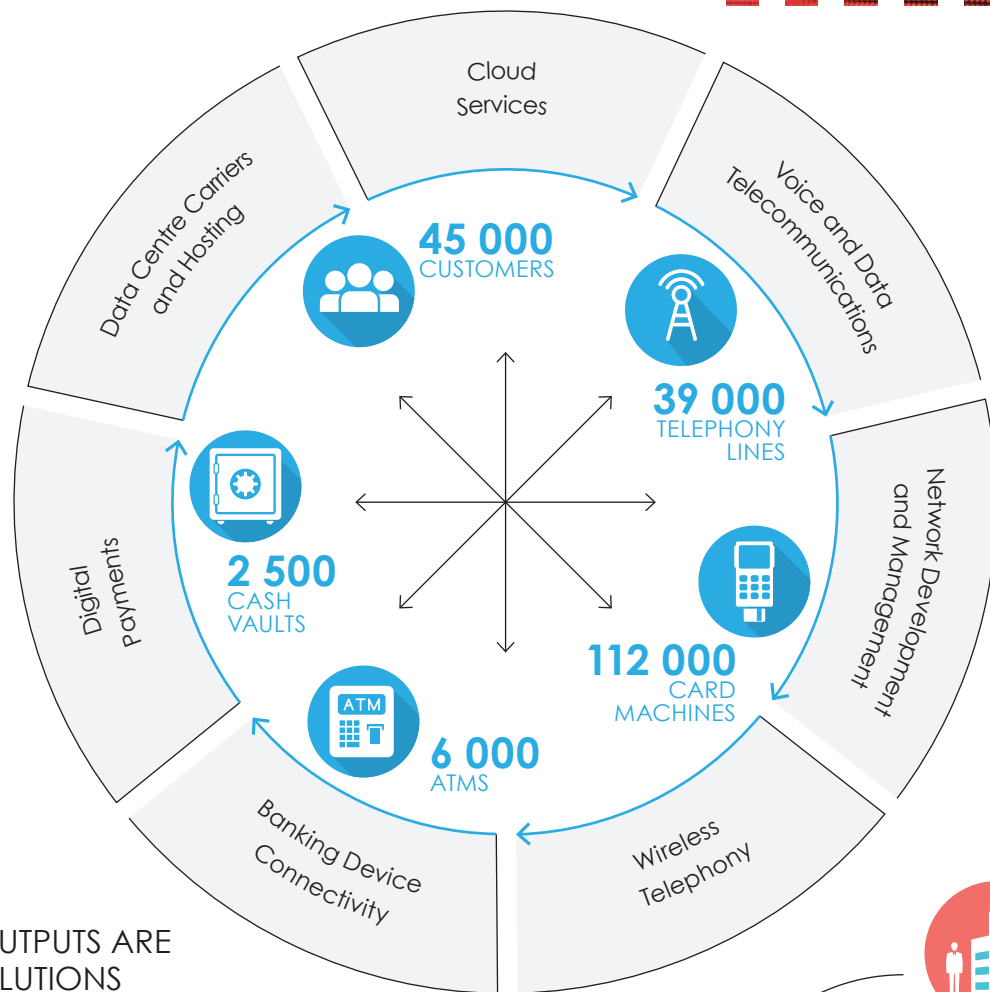
National footprint

iECNS and iECS licences

OUR BUSINESS PARTNERS

The Group then works with select Business Partners who drive the sales of our products and services by designing customer solutions that unlock value using a customised selection of the various, yet complementary, company offerings.

OUR SOLUTIONS



OUR OUTPUTS ARE THE SOLUTIONS THAT WE PROVIDE TO CUSTOMERS TO STRENGTHEN THEIR CONNECTIVITY.

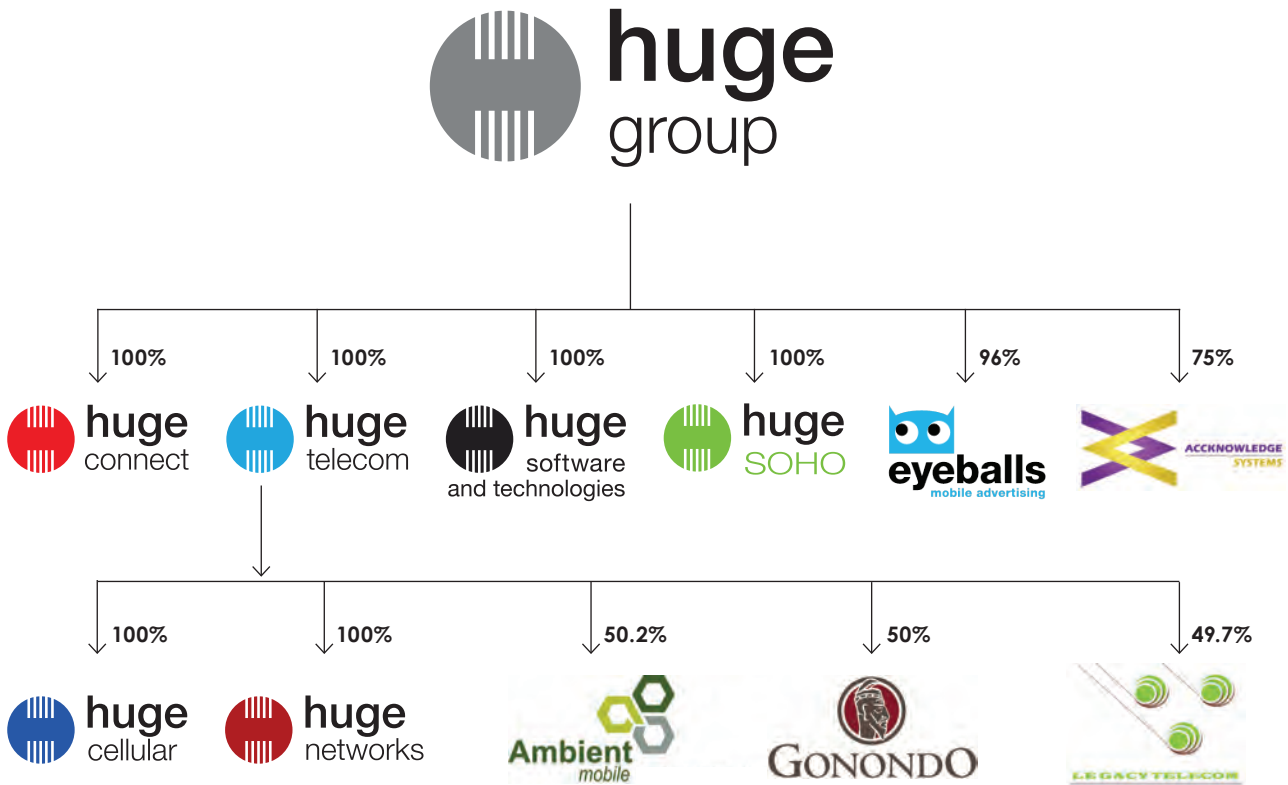
OUR CUSTOMERS

SMEs
Corporates
Individuals

Wholesale agreements with mobile network operators

Technical and customer support systems

GROUP ORGANOGRAM



STAKEHOLDERS

OUR STAKEHOLDERS, WHO DRIVE OUR CONNECTIVITY



PERFORMANCE HIGHLIGHTS



ACQUISITION OF HUGE CONNECT AND HUGE NETWORKS

On 30 March 2017, the subscription and repurchase agreement concluded by Huger and Connectnet Broadband Wireless Proprietary Limited (**ConnectNet**) became unconditional. On that date, ConnectNet became a wholly owned subsidiary company of Huger (the **Acquisition**). On the same day, ConnectNet sold its wholly owned subsidiary company, Sainet Internet Proprietary Limited (**Sainet Internet**), to Huger Telecom Proprietary Limited (**Huger Telecom**). Huger Telecom is also a wholly owned subsidiary company of Huger.

In terms of the Acquisition, Huger subscribed for new shares in ConnectNet for a total subscription consideration of R418 million. R151.25 million of the subscription consideration was settled by the issue by Huger of renounceable letters of allocation, the subject matter of which was 25 208 333 Huger Shares at a price of R6.00 per Huger Share. R266.75 million of the subscription consideration was settled in cash. Existing shares in ConnectNet were repurchased by ConnectNet for a repurchase consideration of R275 million. R123.75 million of the repurchase consideration was settled in cash and R151.25 million was settled by the onward delivery of the renounceable letters of allocation. Various debts owed to Futuregrowth Asset Management Proprietary Limited were settled in full after the subscription and repurchase.

ConnectNet has been renamed Huger Connect and Sainet Internet has been renamed Huger Networks.

The negative net asset value of ConnectNet on the date of the Acquisition was R99 million. The negative net asset value was created on the leveraged repurchase of certain existing shares in ConnectNet a year earlier.

The subscription has resulted in a positive net asset value on the date of the Acquisition.

The fair value of the renounceable letters of allocation increased from R151.25 million to R156.7 million on the date that the underlying Huger Shares were renounced by ConnectNet in favour of the existing shareholders of ConnectNet. As a result the fair value of the consideration given in respect of the repurchase of existing shares in ConnectNet on the date of the Acquisition increased from R275 million to R280.45 million and together with the negative net asset value of R99 million results in goodwill on consolidation of R379.45 million.

Reference to the Acquisition is made throughout this Integrated Report.

THE ACQUISITION HAS INCREASED HUGE'S REAL ESTATE OF CUSTOMERS FROM APPROXIMATELY 15 000 TO 45 000 AND HAS DIVERSIFIED ITS SERVICE OFFERING FROM A SINGLE, VOICE CONNECTIVITY SERVICE TO A BASKET OF SERVICES THAT INCLUDE DATA CONNECTIVITY AND PAYMENT DEVICE CONNECTIVITY. IT HAS ALSO GIVEN HUGE THE PLATFORM FROM WHICH TO CONSIDER SERVICES RELATING TO FINTECH AND THE INTERNET OF THINGS.

As part of the Acquisition, Huger has secured a profit warranty from the existing shareholders of ConnectNet that the cumulative aggregate operating profit of ConnectNet and Sainet Internet for the financial year-ended 28 February 2018, 28 February 2019 and 29 February 2020 will be no less than a cumulative aggregate operating profit target of R239.9 million.

02 / STRATEGIC PERFORMANCE

CHAIRMAN'S LETTER



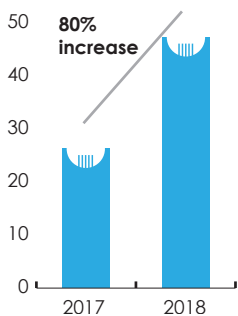
80%
increase in EPS
from
26.30 to 47.40

63%
increase in
revenue from
R245.9 million to
R401.3 million

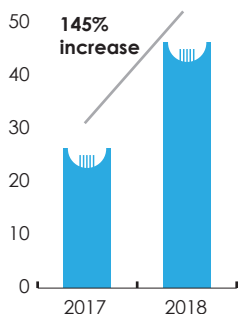
IN THE LAST FOUR YEARS, HUGE HAS SEEN ITS SHARE PRICE INCREASE FROM R0.85 TO R8.70 AND ITS REVENUE BASE INCREASE FROM R200 MILLION TO R400 MILLION.

DUARTE DA SILVA *Non-executive Chairman*

EARNINGS PER SHARE



EBITDA



INTRODUCTION

Over the last five years the Huge Group has focussed on growing its core mobility and connectivity business and has scaled up its operations significantly. Today Huge offers a three-pronged service and product offering to a substantial SME customer base. Huge's route-to-market includes both direct, through Huge Connect and Huge Networks and indirect, through a substantial and unique value-added reseller channel that was built by and resides in Huge Telecom. From 2014 to date, Huge has seen its share price increase from R0.85 to R8.70 and its revenue base increase from R200 million to R400 million, reflecting Huge's growth from a voice-only telephony offering to data and payment connectivity.



Huge refers to its community of customers as its "real estate". The term reflects the value that Huge perceives in its customers and the tangible reference to the cumulative worth of this customer network. Huge started the financial year with 15 000 customers and ended with real estate, through its customer base, of circa 45 000. By way of comparison, South Africa's four large domestic banks are each estimated to hold between 50 000 and 75 000 SME clients.

Metcalf's law suggests that the community value of a network grows as the square of the number of its users increases. If this theorem holds true, then 2017/2018 represents a watershed year in the evolution of Huge.

WHAT WE HAVE DONE THIS YEAR

The Acquisition **+** of Huge Connect and Huge Networks concluded on 30 March 2017 proved a defining event for Huge and represents an inflection point in the evolutionary growth trajectory of Huge.

Firstly, Huge historically focussed on its core, single service offering and did not operate a holding company structure. The Acquisition necessitated the formation of a more comprehensive and focussed Group holding company, equipped to drive Huge's expansion plan. A formal groupwide strategy has now been adopted in the Growing Huge Strategy **↑**, which underpins and guides these expansion aspirations. The Growing Huge Strategy has five key strategic objectives: creating a platform

for growth, creating capacity for growth, improving Huge's B-BBEE profile, growing Huge organically and by acquisition and elevating the Huge brand.

Secondly, Huge significantly broadened both its customer real estate and its service and product offering. Huge now has a sizeable platform which it can leverage and expand by introducing innovative solutions, cross-selling and developing new strategic partnerships.

Thirdly, consolidating Huge Connect and Huge Networks into Huge Group has been a key focal point for management over the eleven months of the past financial year. Key to Huge's ongoing success will be a deep understanding of its key asset, the customer real-estate. Significant investment is currently underway to collect, analyse, segment and understand Huge's customers. These analytics will provide the basis and methodology for effectively creating cross-selling opportunities, whether it be the current service and product offerings, or through the development of bespoke offerings. It will also help direct Huge's ongoing acquisitive strategy.

In addition to the Acquisition, Huge made a significant investment into technical, regulatory and human resources to optimise and expand its telephony offering, with concomitant efficiency and profitability improvements for Huge Telecom. This included negotiating sizeable decreases in its variable cost base, migrating customers onto a new network and pioneering and commercialising its wireless full suite telephony offering (**FST**) **①**. These initiatives constituted significant projects in their own right, which ran concurrently throughout the year.

The commercialisation and launch of FST in late 2017, as an example, was incubated for five years from inception to prototyping, testing, development and launch. It culminated in a carefully synchronised collaboration between network provider, distribution partners and other stakeholders to take the product to its customer real estate. FST now represents one of Huge's biggest growth opportunities, as Huge actively tackles the sizeable domestic fixed voice market.

CAPITAL STRUCTURE

Historically, the growth of Huge has been constrained by its balance sheet limitations. The acquisition of a strong cash flow generative business in Huge Connect, and the increased size of Huge following the Acquisition, have greatly enhanced its debt and equity capital raising abilities. This has positive implications for both organic and acquisitive growth aspirations.

CHAIRMAN'S LETTER continued

The Board remains dedicated to maintaining an optimal capital structure for Huga. Leverage is regularly considered and reassessed, balancing growth aspirations and shareholders' earnings expectations. In order to steer the Board, a Capital Structure Policy has been introduced, providing a debt to equities ratio (book value of equity) ceiling of 25% as a guiding parameter.

SHARE LIQUIDITY

Liquidity is an essential requirement for most shareholders, and hence a tradability improvement of Huga share is a key focus for the Board. The monthly market value of the Huga share has shown a steady improvement.

On 10 April 2018, Huga undertook a secondary listing on the A2X Markets as a further initiative to elevate the liquidity of the share. Liquidity will also improve in the natural course of Huga's acquisitive endeavours.

INVESTOR RELATIONS ACTIVITIES

Stakeholder engagement is a core responsibility of the Board and certain members of the Board are mandated to engage with investors on a regular basis. The Board has also implemented a formal Investor Relations Policy to ensure compliance with legal and regulatory requirements in respect of its investor engagements.

In October 2017, Huga sponsored an Investment Symposium with Wits Business School focussed on investing in the new technology wave of mobility, connectivity, IoT, and Fintech. The event was attended by over 150 financial investors and

industry participants in telecommunications and connectivity, providing for significant levels of engagement on emerging topics.

Media engagements, particularly surrounding the coverage from the secondary listing on A2X Markets, saw Huga receive substantial levels of media attention, which Huga looks forward to sustaining as it rolls out the Growing Huga Strategy.

B-BBEE COMPLIANCE

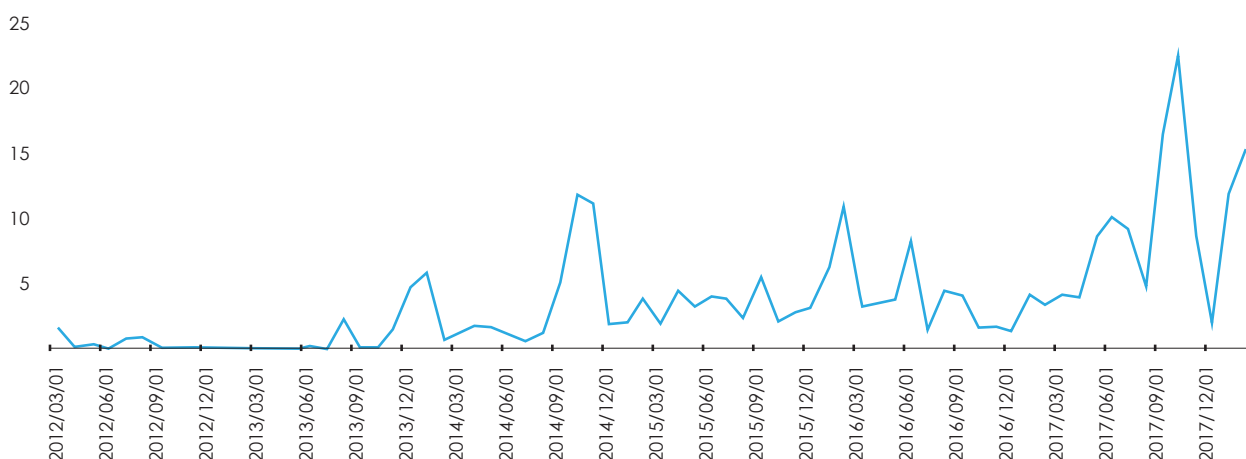
Huga aims to be a proactive contributor to good corporate citizenship. The Board understands that compliance with the Revised Codes of Good Practice and the ICT Sector Charter constitutes its licence to operate.

Through the Social and Ethics Committee, the Board has mandated management deliver a B-BBEE Compliance Plan which will pave the way for Huga and its major operating subsidiary companies to achieve a compliant status following its next financial year-end measurement period.

The ICT Sector Charter imposes subminimum levels of ownership on Huga and its subsidiaries. The listed status of Huga presents unique challenges to achieving the Ownership parameters in the Revised Codes. Transactions in this regard must be managed appropriately in light of investor and stakeholder requirements, as well as market-related and economic factors. The Investment Committee has been tasked by the Board to identify B-BBEE partners with whom an ownership model can be explored and who will contribute to the Growing Huga Strategy.

MONTHLY MARKET VALUE OF TRADES ON THE JSE

(Rm)



GOVERNANCE, REGULATORY AND COMPLIANCE

The Board is of the considered view that sound and effective governance requires decision-making based on achieving the long-term sustainability of Huge. Short-term achievements should not be made at the expense of long-term, sustainable value creation.

As Huge has grown over the past year, it has invested in additional capacity to strengthen Huge's governance structures and compliance capacities. Focus has been given to implementing more formal, effective and efficient monitoring systems, with emphasis on formal risk management and improving assurance processes. Initiatives in this regard will continue in line with the implementation of the Growing Huge Strategy.

FUTURE PROSPECTS

Huge's entry into payment connectivity via Huge Connect will inevitably lead Huge into related services and ultimately Fintech, where we anticipate delivering disruptive and innovative solutions to our clients, in partnership with financial institutions. Currently, Huge has over 120 000 connected devices, making the Huge customer real estate one of the largest platforms for IoT in Southern Africa. This, in conjunction with the customer analytics referenced earlier and coupled with our connectivity expertise, means that Huge is ideally positioned to conceive, develop and distribute a suite of Fintech offerings. Platforms for mobile payments, connectivity and the "Fintech evolution" provide an exciting and innovative space for Huge to pursue growth. Its expanding customer real estate means that the creation of bespoke financial offerings

in partnership with financial institutions becomes viable and potentially represents a highly attractive investment space.

Huge is positioned to *inter alia* invest further in expanding its current service and product offerings. Each investment will be intentionally designed to increase the cumulative size of the customer real estate, and could include niche connectivity solutions, specifically focussed on opportunities that complement and strengthen existing service and product offerings. The Bureau for Economic Research, Research Note 2016, No.1 records that the formal sector SME's in South Africa who are employers stands at around 462 815 (as at the second quarter of 2015). From this data it is apparent that the Group is well positioned in the SME market.

Underpinned by the success of the 2018 financial year, Huge has established its credentials as a large SME service provider, offering connectivity and mobility solutions. Huge now has an aggregated suite of services and products that offers significant further growth opportunities. In addition, Huge's larger size, earnings diversification and improved cash flows have provided it with improved access to debt and equity capital markets.

Acquisitive activity will continue to be essential to the Growing Huge Strategy, with bolt-on acquisitions and service and product diversification investments being actively pursued. As Huge expands its customer real estate, harvesting cross-selling opportunities and introducing new solutions will be central to fuelling growth. A sustainable earnings growth momentum, leveraged off a tangible customer real estate asset, is expected to underpin the embedded value of Huge for its stakeholders.



[View video content](#)

STRATEGY REPORT

THE STORY OF THE HUGE GROUP HAS BEEN A STORY OF GROWTH. SINCE ITS LISTING ON ALTX ON 8 AUGUST 2007, HUGE HAS SEEN ITS MARKET CAPITALISATION INCREASE FIVEFOLD FROM R0.25 BILLION TO R1.5 BILLION.

WHERE WE'VE COME FROM: OUR PAST ACHIEVEMENTS

Our past shows a strong track record of delivering on what we set out to achieve.

OUR STRATEGIC TARGETS FOR EACH FINANCIAL YEAR:

We said we would focus on growing the scale of the business

2007

- Reverse listing of TelePassport on AltX through acquisition by Huge
- Change of name of TelePassport to Huge Telecom

2008

- Acquisition of Centracell and merger of Centracell with Huge Telecom

We said that we would re-engineer the business model

2011

- Conclusion of first wholesale agreement for wireless GSM-based telephony services

We said that we would:

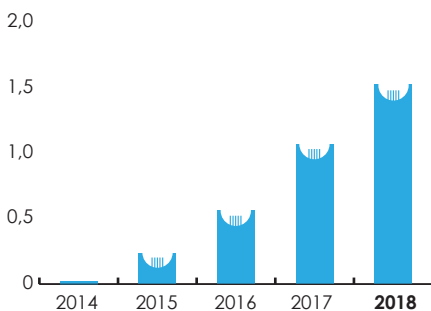
- build a distribution capability
- increase the size of our customer real estate
- increase the number of installed telephone lines
- settle material litigation
- strengthen the balance sheet

2014

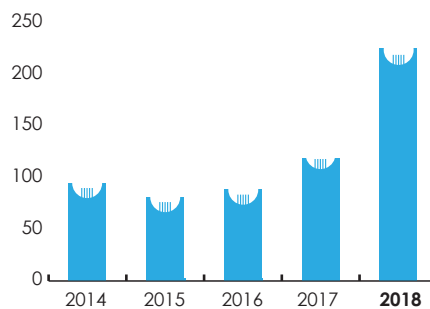
- Signed Business Partner Agreement No. 287
- Increased our real estate of customers to 5 000
- Installed our 20 800th telephone line
- Undertook a Rights Offer of 20 000 000 shares at 100c per share, which was fully subscribed
- Settled material litigation
- Strengthened the balance sheet

WHAT WE ACHIEVED:

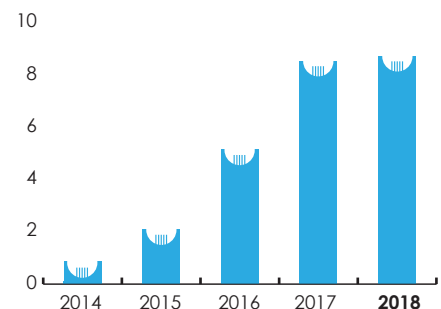
MARKET CAPITALISATION
(Rbn)



GROSS PROFIT
(Rm)



SHARE PRICE
(R)



- We said that we would:**
- continue to grow our distribution footprint
 - increase the size of our customer real estate
 - increase the number of installed telephone lines

2015

- Signed Business Partner Agreement No. 425
- Increased our real estate of customers to 6 500
- Installed our 28 300th telephone line

- We said that we would:**
- continue to grow our distribution footprint
 - increase the size of our customer real estate
 - increase the number of installed telephone lines
 - increase profitability

2016

- Signed Business Partner Agreement No. 537
- Increased our real estate of customers to 9 900
- Installed our 33 400th telephone line
- Increased our gross margin above 40%
- Increased PAT by 75% from R11 million to R20 million

- We said that we would:**
- move our listing to the Main Board of the JSE
 - continue to grow our distribution footprint
 - continue to increase the size of our customer real estate
 - increase the number of installed telephone lines
 - substantially increase our gross margin
 - increase profitability
 - strengthen our management team

2017

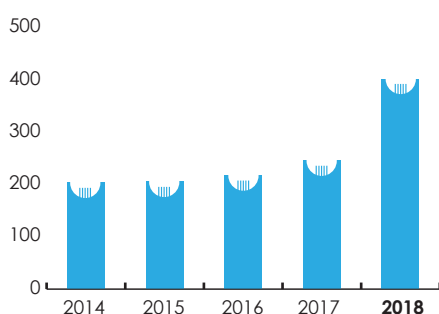
- Listed on the Main Board of the JSE
- Signed Business Partner Agreement No. 648
- Increased our real estate of customers to 12 300
- Installed our 37 400th telephone line
- Increased our gross margin substantially from 40% to 48%
- Increased PAT by 36% from R20 million to R27 million
- Appointed Duarte da Silva as Chairman and Zunaid Bulbulia as Chief Financial Officer

- We said that we would:**
- continue to grow our distribution footprint
 - continue to increase the size of our customer real estate
 - increase the number of installed telephone lines
 - close our first acquisition
 - lower our existing cost structures
 - launch a new telephony service
 - build a holding company structure
 - substantially grow revenue, gross margin and profitability
 - strengthen our Board
 - launch a new strategy for growth

2018

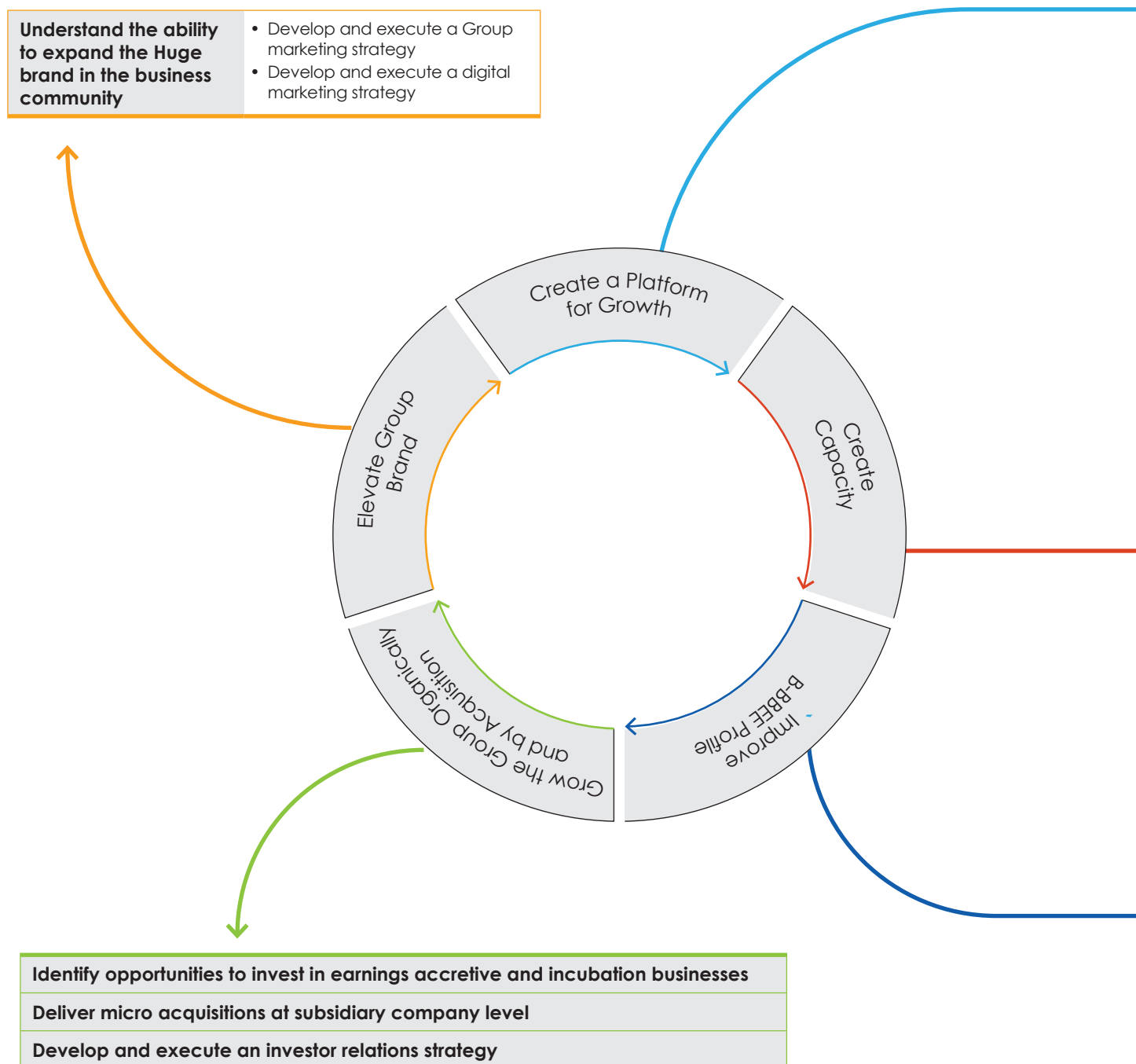
- Signed Business Partner Agreement No. 719
- Increased our real estate of customers to 45 415
- Installed our 39 100th telephone line
- Acquired Huge Connect and Huge Networks
- Concluded a wholesale agreement for the substantial lowering of base costs
- Launched full suite telephony
- Created a holding company structure
- Grew revenue by 63%
- Increased gross margin from 48% to 56%
- Grew PAT by 188%, from R27 million to R77 million
- Appointed Craig Lyons and Brian Armstrong to the Board
- Implemented the Growing Huge Strategy

REVENUE (Rm)



THE GROWING HUGE STRATEGY

The Board has approved a comprehensive strategy, the Growing Huge Strategy, to ensure that Huge continues to grow, both organically and by way of acquisition, in the short, medium and long-term.





<p>Leverage and expand the existing distribution of Business Partners and the existing real estate of customers</p>	<ul style="list-style-type: none"> • Create growth in the existing Business Partner distribution network which is capable of pulling and pushing growth • Create a comprehensive product and service offering • Cross sell into the existing real estate of customers in the subsidiary companies • Expand existing distribution network of Business Partners • Expand customer real estate outside the existing distribution network of Business Partners
<p>Leverage existing product and service offering</p>	<ul style="list-style-type: none"> • Leverage of customer real estate with a full suite of Group products and services • Strive for the highest levels of product and service delivery • Diversify customer real estate
<p>Identify new strategic partners</p>	<ul style="list-style-type: none"> • Identify opportunities to broaden the subsidiary companies' exposure to the market • Extend distribution network to increase product and service delivery
<p>Expand into new products and services and customer real estate</p>	<ul style="list-style-type: none"> • Expand existing product and service offering • Explore new solutions and innovative opportunities • Access a substantial share of the data market

<p>Create a people centric organisation</p>	<ul style="list-style-type: none"> • Develop a culture centred on people who can deliver the Group's strategic objectives • Develop a fit-for-purpose staff complement • Entrench an ethical value system in which the business operates
<p>Advance measurements and data collection</p>	<ul style="list-style-type: none"> • Identify and implement internal, operational measurements • Identify and implement external, industry measurements
<p>Implement automation in key areas of the business</p>	<ul style="list-style-type: none"> • Streamline workflows through automated systems, increase automation and decrease human dependent activities
<p>Improve internal process management</p>	<ul style="list-style-type: none"> • Develop uniform processes that are simple in application but effective in delivery
<p>Review and refine operating models</p>	<ul style="list-style-type: none"> • Promote a solutions-driven culture among staff and ensure that staff are adequately skilled and resourced to deliver a complete service offering to customers

<p>Develop and implement comprehensive B-BBEE plans</p>	<ul style="list-style-type: none"> • Develop and implement comprehensive B-BBEE plans to ensure compliance by the Group and the subsidiary companies
<p>Identify and implement specific initiatives to improve B-BBEE</p>	<ul style="list-style-type: none"> • Develop Group procurement and supplier development companies

CHIEF EXECUTIVE OFFICER'S REVIEW



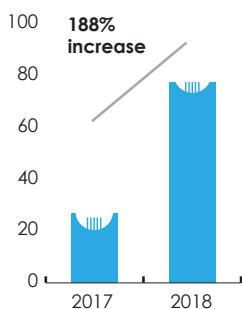
188%
increase in net profit after tax from R26.8 million to R77.1 million

168%
increase in operating profit from R42.2 million to R112.9 million

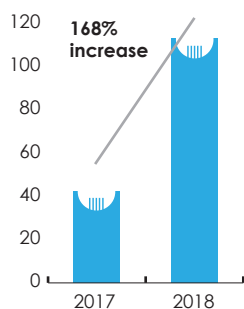
THE FOCUSED EFFORTS OF MANAGEMENT OVER THE PAST FINANCIAL YEAR HAVE POSITIONED HUGE TO SUCCESSFULLY DELIVER THE GROWING HUGE STRATEGY. HUGE HAS PROVED IT CAN DELIVER ON ITS PROMISES AND AIMS TO CONTINUE TO DO SO.

JAMES HERBST *Chief Executive Officer*

NET PROFIT AFTER TAX (Rm)



OPERATING PROFIT (Rm)



INTRODUCTION

This past financial year has been another year of change for Huger but this time around, significant events have taken place that will be remembered for creating an inflection point in Huger's history. The Acquisition + of Huger Connect and Huger Networks demonstrate our ability to conclude transactions that are meaningful, that have the potential to unlock substantial opportunity and value and which can deliver exciting growth. The connectivity services that Huger Connect and Huger Networks provide has expanded the range of connectivity services that Huger has provided historically from voice connectivity to data and payment device connectivity. At the same time the Acquisition has increased Huger's customer real estate substantially. The unlocking of this value has been achieved at a time when Huger Telecom is expanding its voice connectivity or telephony offering.



STRATEGY

In every year which has followed the end of the 2014 financial year, we have been successful with our strategy of growing Huge, increasing its profitability and enhancing the brand. We have made short-term sacrifices to ensure we can deliver substantial and sustainable long-term growth which will unlock significant value for our shareholders. The past decade has been dedicated to refining Huge Telecom's business model so that it is positioned to scale quickly. At the same time, we have focussed on growing our distribution capabilities and our customer real estate. We have established a wireless, GSM last mile telephone network which has no rival.




The Board has approved a comprehensive strategy, the Growing Huge Strategy, to ensure that Huge continues to grow, both organically and as a result of acquisitions, in the short, medium and long term. The key strategic objectives formulated by management, which are considered by the Board as important to ensuring that Huge will continue to grow, include (i) creating the platform for growth (ii) creating the capacity for growth (iii) improving the B-BBEE profile of Huge (iv) growing Huge organically and by acquisition; and (v) elevating the Huge brand . The Board believes that these five objectives, underpinned by carefully crafted strategic initiatives and actions, will position Huge to unlock more opportunity and deliver substantial growth.

GROUP PERFORMANCE

In 2016 Huge reported that the increase in its share price and the concomitant growth in its market capitalisation would enhance its ability to make acquisitions on a share-for-share basis. Huge also reported that improved liquidity in the share strengthened Huge's ability to potentially acquire companies through the vendor placing of shares for cash. It was as a result of a rising share price and this improved liquidity that Huge was able to complete the Acquisition of Huge Connect and Huge Networks.

Huge was cited among the top performing technology shares on the JSE during the 2017 calendar year. The secondary listing on A2X Markets, subsequent to Huge's financial year-end has provided investors with another platform on which to trade Huge shares. It also provides Huge with the prospect of improving the liquidity and tradability of its shares. The dual listing brought Huge an unprecedented amount of positive media exposure, highlighting the growing interest around Huge and its activities.

TELECOM GROUPING

During the financial year Huge Telecom launched its unique wireless full suite telephony offering (**FST**) , pioneered the in-house development of a proprietary 3G protocol routing device, the Huge 3G Router , revised its cost base downward through the renegotiation of its mobile originator costs and revised its internal operating model. FST created significant interest and sales activity in the market but due to the start of a holiday season, there was little time to build sales momentum and for the new sales annuity revenue to have an impact on revenue or profit in the 2018 financial year. Refinements in the service offering, the substantially increased real estate and the initiatives of the Cross-Selling Committee  should provide a solid base for improved sales performance going forward.

In future, gross profit for the Telecom Grouping will be higher as it fully exploits the cost of sales reduction benefits that are available as a result of having negotiated sizeable decreases in its variable cost base though substantially lower wholesale input prices related to its voice connectivity services.

Huge Networks was successful in increasing the volume of services sold to existing customers. The company continued to operate at high levels of efficiency, which contributed to the Telecom Grouping's improved operating profit margins.

CHIEF EXECUTIVE OFFICER'S REVIEW continued

The Board believes that Huge Networks can and should grow significantly and as such, there will be a focus on growing organically as well as by acquisition. An expansion into the market for optical fibre data access, the converting of customers from Dignet services to MetroFibre services, coupled with leveraging upsell opportunities to the existing customer real estate, positions Huge Networks well for strong organic growth.

FINTECH GROUPING

During the year, a contingent of Huge Connect's customer real estate in the individual merchant segment, which are traditionally serviced directly, migrated to the financial institution segment where they are being serviced on a centralised basis. This migration took place as a result of the shift from desktop credit card terminals to handheld devices. Whilst this has resulted in a slight decrease in Huge Connect's points of presence, the move to the financial institution segment is positive overall as servicing these customers from a central point makes the business more secure and creates a foundation for faster expansion in the future.

Following the Acquisition, management of Huge Connect continue to focus on leveraging the intrinsic benefits of being part of an enlarged group. Particular focus is being given to enhancing Huge Connect's business model and achieving the Growing Huge Strategy initiatives through:

- Understanding the customer base in order to offer comprehensive and bespoke connectivity solutions and enhancing cross-selling opportunities on a group-wide basis;
- Focussing on innovative management initiatives and service enhancements which will improve the delivery of high quality connectivity services.

Huge Connect is optimally positioned to take advantage of the current gap in the market for a single connectivity provider to service its customers with bespoke data, payment and voice connectivity solutions, suitable to their unique

business requirements. These bespoke offerings will provide customers with a single point of contact for all their connectivity requirements, comprehensive and consolidated billing and cost management and access to high quality services.

ACCKNOWLEDGE SYSTEMS

During the year, Huge acquired a 75% stake in Accknowledge Systems, which develops, maintains and supplies the WebAccounting Accounting Software Suite. WebAccounting incorporates both hosted (in the cloud) and individual company intranet installation options. The cloud version of the software can be accessed online from anywhere in the world without having to have the software loaded onto a server and is ideally suited to Huge's customer real estate of SMEs. During the year ahead, management looks forward to integrating and leveraging cross-selling opportunities for this technology.

FUTURE PROSPECTS

Huge has seen its share price increase from a closing price of R2.10 on 28 February 2015, while its profit after tax has increased seven-fold over the same period, reflecting the Group's growth from a single voice connectivity or telephony services offering to an expanded offering that includes data and payment connectivity. This has positive implications for both organic and acquisitive growth aspirations.

James Cash Penney, the Founder of JCPenney, said that "Growth is never by mere chance; it is the result of forces working together." The focussed efforts of management over the past financial year to consolidate the new companies, improve existing services and product offerings, leverage efficiencies and bring innovations to the market have positioned Huge to successfully deliver the Growing Huge Strategy. Huge has proved it can deliver on its promises and aims to continue to do so in the future.

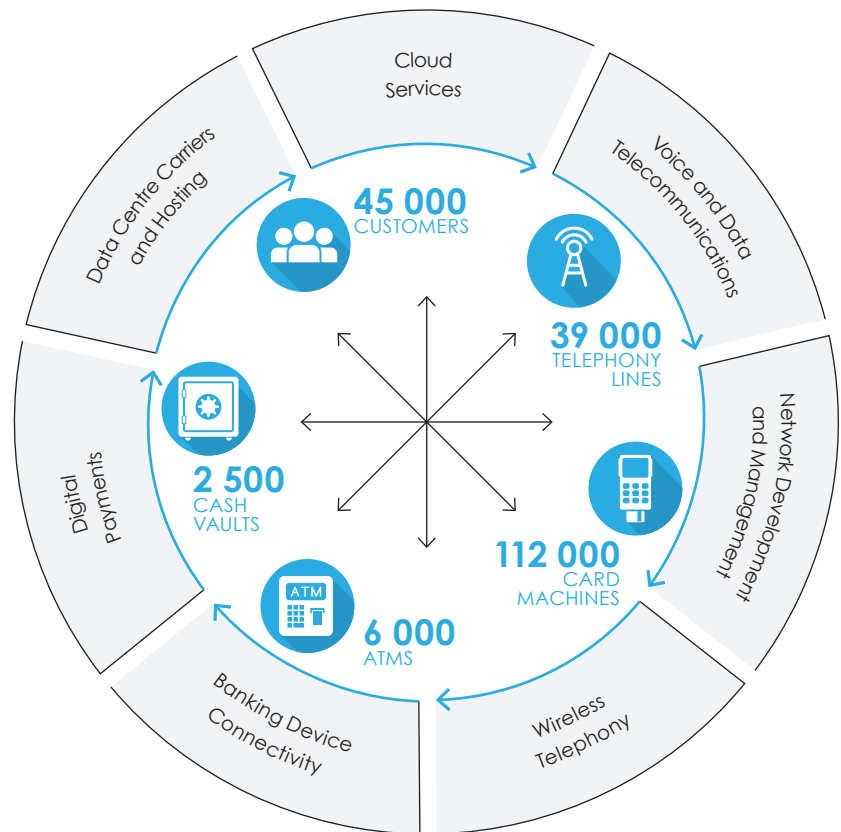


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CROSS-SELLING MODEL

A significant rationale for the Acquisition + was the expansion of Huger's customer real estate. This expansion is important because it will provide Huger with the opportunity to accelerate organic growth at a faster pace than would be ordinarily possible with a smaller customer base. This acceleration of growth is achievable because of the clear cross-selling opportunities that exist between Huger Connect, Huger Networks and Huger Telecom. The opportunities that arise from selling existing services to an enlarged real estate of customers are compelling. The bulk of Huger Connect's 31 000 customers fit squarely into Huger Telecom's target customer market, with little duplication. Huger Connect is optimally positioned to assist Huger Telecom sell its services into the expanded Group real estate of customers. Huger Networks creates a critical offering for Huger Telecom's entry into the data market.

In order to unlock value by cross-selling to the respective real estates of each subsidiary company's customers, careful planning and coordination must take place and the required market information must be gathered. This is the task of the Cross-Selling Steering Committee (the **Committee**), which has been established specifically to unlock this value. The Committee is co-chaired by the managing directors of Huger Connect, Huger Networks and Huger Telecom and going forward, will also include Acknowledge. Relevant resources from each subsidiary company are co-opted to assist the Committee with its work, depending upon the area of speciality and focus which is required. Meetings happen on a regular basis and are formally structured, with action items and deliverables for each subsidiary company to achieve within defined timeframes. Progress on the Committee's activities are reported to the Group Executive Committee and ultimately to the Board.



The goal of the Committee for 2018 is to position each subsidiary company in such a way that cross-selling can be successfully delivered. In order to achieve this, specific focus is being given to:

- Understanding the customer real estate of each subsidiary company
- Segmenting the market for customers of each subsidiary company
- Developing and refining methods to sell services to each market of customers
- Developing a methodology for cross-selling which can continue to be implemented as Huger grows its customer real estate



SIX CAPITALS

USING THE SIX CAPITALS TO PROVIDE CONNECTIVITY

The International Integrated Reporting Council, in the Integrated Reporting <IR> Framework, identifies the six capitals (**Six Capitals**) that a company utilises or on which it has an impact in how it operates its business. The Six Capitals Framework recommends that the company takes these Six Capitals into account when, *inter alia*, making strategic decisions and reporting to stakeholders. Huger has considered the Six Capitals and it can demonstrate how it has applied them to its business model.

Human capital

The competencies, capabilities and experience of Huger's employees, and their motivations to innovate, including their:

- alignment with and support for Huger's governance framework, risk management approach and ethical values
- ability to understand, develop and implement the Growing Huger Strategy
- loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate

Key inputs	> Outputs	> Outcomes
267 employees Training and study assistance Employee wellness programmes Formal risk management structure	Connecting 45 000 customers	R99 190 427 paid in salaries and benefits R503 301 revenue generated per employee Loss Time Injury Frequency Rate of 0.0001 537 600 man-hours worked, of which only 95 were lost to minor injuries sustained in the workplace

Planned enhancements

- Create a people centric organisation:
- Develop a culture centred on people who can deliver results related to the organisation's strategic objectives
 - Develop a fit-for-purpose staff complement
 - Entrench an ethical value system in which the business operates
 - Promote a solutions-driven culture among staff and ensure that staff are adequately skilled and resourced to deliver a complete service offering to customers
 - Development and implementation of suitable incentive schemes to be considered
 - Continue to develop formal assurance and risk management structures

Refer to

- Growing Huger Strategy 
- Remuneration Report on pages 45 to 50
- Material issues and Risk Management on page 24

R99 190 427
 salaries and benefits
 paid to
 267 employees

R503 301
 revenue
 generated
 per employee

537 600
 man-hours
 worked
 with 0.0001
 LTIFR

Financial capital

The pool of funds that is available to Huge for use in the provision of its products and services, obtained through financing, such as debt, equity or grants or generated through operations or investments.

Key inputs	> Outputs	> Outcomes
Total issue of shares for cash R266 750 000 Total debt advances of R104 699 080 Total cash flow generated from operations R66 561 964	Sustainable investment in growing Huge	<ul style="list-style-type: none"> Increased basic earnings per share by 80% from 26.30 to 47.40 cents per share Increased net profit after taxation by 188% from R26.8 million to R77.1 million Increased EBITDA by 145% Increased revenue by 63% from R245.9 million to R401.3 million Increased operating profit by 168% from R42.2 million to R112.9 million

Planned enhancements

- Create a platform for growth
- Grow the Group organically and by acquisition

Refer to

- Growing Huge Strategy 
- Chairman's Letter on page 6

Manufactured capital




Manufactured physical and intangible objects that are available to Huge for use in the delivery of its services.

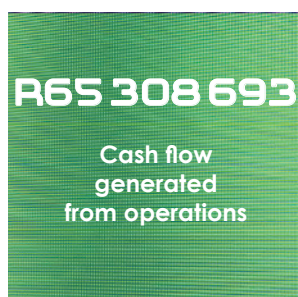
Key inputs	> Outputs	> Outcomes
R7 915 000 invested in research and development	Creating connections through locally and internally made technology	<ul style="list-style-type: none"> Development and launch of unique wireless full suite telephony offering Pioneered the in-house development of Huge 3G Router Business measurement and efficiency tools

Planned enhancements

- Ongoing refinements in quality of service offering
- Maintain investment in future development
- Create Capacity:
 - Advance measurements and data collection
 - Implement automation in key areas of the business
 - Improve internal process management
 - Review and refine operating models

Refer to

- Full suite telephony 
- Huge 3G Router 
- Growing Huge Strategy 



SIX CAPITALS continued

Intellectual capital

Huge's organisational, knowledge-based intangibles, including:

- intellectual property, such as patents, copyrights, software, rights and licences
- organisational capital such as tacit knowledge, systems, procedures and protocols

Key inputs	> Outputs	> Outcomes
ICT experience, skills and competencies established over 24 years Individual and class iECS and IECNS licences Internal software development expertise Wholesale agreements with mobile network operators	Entrepreneurial, innovative and cost-effective solutions to provide connectivity	<ul style="list-style-type: none"> • Ability to develop own technology • Unique FST offering • Huge 2G Router • Huge 3G Router • Ability to design and operate bespoke billing and management software in a cost-effective manner • In-house Billing Engines – HIVE and Proman

Planned enhancements

Continue identifying opportunities to innovate.

Natural capital

All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of Huge, including:

- air, water, land, minerals and forests
- biodiversity and eco-system health

Key inputs	> Outputs	> Outcomes
Fleet of 38 vehicles installing products and providing technical services to customer base	Servicing customers sustainably	296 621 kg of carbon emissions

Planned enhancements

Continue to monitor on an annual basis.

The image consists of four vertical panels with a textured background:

- Panel 1 (Red):** 24 YEARS of ICT experience, skills and competencies
- Panel 2 (Grey):** DESIGN AND OPERATE bespoke and cost-effective software
- Panel 3 (Blue):** FLEET OF 38 VEHICLES servicing customers sustainably

Social and relationship capital

The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes:


- shared norms and common values and behaviours
- key stakeholder relationships and the trust and willingness to engage, which Hugel has developed and strives to build and protect with external stakeholders
- intangibles associated with the brand and reputation that Hugel has developed
- Hugel's social licence to operate

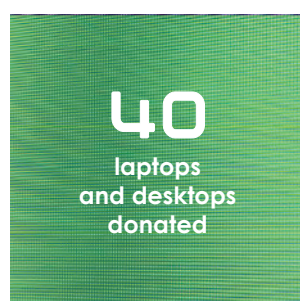
Key inputs	> Outputs	> Outcomes
<p>Increased the already extensive distribution capacity</p> <p>Increased investor footprint through secondary listing on A2X Markets</p> <p>Donations made:</p> <ul style="list-style-type: none"> 18 laptops 7 printers 22 desktops 2 air-conditioning units 1 projector 1 smartphone 3 x Uncapped WIFI packages R251 463 cash towards ICT needs 	<p>Strengthening the connectivity community through Business Partners and contributing ICT resources to educational and welfare facilities</p>	<p>Business Partners grew from 641 to 719</p> <p>R43 923 655 paid in commissions to Business Partners</p> <p>Paid R2 177 567 in regulatory and licence fees</p> <p>Provided ICT-related assistance to 10 educational and welfare facilities and places of safety for vulnerable children</p>

Planned enhancements

- Leverage and expand the existing distribution of Business Partners and the existing real estate of customers
- Improve B-BBEE Profile
- Elevate Group Brand

Refer to

- Growing Hugel Strategy 
- Elsie Ngidi School on page 24



SIX CAPITALS continued

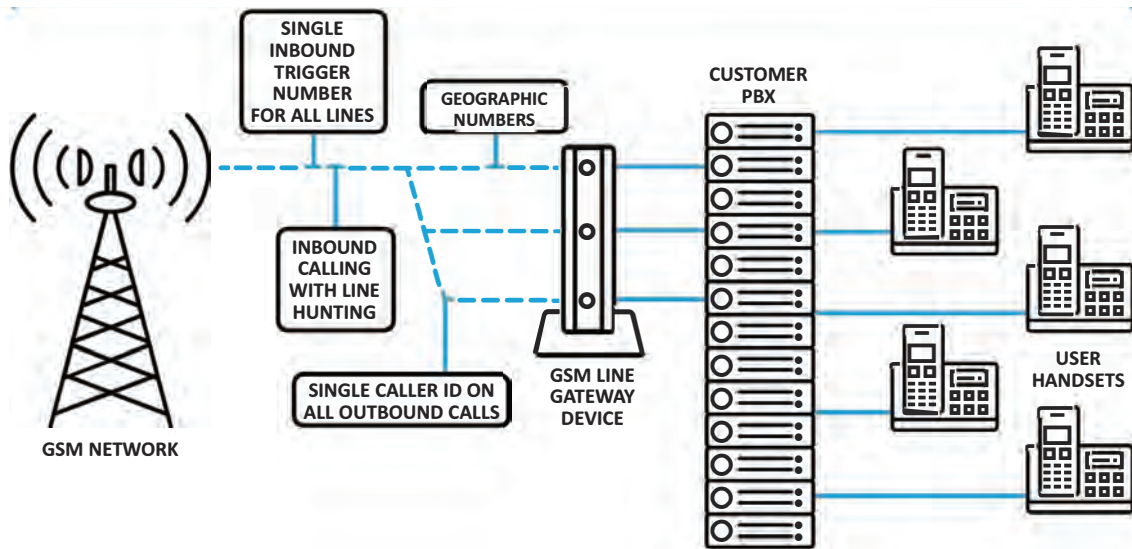
Manufactured capital

Full Suite Telephony

During 2017, Huger Telecom installed the first ever wireless full suite telephony offering (FST). This is a world first which is bound to be disruptive as it provides the market with an alternative to a traditional fixed, copper landline telephone service with all its concomitant functionality. The features of a telephony service that makes it full suite is the ability to provide a single inbound trigger number, inbound calling with line hunting in hunt groups and a single caller line identification – of the inbound trigger number – on all outbound calls.

FST allows Huger Telecom to provide a geographic number in combination with wireless technology. Huger Telecom can provide a customer with a geographic number, which can be assigned the status of trigger number. Customers can also port their geographic fixed landline telephone numbers for use with FST. Wireless means faster installation times, no risk of cable theft, faster times to repair and a self-maintaining first-tier network infrastructure. It also means lower costs than traditional fixed landline infrastructure.

The launch of FST is the culmination of a 24-year journey for Huger Telecom and is the result of perseverance and continually questioning and challenging the status quo. There is significant potential for FST service to reconfigure the business telecommunications landscape and it has expanded the size of the Telecom Grouping's market for voice services to in excess of five million telephone lines.



The Huge 3G Router

During 2017 and 2018, Huge Software & Technologies, a subsidiary of Huge, spearheaded the development of a bespoke 3G router as an alternative to purchasing 3G routers from a third party supplier. It had purchased the intellectual property related to a 2G router a few years earlier and had been successful in developing a 2G router. The development of a next generation router was therefore an obvious next step. The router, which has been dubbed "The Huge 3G Router", has been developed to carry telephone calls from and to the 3G radios of various mobile network operators in conjunction with the use of a SIM card. It allows Huge Telecom to install a telephone line that emulates a fixed, copper landline, but is wireless.

The Huge 3G Router was developed in partnership with Resolution Circle, a subsidiary company of the University of Johannesburg. Resolution Circle had initially been briefed to manufacture the printed circuit boards (PCBs) of the Huge 3G Router. In considering the development of the PCB for the Huge 3G Router, Resolution Circle's engineers instead proposed providing Huge with a turnkey solution, including the manufacture of the PCBs, the assembly of the Huge 3G Router, conducting the requisite

testing and packaging the final product. It is now possible to assemble, test and package the Huge 3G Router in under an hour.

The Huge 3G Router is the perfect infrastructure substitute for fixed, copper landlines, which is always at risk to cable theft. The development of the Huge 3G Router has given Huge Telecom complete control over its last mile network, which is the final connection between the network and the customer's premises equipment. It has also reduced Huge Telecom's cost of investment and the risk it faced from being dependent on a single supplier.



Human capital

Elsie Ngidi Primary School

The Elsie Ngidi Primary School has 29 teachers who provide a sound educational platform for 1 059 learners in Chiawelo, Soweto. Its has a history of strong academic and sporting performance and has become a beacon in its community, despite limited access to resources.

Huge Connect identified the school as part of its social and economic development initiatives. After assessing the needs of the school, Huge Connect provided the school with ten desktop computers, including the related software, two printers and a 24-Port network switch. Huge Connect also provided the school with access to uncapped ADSL so that the learners and teachers were able to access the Internet and use email. The school used the donation to establish an ICT facility and employed two ICT facilitators.

The donation has benefited both the learners and the teachers significantly. The school has now been able to include ICT in its curriculum and every class in each grade, including Grade R, has weekly hour-long lessons. These lessons include basic typing and mouse navigation skills and extend to using email, online searches and software competencies.

Attendance at the school has improved substantially and a growing interest in ICT among learners has been established. Aside from regular lessons, learners are able to use the facilities to research school work independently of the syllabus, thereby enhancing their learning experience. The facility is unique to schools in the community and has improved the school's enrolment numbers as parents seek out better opportunities for their children.

The ICT facility is also used by the teaching staff, many of whom have not used computers before. The access to research has enabled teachers to supplement existing learning material and improve administration processes such as marking and conducting assessments. Teachers are also able to provide alternative learning interventions for students who require additional support. To extend the benefits further, the school has opened the ICT facility to the community and surrounding schools on Saturdays.

The ICT facility provides learners, teachers and the broader community with access to IT facilities which they would otherwise not have had and assists in preparing learners for the future of a connected world.



[View video content](#)



“WE WERE VERY HUMBLLED BY THE POSITIVE IMPACT ON THE SCHOOL THAT THIS DONATION HAS MADE. IT HAS BEEN A PLEASURE FOR HUGE CONNECT TO MAKE A DIFFERENCE IN THE COMMUNITY.”

Andre Lessing
Managing Director
Huge Connect

MATERIAL ISSUES AND RISK MANAGEMENT

Material issues which could significantly affect the ability of Huger to deliver the Growing Huger Strategy and create sustainable value in the short, medium and long term include:

- Business interruptions
- Infrastructure failure
- Organisational effectiveness
- Strategic decision-making
- Changes to the regulatory environment

The Board considers risk as an integral component of its decision-making processes and through the Risk Committee, has delegated to management the responsibility of implementing executing effective risk management.

The Board exercises ongoing oversight over risk management, in respect of which it assesses:

- risks and opportunities arising from the context in which Huger operates;
- potential upside or opportunity presented by risks which could have an otherwise negative effect on Huger achieving the Growing Huger Strategy;
- Huger's dependence on resources and relationships;
- the design and implementation of appropriate risk responses;
- the establishment and implementation of business continuity arrangements which allow Huger to continue operating in instances of business disruption; and
- the integration and embedding of risk management in operational activities and the culture of the Group.

During the reporting period, the Board enhanced its risk management processes. The Board identified key categories of risks relevant to the industry in which Huger operates and also adopted comprehensive risk registers for Group and the major operating subsidiary companies.

The Board, through the Risk Committee, assesses the likelihood of each risk occurring, together with the perceived impact each risk may have to Huger. Management is tasked with ensuring that adequate control measures are developed and implemented. Feedback is provided to the Risk Committee on a regular basis.

Huger's key risks relate to the following:

- Business continuity and succession planning in respect of key skills.
- Market expectations in respect of increased earnings growth.
- Executing successful acquisitions and disposals.
- Ability to raise capital through debt and/or equity mechanisms.
- Regulatory changes and B-BBEE compliance.

Control measures to manage these risks and take advantage of opportunities are actively monitored on an ongoing basis.

Going forward, the Board will consider and formalise Huger's risk appetite and processes to evaluate its propensity to take appropriate levels of risk.

RISK HEATMAP



CHIEF FINANCIAL OFFICER'S REPORT



KEY HIGHLIGHTS

Basic earnings per share increased **80%**
from 26.30 cents per share to 47.40 cents per share

Headline earnings per share increased **76%**
from 26.30 cents per share to 46.34 cents per share

HUGE HAS DELIVERED A SATISFYING SET OF RESULTS FOR THE FINANCIAL YEAR-ENDING 28 FEBRUARY 2018 AND HAS SEEN THE BENEFITS OF SCALE ARISING OUT OF ITS RECENT ACQUISITIONS, AS WELL AS THE BENEFITS OF MORE EFFECTIVE COST MANAGEMENT.

ZUNAID BULBULIA *Chief Financial Officer*

INTRODUCTION

Huge Telecom was the principal operating entity of Huge prior to the Acquisition **+** of Huge Connect and Huge Networks. Huge Connect and Huge Networks were acquired with effect from 30 March 2017 and Accknowledge was acquired with effect from 30 June 2017.

OVERVIEW OF PERFORMANCE

Huge has delivered a satisfying set of results for the financial year-ending 28 February 2018 and the acquisition of Huge Connect and Huge Networks provided a base for substantial year on year revenue growth.

While organic revenue growth in the underlying businesses has been muted due to the tough economic and socio-political conditions in South Africa, the Group has seen the benefits of scale arising out of its recent acquisitions, as well as the

benefits of more effective cost management reflected in the profit numbers.

Huge enjoyed an 11-month contribution from Huge Connect and Huge Networks and this resulted in Group revenue increasing by 63%. Total gross profit for the Group increased by 89% while operating expenses increased by 47%. This position is largely attributable to the lower operating cost structures in Huge Connect and Huge Networks.

The formation of the holding company structure gave rise to new and additional operating expenses in the Corporate Office Grouping. This holding company structure has positioned Huge to continue to expand its customer real estate and will allow Huge to consolidate additional businesses and grow its investment in data, payment and voice connectivity solutions. This investment into building capacity is important if Huge is to manage an enlarged group of operating companies successfully. As such, the benefits of this investment will only accrue in later years.



TELECOM GROUPING

The Telecom Grouping currently comprises Huger Telekom and Huger Networks. The Telecom Grouping achieved a 7% increase in revenue and gross profit.

While the Telecom Grouping experienced tough trading conditions, it was able to increase the base of installed telephone lines by 4%, its base of installed data services by 15% and its base of monthly annuity customers by 6%.

FINTECH GROUPING

The Fintech Grouping currently comprises Huger Connect. Revenue and gross profit of the Fintech Grouping included 11 months of trading from Huger Connect. The company operates at high levels of efficiency, which contributed significantly to the improved operating profit margins of Huger.

Huger Connect ended the year with a 2% increase in its ATM connections and a 5% increase in credit card terminal connections. Encouragingly, the company also grew its revenue from voice and data network services by more than 50%.

KEY RATIOS

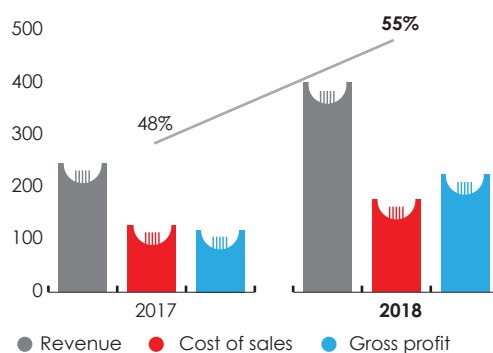
	2017	2018	
Current ratio	2.37	0.98	times
Acid test ratio	2.36	0.97	times
Return on equity	8%	14%	%
Return on net assets	13%	21%	%
Return on invested capital	11%	15%	%
Net debt to EBITDA	(1.15)	0.58	times
Earnings yield	3%	5%	%
PE Ratio	32.32	18.35	times

GROSS PROFIT AND GROSS PROFIT MARGINS

The gross profit of the Group increased by 89% and its gross profit margin improved from 48% to 55%. This was mainly attributable to lower cost structures in Huger Telekom and the strong operating efficiencies in Huger Connect and Huger Networks.

GROSS PROFIT MARGIN

(Rm)

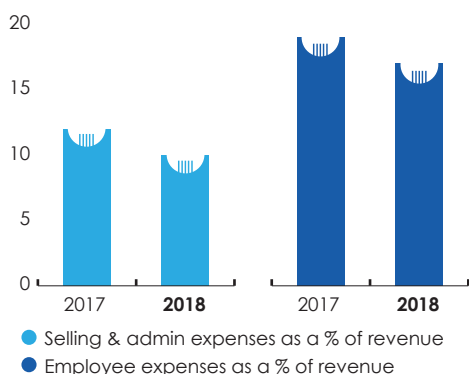


In February 2017, Huger negotiated sizeable reductions to its variable input costs, which has helped to lower Huger Telekom's cost structure and improve its gross profit margin. As a consequence of this negotiation, Huger was able to reduce the price per minute for each minute consumed by its customers. The gross profit margin is expected to improve as new customers are connected on this lower cost structure.

As a business in a more mature stage of its life cycle, Huger Connect operates at a much higher level of cost efficiency. The addition of Huger Connect has therefore had a significantly positive impact on the gross profit margin of the Group.

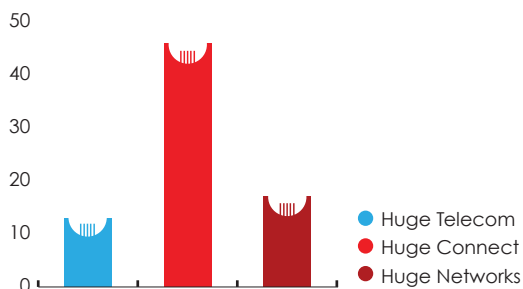
CHIEF FINANCIAL OFFICER'S REPORT continued

OPERATING MARGIN (Rm)



The key operating cost metrics detailed above have both improved. The improvement at a Group level is largely attributable to the operating margin profiles of Huge Connect and Huge Networks. The operating margin efficiencies in Huge Connect, in particular, have offset the relative increase in costs associated with creating the corporate office structure.

SUBSIDIARY COMPANY OPERATING MARGIN (Rm)



CAPITAL STRUCTURE AND FINANCE COSTS

At the end of FY2017, the Telecom Grouping repaid debt borrowings of R20 million, which were priced at an interest rate equal to the Prime Rate plus 9%.

During March 2017, Huge secured a R90 million facility (the **R90 million Facility**) from Futuregrowth Asset Management Proprietary Limited (**Futuregrowth**) at a cost of JIBAR plus 450 bps. Initially, the principal in respect of the R90 million facility was repayable in equal quarterly tranches of R7.5 million with the final tranches due for payment on 28 February 2020. In November 2017, Huge and Futuregrowth extended the term of the R90 million Facility by a further two years. The principal debt in respect of the R90 million Facility remains repayable in quarterly tranches but the amount of each quarterly tranche payment of principal has been reduced to R3.75 million, with the final quarterly

tranche due for payment on 31 August 2022. Interest on the R90 million Facility is payable on a quarterly basis.

During November 2017, the Telecom Grouping secured a R30 million facility from Futuregrowth at a cost of JIBAR plus 400 bps (the **R30 million Facility**). The R30 million Facility is repayable in a single lump sum on 29 November 2019. Interest on the R30 million Facility is payable on a quarterly basis. Huge intends to transfer the borrowings relating to the R30 million Facility to the Corporate Office Grouping during the 2019 financial year and is currently involved in discussions with Futuregrowth to do so.

Huge is embarking on a strategy to centralise the treasury functions of the Group. In future years, the costs of debt are expected to be more efficiently managed as a result of this centralisation. The finance costs of R9 million incurred by the Group are mainly attributable to the R90 million Facility and the R30 million Facility.

The Group ended the financial year with total debt of R104 million.

The Board intends to maintain an optimal capital structure in terms of its Capital Structure Policy, which provides for a debt to equity ratio ceiling of 25% as a guiding parameter. The current debt to equity ratio of Huge is 14%.

CORPORATE OFFICE GROUPING

Total Group operating expenses increased by 47%, which percentage increase is less than the increase in total Group revenue of 63%. This can be attributed to lower operating cost structures in Huge Connect and Huge Networks.

Detailed below is an analysis of the year on year changes in various operating expenses of the Corporate Office Grouping:

- JSE-related expenses increased by R1 million, primarily as a result of the higher market capitalisation of Huge during the reporting period.
- Personnel costs increased from a zero base in the prior year to R8.1 million, to include a Group Chief Executive Officer, a Group Chief Financial Officer and a Company Secretary. In the prior year, the costs of the Group Chief Executive Officer had been allocated to the Telecom Grouping, which also bore the costs of the Chief Operating Officer of Huge Telecom and the Company Secretary. For the next financial year, Huge Telecom will only bear the costs of a managing director.
- Legal expenses increased from R3 million to R5.2 million and are mainly attributable to the Acquisition and other once-off charges.

The operating expenses relating to the Corporate Office Grouping are unrelated to the organic performance of the existing Huge operating companies. These costs are related to building capacity to manage an enlarged group of operating companies and to professional and legal fees relating to acquisitions, the benefits of which only accrue in later years. The Corporate Office Grouping expects to continue to incur additional once-off charges as it pursues future acquisitions.



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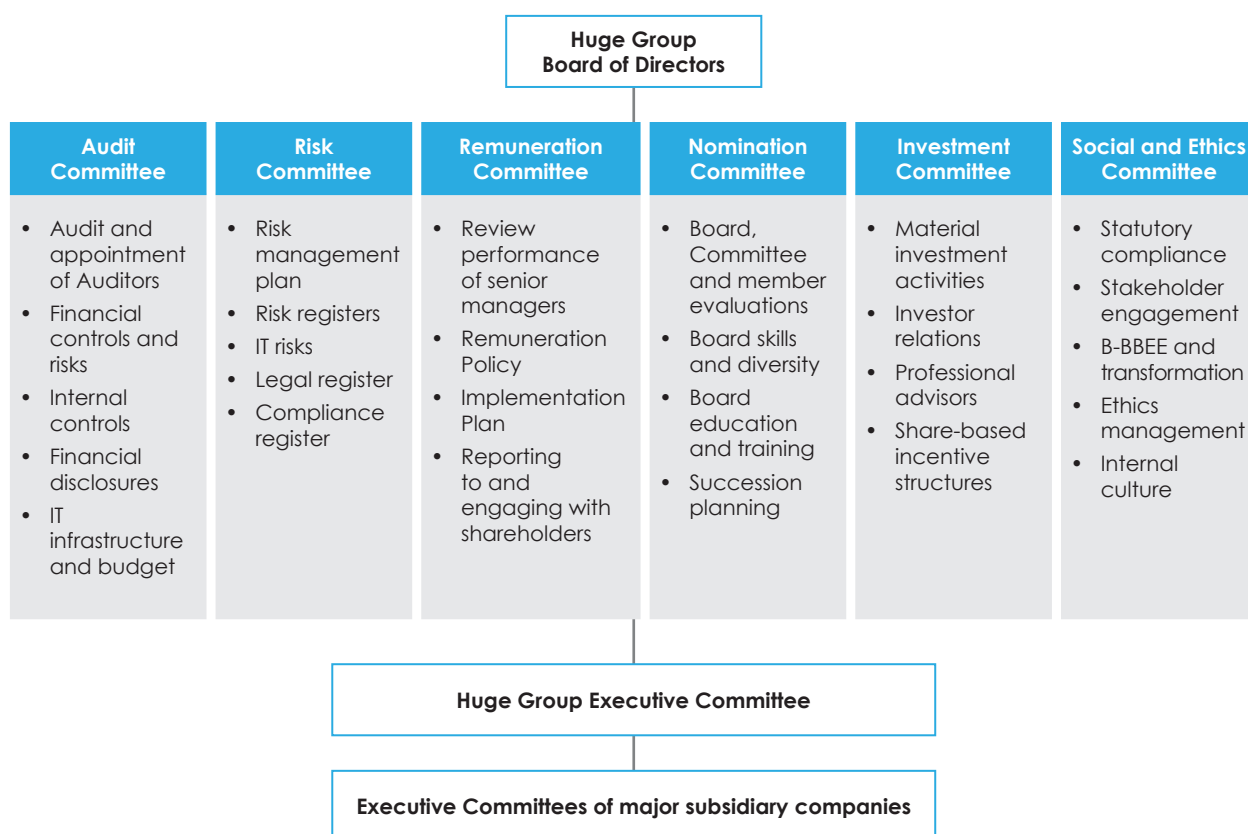
03 / GOVERNANCE REPORT

OVERVIEW

Huge and its subsidiary companies value the principles of sound corporate governance as a means to ensure the delivery of sustainable value to its stakeholders.

Previously, the Group applied the principles and recommended practices set out in King III. During the reporting period, the Board took certain measures to align its governance procedures with the principles and recommended practices contained in King IV. This included the revision of its Board and Committee charters and the compilation of comprehensive annual workplans, which will ensure that the recommended practices of King IV are considered and appropriately applied. Whilst the Group has commenced the process of applying King IV, certain recommended practices still require consideration and application.

Governance at Huge is subject to the oversight of the board of directors, which exercises control through the appropriate level of delegation to Committees and executive management as detailed below.



GOVERNANCE REQUIREMENTS

In ensuring that the Group meets its governance requirements, management has regard to the following legislation, regulation and internal standards:

- Vision and Mission
- Companies Act
- Listings Requirements of JSE and A2X Markets
- King IV
- 10 Principles of the United Nations Global Compact
- Regulatory licence terms and conditions
- Code of Ethics

THE BOARD OF DIRECTORS

The board of directors is the highest governance authority in the Group. Its duties and responsibilities are set out in a Board charter. The Board remains responsible for the Group's adherence to principles of good governance and ensures that decisions taken are made with reasonable care, skill and diligence.

The MOI of Huge Group Limited requires the Board to have a minimum of five directors. The Board currently comprises eight members, of whom two are executive directors, two are non-executive directors and four are independent non-executive directors, ensuring a balance of authority which precludes any one director from exercising unfettered power of decision-making. Directors are appointed to the Board following a formal process, which has been further enhanced by the formation of the Nomination Committee. Directors are required to dedicate sufficient time to meeting the Board's requirements.

Each director offers the Board a high level of knowledge, skill and experience in the areas of strategic reference to the Group as a whole. Directors are expected to exercise independent judgement in Board deliberations and decision-making. Going forward, the Nomination Committee and the Social and Ethics Committee will seek to improve upon the Board's current level of gender and racial diversity.

The Chairman of the Board, Duarte da Silva, is not independent and accordingly, the Board has appointed Steve Tredoux to act as the Lead Independent Director. The Board views the role of its non-executive directors as essential to protecting shareholders' interests, including minority shareholders.

Members of the Board remain up to date with Group activities and developments through regular interaction with the executive directors and members of senior management. Directors are entitled to receive independent professional advice at the expense of the Company and have unrestricted access to management, external auditors and the Company Secretary.

BOARD COMPOSITION

The Board consists of the following members:

- JC Herbst, Chief Executive Officer (Executive)
- Z Bulbulia, Chief Financial Officer (Executive)
- DF da Silva, Chairman (Non-executive)
- SP Tredoux, Lead independent director (Independent non-executive director)
- DR Gammie, Chairman of the Audit Committee (Independent non-executive director)
- VM Mokholo (Non-executive director)
- CWJ Lyons (Independent non-executive director)
- BC Armstrong (Independent non-executive director)

The categorisation of members is made in line with the Companies Act, King IV and the Listings Requirements.

KEY ROLES IN THE BOARD

The Board charter places specific responsibilities on the Chairman, Lead Independent Director, CEO and Company Secretary in respect of overseeing the implementation of sound corporate governance practices:

Chairman: Duarte da Silva

The Chairman is required *inter alia* to:

- Set the ethical tone for the Board and the Company and provide overall leadership to the Board;
- Ensure that conflicts of interest are managed appropriately;
- Ensure that members play a full and constructive role in the affairs of the Company;
- Ensure that complete, timely, relevant, accurate, honest and accessible information is placed before the Board;
- Ensure that all members are appropriately aware of their responsibilities;
- Ensure that good relations are maintaining with the Company's major shareholders and its strategic stakeholders; and
- Ensuring that decisions by the Board are executed.

Lead Independent Director: Steve Tredoux

The Lead Independent Director is required *inter alia* to:

- Fulfil the functions of the Chairman whenever the Chairman is absent and/or unable to perform;
- Serve as a sounding board for the Chairman;
- Act as an intermediary between members of the Board and the Chairman, where required;
- Address shareholder concerns that relate to the Chairman;
- Strengthen the independence of the Board in instances where the Chairman is not independent;
- Chair discussions and overseeing decision-making processes by the Board where the Chairman is conflicted; and
- Lead the performance appraisal of the Chairman.

Chief Executive Officer: James Herbst

The Chief Executive Officer is required *inter alia* to:

- Recommend and appoint executive management and ensuring proper succession planning and performance appraisals;
- Develop the Group's strategy for consideration and approval by the Board;
- Develop and recommend to the Board yearly budgets that support the Group's long-term strategy;
- Monitor and report to the Board on the performance of the Group and its conformance with compliance imperatives;
- Establish an organisational structure for the Group which enables the execution of its strategic objectives;
- Set the tone in providing ethical leadership and creating an ethical environment;
- Ensure that the Group complies with all relevant laws and applies appropriate corporate governance principles; and
- Ensure that the Group applies all recommended best practices and, if not, that the failure to do so is justifiably explained.

Company Secretary: Karen Robinson

The Company Secretary is required *inter alia* to:

- Oversee Board governance;
- Guide the directors collectively and individually on their duties, responsibilities and powers;
- Make the Board aware of any relevant legislation and regulatory requirements affecting the Group; and
- Provide support to the Board to assist it in its efficient functioning.

All members of the Board have unrestricted access to the Company Secretary, who provides guidance on the duties and responsibilities of the directors.

Karen Robinson was appointed as the Company Secretary with effect from 1 September 2017, following the resignation of Jean Tyndale-Biscoe on 15 June 2017. The Board is satisfied that Mrs Robinson is competent, suitably qualified and has the necessary knowledge, skills and experience to adequately perform the functions required by her office. Mrs Robinson is not a director of the Company nor any subsidiary company thereof and has an arm's length relationship with the Board.

CHIEF FINANCIAL OFFICER

Zunaid Bulbulia was appointed as the Chief Financial Officer on 27 March 2017, having previously held the position of a non-executive director. The Audit Committee has evaluated his expertise and performance and is satisfied that Mr Bulbulia has the appropriate knowledge, skills and experience to perform the functions required by his office. The Audit Committee is also satisfied that he is supported by adequate and competent staff.

BOARD APPOINTMENTS AND ROTATION

During the reporting period, the Board constituted the Nomination Committee, which oversees the formal process for appointing and evaluating directors. As the Committee implements the relevant recommended practices set out in King IV, it will carry out annual evaluations on the performance of individual directors and the Chairman. Particular

regard will be had to assessing the independence of directors who have served for longer than nine years.

The MOI requires that at least one third of non-executive directors must retire at the Company's annual general meetings on an annual basis. These retiring members of the Board may be re-elected, provided they are eligible. The Board, through the Nomination Committee, recommends the eligibility of these directors for re-election, taking into account their past performance and contribution to the Board.

Accordingly, the Board recommends that the appointments of Craig Lyons and Brian Armstrong, who were appointed during the reporting period, be confirmed by shareholders and re-elected to the Board. It further recommends that Duarte da Silva, who is standing for re-election, be duly re-elected by shareholders.

DIRECTORS' DEALINGS IN SHARES OF HUGE GROUP

Closed and prohibited periods are imposed by the Company in line with the Listings Requirements of the JSE and A2X Markets. Notifications of these periods are distributed to the board of directors, the directors of the major subsidiary companies and employees across the Group. Share dealings are managed by a formal policy on share trading and confidentiality, and any directors' dealings require the pre-approval of the Chairman. The Company Secretary maintains a register of directors' dealings.

BOARD REMUNERATION

Non-executive members of the Board are remunerated for their services by way of a monthly retainer and an attendance fee. Where required, reasonable travel expenses are paid. Shareholders approve these fees on an annual basis at the annual general meeting. Further information on the non-executive director fees are set out in the Remuneration Report on pages 45 to 50.

BOARD CHARTER AND KEY RESPONSIBILITIES OF THE BOARD

During the reporting period, the Board revised the Board charter with reference to the principles and recommended practices of King IV. The Board charter can be found at www.hugegroup.com.

The charter sets out the Board's roles, responsibilities, functions and powers in relation to the Company and where applicable, the Group as a whole. It requires the Board to retain full and effective control over the Company, provide effective and ethical leadership in the best interests of the Company and the deliver its strategic objectives in a sustainable manner.

In addition, the Board is *inter alia* required to:

- Implement the strategic implementation plan and monitoring the Company's performance against those plans;
- Apply independent, informed and effective judgement to material decisions of the Company;
- Adopt a corporate governance framework which enables the Company to operate effectively, compliantly and in accordance with its approved strategy;
- Monitor the performance of the Company in respect of its operations, the accuracy and integrity of the financial reporting, risk exposure and controls, shareholder and stakeholder expectations and communications, and the sustainability of the Company;
- Authorise and control capital expenditure and review investment capital and funding proposals;
- Determine the capital structure of the Company;
- Seek to ensure ethical behaviour and compliance with relevant laws, regulations, audit and accounting principles and practices, the governing documents and the Code of Ethics; and
- Remain responsible for the Company's overall system of risk management.

ATTENDANCE AT BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board is required to meet at least once per quarter. During the reporting period, the Board met six times to conduct ordinary business and once in respect of special business. Members of the Board and Committees are provided with adequate information prior to each meeting, with sufficient time for adequate preparation. The agenda of each Board and Committee meeting is developed in terms of its particular annual workplan to ensure that over the course of the financial year, relevant matters are addressed. A special Board meeting and a full day strategy session were also convened, at which the Board developed the Growing Huge Strategy.

Directors	Board meetings	Special board meeting and strategy session	Audit Committee	Risk Committee	Investment Committee	Social and Ethics Committee	Remuneration Committee	Nomination Committee
No. of meetings held during the year	6	1	5	4	3	3	3	2
DF da Silva ¹	6	1	3	–	3	–	2	–
JC Herbst	6	1	–	–	3	–	–	–
Z Bulbulia ²	6	1	–	–	3	2	–	–
SP Tredoux	5	1	4	3	–	3	–	–
VM Mokholo ³	6	1	–	–	–	2	3	–
DR Gammie	6	1	5	4	–	–	3	2
CWJ Lyons ⁴	2	1	2	–	2	–	–	2
BC Armstrong ⁵	2	1	–	2	–	–	–	2
KE Robinson ⁶	–	–	–	–	–	2	–	–
D Deetlefs ⁷	3	–	–	–	–	1	–	–
AD Potgieter ⁸	3	–	–	–	–	–	1	–

1 DF da Silva ceased to be a member of the Audit Committee on 11 October 2017. He became a member and Chairman of the Remuneration Committee with effect from 11 October 2017.

2 Z Bulbulia became a member of the Social and Ethics Committee with effect from 11 October 2017.

3 VM Mokholo became a member of the Social and Ethics Committee with effect from 11 October 2017.

4 CWJ Lyons joined the Board on 3 July 2017. He became a member of the Audit Committee, Nomination Committee and Investment Committee with effect from 11 October 2017.

5 BC Armstrong joined the Board on 1 September 2017. He became a member of the Risk Committee and Nomination Committee with effect from 11 October 2017.

6 KE Robinson is the Company Secretary and became a member of the Social and Ethics Committee on 11 October 2017.


7 D Deetlefs resigned with effect from 31 May 2017.

8 AD Potgieter resigned with effect from 3 July 2017.

APPLICATION OF KING IV AND SECTION 3.84 OF THE JSE LISTINGS REQUIREMENTS IN RESPECT OF BOARD GOVERNANCE

King IV Principle and/or recommendation	JSE Listings Requirements	Principle	Huge Application	Outcomes from evaluation processes	Actions or enhancements for the future
Principle 6 RP2 Principle 7 RP6 Principle 8 RP44(c)	3.84(a)	A policy must be in place which evidences the clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision-making.	The processes and procedures set out in the Board charter ensure that in undertaking its duties, the Board maintains a balance of power and authority and no one director has unfettered powers of decision-making.	The Board is satisfied that this requirement has been maintained throughout the year.	The Board will continue to monitor this requirement and ensure that it remains upheld.
Principle 7 RP31 to 34	3.84(b)	The Company must appoint a separate CEO and Chairman. The Chairman must be independent, alternatively a lead independent director must be appointed.	The Company has appointed a separate CEO and Chairman. As the Chairman is not independent, a Lead Independent Director has been appointed.	The Board is satisfied that it has sufficient independence among its leadership.	The Board will continue to assess the independence of its leadership on a regular basis.
Principle 8 RP51	3.84(c)(i)	The Company must appoint an Audit Committee.	The Company has appointed an Audit Committee which meets the requirements of the Companies Act and King IV.	The Committee is satisfied that its charter adequately provides for the application of the King IV recommendations. The Committee has fulfilled its roles and responsibilities and continues to implement the recommended practices of King IV.	The Committee continues to monitor compliance with its roles and responsibilities. Future focus will be given to the advancement of the Company's assurance processes.
Principle 8 RP36(b) RP65	3.84(c)(ii)	The Company must appoint a Remuneration Committee.	The Company has appointed a Remuneration Committee. The Board Chairman is also the Chairman of the Committee however the Board is of the view that Dr da Silva is the most suitable candidate for this role.	The Committee is satisfied that its charter adequately provides for the application of the King IV recommendations. The Committee has fulfilled its roles and responsibilities and continues to implement the recommended practices of King IV.	The Committee will continue to monitor the implementation of performance measurements and given consideration to suitable incentive schemes.
Principle 8 RP68	3.84(c)(iii)	The Company must appoint a Social and Ethics Committee.	The Company has appointed a Social and Ethics Committee which meets the requirements of the Companies Act and King IV.	The Committee is satisfied that its charter adequately provides for the application of the King IV recommendations. The Committee has fulfilled its roles and responsibilities and continues to implement the recommended practices of King IV.	The Committee continues to monitor compliance with its roles and responsibilities. Future focus will be given to the advancement of the Company's B-BBEE compliance, and improvements in its racial and gender diversity.
Principle 7 RP20	3.84(d)	A brief CV of each director standing for election or re-election must accompany the Notice of the Annual General Meeting.	This has been included on pages 36 and 37 of this Integrated Report.	–	–
Principle 7 RP7(b) RP 27 RP30(c)	3.84(e)	The capacity of each director must be categorised as executive, non-executive or independent.	The Board charter provides for each director to be categorised as executive, non-executive and independent directors in accordance with the requirements of the Companies Act and King IV.	The Board considered the balance of executive, non-executive and independent directors to be adequate.	The Board will continue to consider the balance of executive, non-executive and independent directors.

King IV Principle and/or recommendation	JSE Listings Requirements	Principle	Huge Application	Outcomes from evaluation processes	Actions or enhancements for the future
Principle 8 RP59(f)	3.84(f) and (g)	The Company must appoint an executive financial director, and the Audit Committee must confirm that it is satisfied with the expertise and experience of the financial director; and that it is satisfied that the appropriate financial reporting procedures are in place and operating.	The Audit Committee charter and annual workplan require the Committee to make the requisite assessments on an annual basis.	Z Bulbulia was appointed as Chief Financial Officer on 27 March 2017 and given his considerable experience in both finance and the telecommunications sector, the Audit Committee is of the view that Mr Bulbulia adequately equipped for the position. The Audit Committee is also satisfied that the appropriate financial reporting procedures have been suitably implemented.	The Audit Committee will continue to assess the expertise and experience of the financial director and the appropriateness and operation of the financial reporting procedures.
Principle 10 RP98	3.84(h)	The Board must consider and satisfy itself, on an annual basis, as to the competence, qualifications and experience of the Company Secretary.	The Board charter requires the Board to consider the competence, qualifications and experience of the Company Secretary on an annual basis.	Prior to her appointment on 1 September 2017, the Board considered and deemed adequate, Mrs Robinson's competence, qualifications and experience.	The Board will undertake its annual assessment process of the Company Secretary during the course of 2018.
Principle 7 RP10 RP11 RP30(b)	3.84(i)	The Board must consider and explain how it has applied the policy on gender diversity in the nomination and appointment of directors and report on progress thereof on agreed voluntary targets.	The Board charter requires the Board to consider gender diversity in making appointments. In addition, the ICT Sector charter makes certain compliance requirements in this regard.	The Board takes this matter very seriously and has, through its B-BBEE Compliance Plan, commenced a process to identify suitable candidates for Board appointment.	This matter is monitored on an ongoing basis by the Nomination Committee and the Social and Ethics Committee. Performance against specific targets will be provided in future reporting.
Principle 7 RP10 RP11 RP30(b)	3.84(j)	The Board must consider and explain how it has applied the policy on racial diversity in the nomination and appointment of directors and report on progress thereof on agreed voluntary targets.	The Board charter requires the Board to consider racial diversity in making appointments. In addition, the ICT Sector charter makes certain compliance requirements in this regard.	The Board takes this matter very seriously and has, through its B-BBEE Compliance Plan, commenced a process to identify suitable candidates for Board appointment.	This matter is monitored on an ongoing basis by the Nomination Committee and the Social and Ethics Committee. Performance against specific targets will be provided in future reporting.
Principle 14 RP37	3.84(k)	The Remuneration Policy and Remuneration Implementation Report must be tabled for separate, non-binding advisory votes by shareholders at the annual general meeting.	The Remuneration Committee is responsible for the development of the Remuneration Policy and overseeing the implementation thereof. The Remuneration Policy makes provision for Board engagement with shareholders where the Remuneration Policy and Remuneration Implementation Plan receives less than 75% approval.	The Remuneration Report and the Remuneration Implementation Report are set out on pages 45 to 50 and have been tabled for a separate, non-binding advisory vote at the Company's forthcoming annual general meeting.	The Remuneration Committee will consider any feedback received in respect of the Remuneration Policy and the Remuneration Implementation Plan.

 A comprehensive list of the Board's approach to adopting the principles and recommendations of King IV can be found on www.hugegroup.com/governance

BOARD OF DIRECTORS



DUARTE DA SILVA (53)
Non-Executive Chairman
 PhD (Eng); BSc (Mech Eng)
 Appointed: 1 March 2017



Duarte has more than 20 years of experience in the investment industry, having concurrently been the Regional Head of Macquarie's African operations (Macquarie is a Global investment Bank, originating out of Australia) and Chief Executive Officer of a joint venture Macquarie First South (a financial services company he founded in 2002) until 2016. Whilst at the helm of Macquarie, the business generated in excess of US\$100 million of income, focussing on investment banking, Equity trading, Equity Capital markets, and infrastructure asset management.

Prior to joining Macquarie, Duarte was Deputy Chairman of McCarthy Bank (chaired by Cyril Ramaphosa). He was also an executive director of Merrill Lynch South Africa, where he was the Number 1 Rated Technology Analyst.

Duarte holds a Doctorate of Philosophy in Engineering (PhD) from the University of the Witwatersrand, which he obtained at the age of 24.



VINCENT MOKHOLO (44)
Non-Executive Director
 BSc (Unv. Limpopo) Telecom MBA
 (Informa Academy UK)
 Appointed: 2 July 2007



Vincent has more than 18 years of experience in the telecommunications industry and served as the Chairman of the Hugel Group from January 2013 to March 2016. Vincent joined TelePassport in 1999 and was serving as its Client Services Director at the time of merging with Centracell to form Hugel Telecom. Prior to the merger, he played a significant role in the empowerment transaction which culminated in Mojaho Trading acquiring 30% of TelePassport.

Vincent was instrumental in the development of Hugel Telecom following the merger. During his time with Hugel Telecom, Vincent held the positions of Deputy Managing Director and was responsible for bedding down the operations and service deliverables for the combined entity. In addition, he was part of the team which listed Hugel Group on Altix in 2007 and the main board of the JSE in 2016. Vincent was also Director of Ambient from March 2011 to March 2016, during a portion of which he served as its Chief Executive Officer.

Vincent attended an educational fellowship administered by the Educational Opportunities Council in Cairo, Egypt. He also holds a Bachelor of Science degree from the University of Limpopo and completed a course in Telecoms MBA with Informa Telecom Academy based in the United Kingdom. Vincent is presently the Operations Director of Mano Coal, a significant in coal logistics and trading business.



CRAIG LYONS (47)
Independent Non-Executive Director
 BComm, D.Soc (Economics)
 Appointed: 1 June 2017



Craig is an experienced and accomplished investment banker and businessman with extensive strategic, management and finance experience gained in various industries and from having developed and led a number of pre-eminent businesses in Southern Africa. He is presently a non-executive director of a number of companies and previously held the position as CEO of Mvelaphanda Strategic Investments.

Craig actively participates as an independent director on various company boards, committees and investment funds. During his career he has successfully co-founded, lead and managed two South African investment companies, one of which was listed on the JSE. Craig has also spear-headed a number of high profile investment transactions in a multitude of sectors with a combined transaction value in excess of R28 billion.



BRIAN ARMSTRONG (56)
Independent Non-Executive Director
 BSc (Eng), MSc (Eng), PhD
 Appointed: 1 September 2017



Brian has more than 30 years of top level management experience in telecommunications, IT, technology research and development and systems engineering. Brian held positions as the Group Chief Operating Officer and Group Chief Commercial Officer at Telkom SA SOC Limited, where he formed an integral part of the leadership team credited with turning the group around. In his time with Telkom, Brian revived the ailing Telkom Business unit and conceived and led the acquisition of BCX and its integration into the group. He was also responsible for the group's Retail unit, as well as leading group strategy and transformation activities.

Prior to joining Telkom in 2010, Brian was the Vice President for Middle East and Africa at the BT Group Plc, and was tasked with responsibility for overseeing and growing the group's activities across that region. Brian has also held various positions as the Director of the Division for Information and Communications Technology at the CSIR and as the Managing Director of listed ICT services Group AST Networks (now Gijima). Brian presently holds the position of Professor in the Chair of Digital Business at Wits Business School.

- Investment Committee
- Social and Ethics Committee
- Remuneration Committee
- Audit Committee
- Risk Committee
- Nomination Committee



STEVE TREDOUX (58)
Lead Independent Non-Executive Director
 Appointed: 26 March 2008



Steve has extensive management and board experience, having served as the Chairman of the Huge Group from December 2010 to December 2012 and was appointed as the Lead Independent Director with effect from January 2013, which position he currently holds. From 2007 to date, Steve has held various directorships at Huge Group and Huge Telecom, in both an executive and non-executive capacity, where he was instrumental in identifying growth opportunities for the Company.

Prior to joining Huge, Steve was the Group Executive – Sales and Retail Marketing for MTN Group from 1995 to 2006, where he was instrumental in establishing and growing the company's distribution channels from 14 to an excess of 10 000. He also contributed to the launch of MTN's post-paid packages and pre-paid products, and the development of its integrated customer service offerings. He participated the development and implementation of the strategy to MTN's presence in Africa and the development of the MTN brand.

Steve has also held senior management and accounting positions, including National Data Systems, Copyreel Productions, AVVID, and TL Electronics. Steve has over 30 years of experience in sales distribution, marketing and product development, most of which has been applied in the telecommunications and technology sector.



JAMES HERBST (47)
Chief Executive Officer
 BComm, BAcc, CFA, CA(SA)
 Appointed: 1 September 2006



James has over 20 years of experience in the investment industry, 14 of which have been within the telecommunications industry.

James started his investment career as a private client portfolio manager at Fleming Martin Private Asset Management and BoE, with responsibility for a significant base of personal wealth portfolios. James entered the mergers and acquisitions space in 2003, facilitating various listings of businesses on AltX. In 2004, he was a principal member of the team that listed DataPro Group (now Vox Telecom). Whilst as DataPro Group James held the position of Chief Financial Officer and oversaw the empowerment transaction with Vantage Capital and the acquisition of the internet service provider @lantic.

James joined Huge Group as its Chief Financial Officer in 2006 and was appointed as Chief Executive Officer in 2008. His appointment as Chief Executive Officer of Huge Group coincided with his appointment as Managing Director of Huge Telecom, a position he held until 31 March 2018.

James was responsible for the initial listing of Huge Group on AltX in 2008 and supported the move to the Main Board of the JSE in 2016. James has also been instrumental in driving the investment strategy for Huge Group, which has resulted in the acquisitions of Huge Connect and Huge Networks in March 2017.



DENNIS GAMMIE (64)
Independent Non-Executive Director
 CA(SA)
 Appointed: 28 June 2012



Dennis has extensive board and management experience, having served as the Chief Financial Officer of the Aveng Group, the Financial Director of Murray & Roberts Materials and the Financial Director of a subsidiary of the Imperial Group. He also held an acting Managing Director position over a large steel manufacturing and underground mining subsidiary of the Aveng Group and chaired on various board committees.

During his tenure at Aveng Group, Dennis was instrumental in many of the significant advancements of the company, including the listing of the Aveng Group on the JSE. In 2001, Dennis was successful in securing the first R1 billion US bond for a construction company, delineated in ZAR, with no currency risk. In addition, Dennis played a key role in implementing Aveng's active national and international investment strategy through the integration of new businesses into the Aveng Group. This included the acquisition and delisting of McConnell Dowell, which had previously been listed on the Australian Stock Exchange. He also participated in the successful disposal of large listed and unlisted entities as part of this strategy.

From the time of joining Aveng Group in 1998 until his retirement in 2010, Dennis oversaw the growth of its revenue base from approximately R5 billion to a cash-generative and highlight profitable entity with a market capitalisation of R40 billion.



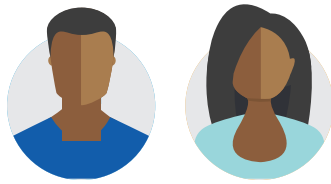
ZUNAID BULBULIA (49)
Chief Financial Officer
 BComm, BCompt, CTA, CA(SA)
 Appointed Non-Executive: 28 January 2016
 Appointed CFO: 27 March 2017



Zunaïd has more than 24 years' experience in the telecommunications industry and was one of the founding members of the MTN team, where he held the position of Chief Executive Officer of MTN South Africa and Group Chief Operations Executive of MTN Group.

During his 22 years with the MTN Group, Zunaïd played a pivotal role in building MTN Group into the giant that it is today. What started in 1994 as South African company providing mobile telephony services to South Africa in a two-operator market, MTN eventually became the leading mobile telecommunications group in Africa and the Middle East across 22 countries. In Zunaïd's last role at MTN Group, he was the "CEO of the CEO's", with the CEO's of 20 of the countries reporting to him. Prior to that role, Zunaïd spent his time at MTN growing the South African business into a R40 billion organisation, and crowned this achievement with his appointment as the CEO of that organisation. He spent many years in various parts of the South African business and has detailed expertise and knowledge in Operations, Distribution, Sales, Marketing, Project Management, Finance and Technology.

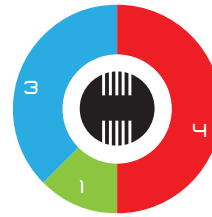
After leaving the MTN Group in December 2015, Zunaïd was appointed to the Board as a Non-Executive Director, where he served on the Audit Committee and Risk Committee. He was subsequently appointed as the Chief Financial Officer with effect from 27 March 2017. He is also an adjunct professor at the Wits Business School where he lectures to the MBA students on a variety of different subjects and is an advisory board member to the Kirusa group of companies. Kirusa are a mobile applications and messaging business, headquartered in New Jersey, USA, and have more than 200 million subscribers using their products across Africa, Asia and South America. Zunaïd was recently appointed as an advisory board member of the Gauteng division of the FirstRand Islamic Bank.



ETHNICITY

6 1 1

White Black Indian



TENURE

0 – 3 years 4 – 6 years 10 – 12 years

THE DIRECTORS OF THE HUGE GROUP BRING A WIDE RANGE OF SKILLS, EXPERTISE AND KNOWLEDGE TO THE GROUP.



INDEPENDENCE

4

Independent non-executives

2

non-executives

2

executives

QUALIFICATIONS



2 BSc	3 CA(SA)	1 MSc	1 CFA
1 DPhil	3 BComm	1 PhD	1 BCompt
1 Mini MBA	1 D Soc	1 BACC	1 CTA

EXPERIENCE



Industry experience

150



Average age

52



3 Doctoral
3 CA(SA)
1 Other



2 Executives
2 Non-executives
4 Independent non-executives



Racial demographic

2/8

HUGE GROUP EXECUTIVE COMMITTEE



JAMES HERBST
Chief Executive Officer

BAcc, CFA, CA(SA)
Relevant skills and experience:
20 years of investment experience
14 years of telecommunications experience



ZUNAID BULBULIA
Chief Financial Officer

BComm, BCompt, CTA, CA(SA)
Relevant skills and experience:
24 years of telecommunications experience
Previously Chief Operations Executive of MTN Group



GUNTER ENGLING
Managing Director: Huge Telecom

BAcc (Hons), CA(SA)
Relevant skills and experience:
14 years of telecommunications experience
Previously Deputy Chief Financial Officer of MTN Group
(Joined 1 April 2018)



ANDRE LESSING
Managing Director: Huge Connect

PrEng
Relevant skills and experience:
26 years of telecommunications experience
Previously Managing Director of ConnectNet Broadband Wireless



MARIUS OBERHOLZER
Managing Director: Huge Networks

NDipEng, MBA, DBA
Relevant skills and experience:
24 years of telecommunications experience
Previously Managing Director of Sainet Internet



KAREN ROBINSON
Company Secretary

LLB, LL.M, FCIS
Relevant skills and experience:
15 years of governance experience
Previously Company Secretary of Gold Fields

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board by advising and making submissions on the financial reporting, oversight of governance, financial risk management processes and internal financial and non-financial controls, external audit functions and statutory and regulatory compliance.

The Audit Committee has adopted formal charter which was updated during the reporting period with reference to the principles and recommendations of King IV. To the extent that the Committee has commenced the process of applying King IV and certain recommended practices and still require consideration and application, the Committee is satisfied that it has complied with and executed its duties in line with its charter.

Members

Members	Relevant qualifications	Years of tenure	1 March 2017	10 May 2017	6 July 2017	11 October 2017	7 February 2018
DR Gammie (Chairman)	CA(SA)	5	✓	✓	✓	✓	✓
SP Tredoux ¹		10	✓	✓	A	✓	✓
CWJ Lyons ²	DSoc	1	–	–	–	✓	✓
DF da Silva ³	PhD	1	✓	✓	✓	–	–
Z Bulbulia ⁴	CA(SA)	1	✓	–	–	–	–

1 SP Tredoux has 30 years of industry experience which is extremely valuable to the Committee.

2 CWJ Lyons joined the Committee with effect from 11 October 2017.

3 In accordance with the recommendations of King IV, D da Silva ceased to be a member of the Audit Committee on 11 October 2017.

4 Z Bulbulia resigned from the Audit committee upon his appointment as the Chief Financial Officer on 27 March 2017.

The Committee is comprised of three independent non-executive directors. All members of the Board attend the Committee meetings by invitation. The external auditors join for relevant sections of the Committee meetings and have unrestricted access to the Audit Committee.

The Chairman of the Audit Committee also chairs the Risk Committee. This provides the Audit Committee with the ability to interact closely with the functions performed by the Risk Committee to ensure that there is an adequate understanding of the risk management processes.

The Committee has reviewed the consolidated and separate annual financial statements, prior to approval, both with management and in a separate forum with the external auditors. The Committee is satisfied with the appropriateness of the accounting policies and considers the consolidated and separate annual financial statements to be a fair presentation of the financial performance, financial position and cash flows of the Company and the Group as at 28 February 2018.

The Audit Committee Report to shareholders is on pages 70 to 71 of this report.

RISK COMMITTEE REPORT

The Risk Committee assists the Board in ensuring that management identifies and implements appropriate risk management controls.

The Risk Committee operates in terms of a formal charter which was updated during the reporting period with reference to the principles and recommended practices of King IV. To the extent that the Committee has commenced the process of applying King IV and certain recommended practices still require consideration and application, the Committee is satisfied that it has complied with and executed its duties in line with its charter.

Members

Members	10 May 2017	6 July 2017	11 October 2017	7 February 2018
DR Gammie (Chairman)	✓	✓	✓	✓
DF da Silva	✓	✓	✓	✓
SP Tredoux	✓	✓	✓	✓
BC Armstrong ¹	–	–	✓	✓

¹ BC Armstrong became a member of the Risk Committee with effect from 11 October 2017 following his appointment to the Board on 1 September 2017.

The Committee is comprised of non-executive directors, the majority of whom are independent. The Chairman of the Committee is independent. All members of the Board attend the Committee meetings by invitation.

The Chairman of the Risk Committee also chairs the Audit Committee. This provides the Risk Committee with the ability to interact closely with the functions performed by the Audit Committee to ensure that there is an adequate understanding of the risk management processes.

Duties of the Committee

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

- ensured that the material risks are identified and that appropriate risk management processes were in place;
- approved the Company's risk identification and assessment methodologies;
- reviewed and approved of the Company and Group risk registers, ensuring that the risks are identified on a quantitative and qualitative basis, according to probability and impact;
- ensured that appropriate resources are directed towards areas of high risk;
- ensured that stakeholder risk management as an integral part of the group-wide risk management processes;
- reviewed the insurance and other risk transfer arrangements and considering whether appropriate coverage is in place; and
- reviewed the Company's sustainability risk on a regular basis.

Focus going forward

- Approve a revised risk management plan
- Make recommendations to the Board in respect of the levels of risk tolerance and appetite, and monitor that risks are managed within levels approved by the Board

The Risk Report is included on page 25 of this report.

INVESTMENT COMMITTEE REPORT

The Investment Committee assists the Board in respect of any strategic investment activity and interactions with the investment community.

The Investment Committee operates in terms of a formal charter which sets out its duties and responsibilities and where applicable, with reference to the principles and recommended practices of King IV. The Committee is satisfied that it has compiled with and executed its duties in line with its charter.

Members

Members	10 May 2017	11 October 2017	7 February 2018
DF da Silva (Chairman)	✓	✓	✓
JC Herbst	✓	✓	✓
Z Bulbulia	✓	✓	✓
CWJ Lyons ¹	–	✓	✓

¹ CWJ Lyons appointed to the Investment Committee with effect from 11 October 2017.

The Committee is comprised of two non-executive directors and two executive directors. The Chairman of the Board is the Chairman of the Committee. All members of the Board attend the Committee meetings by invitation.

INVESTMENT COMMITTEE REPORT continued

Duties of the Committee

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

- considered potential acquisition opportunities and made representations to the Board;
- considered and recommended the Investor Relations Policy for approval by the Board;
- considered and recommended the Capital Structure Policy for approval by the Board;
- reviewed and monitored activities relating to investor relations and communications; and
- reviewed service providers appointed in respect of the Company's investment activities.

Focus going forward

- Review and make recommendations to the Board in respect of the delivering the strategic objective of growing the Group through acquisitive action
- To the extent that the Remuneration Committee makes recommendations in respect of a share incentive scheme, to consider the overall impact of share-based scheme on the Company's investment strategy

REMUNERATION COMMITTEE REPORT

The Remuneration Committee assists the Board in discharging its responsibilities relating to the remuneration of the Company's executive directors and managing directors of the Group, and to develop and monitor the application of the Remuneration Policy and Remuneration Implementation Plan. The Committee also assists the Board in ensuring that the disclosure of remuneration matters is accurate, complete and transparent.

The Remuneration Committee operates in terms of a formal charter which was updated during the reporting period with reference to the principles and recommended practices of King IV. To the extent that the Committee has commenced the process of applying King IV and certain recommended practices still require consideration and application, the Committee is satisfied that it has compiled with and executed its duties in line with its charter.

Members

Members	1 March 2017	11 October 2017	7 February 2018
DF da Silva (Chairman) ¹	–	✓	✓
DR Gammie	✓	✓	✓
VM Mokholo	✓	✓	✓
AD Potgieter ²	✓	–	–

1 DF da Silva became a member and Chairman of the Remuneration Committee with effect from 11 October 2017.

2 AD Potgieter was the Chairman of the Committee until his resignation with effect from 30 June 2017.

The Committee is comprised of three non-executive directors, the majority of whom are independent. The Chairman of the Board is the Chairman of the Committee, however, the Board is of the view that Dr da Silva is the most suitable candidate for this role. All members of the Board attend the Committee meetings by invitation. Executive directors do not participate in the deliberations relating to their own remuneration.

Duties of the Committee

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

- oversaw the development of and adopted the 2018 Remuneration Policy;
- established the Group's remuneration philosophy;
- determined the total individual remuneration package for the executive directors, senior management and the Company Secretary; and
- advised the Board on the remuneration of the non-executive directors, having given due consideration to independent research and market-related practices.

Focus going forward

- Design performance measures for executive directors and senior managers align with the delivery of the Growing Huge Strategy
- Consider the design of an appropriate incentive scheme that align with the delivery of the Growing Huge Strategy

The Remuneration Report and Remuneration Implementation Plan are included on pages 45 to 50 of this Report.

NOMINATION COMMITTEE REPORT

The Nomination Committee assists the Board in determining the process for nominating, electing and appointing members to the Board and its Committees, succession planning, and Board and Committee evaluation. The Nomination Committee was constituted by the Board on 22 September 2017.

The Nomination Committee operates in terms of a formal charter which has reference to the principles and recommended practices of King IV. To the extent that the Committee was recently formed, members are satisfied that the Committee has compiled with and executed its duties in line with its charter. Whilst the Committee has commenced the process of applying King IV, certain recommended practices still require consideration and application.

Members

Members	11 October 2017	7 February 2018
DR Gammie (Chairman)	✓	✓
CWJ Lyons	✓	✓
BC Armstrong	✓	✓

The Committee is comprised of three independent non-executive directors and the Chairman of the Committee is independent. All members of the Board attend the Committee meetings by invitation.

Duties of the Committee



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

- developed criteria for the selection of candidates to serve on the Board;
- reviewed the structure and composition of the Board Committees and recommended changes to the Board;
- identified and evaluated nominees and recommended same to the Board for election at the annual general meeting of shareholders, after assessing the credentials and fitness for office of each proposed nominee;
- identified and evaluated nominees to the Audit Committee and recommended such nominees for election at the annual general meeting of shareholders, after assessing the credentials and fitness for office of each proposed nominee;
- evaluated the effectiveness of the Committees;
- reviewed the Company and Group gender and racial diversity policies, in conjunction with the Social and Ethics Committee; and
- reviewed the adequacy of the directors' and officers' liability insurance coverage.

Focus going forward

- Succession planning with a long-term view
- Improving racial and gender diversity

Gender and Racial Diversity Policy

The Company supports the objectives of gender and racial diversity at Board level and recognises that a Board which reflects the demographics of the country's population is a significant contributor to transformation. Future appointments to the Board will take cognisance of the Board's need to improve its gender and racial diversity. Improving the Group's B-BBEE profile is a key strategic objective of the Growing Huge Strategy . The Group's B-BBEE Compliance Plan  to achieve compliance with the Revised B-BBEE Codes and ICT Sector Charter included in this Report on page 51.

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee assists the Board in monitoring compliance with legislative, regulatory requirements and codes of best practice on:

- Social and economic development
- Corporate citizenship
- Transformation
- Environmental matters
- Health and public safety
- Stakeholder relationships
- Labour and employment

The Social and Ethics Committee operates in terms of a formal charter which was updated during the reporting period with reference to the principles and recommended practices of King IV. To the extent that the Committee has commenced the process of applying King IV and certain recommended practices still require consideration and application, the Committee is satisfied that it has complied with and executed its duties in line with its charter.

Members

Members	11 May 2017	11 October 2017	7 February 2018
SP Tredoux (Chairman)	✓	✓	✓
VM Mokholo ¹	–	✓	✓
Z Bulbulia ¹	–	✓	✓
K Robinson ¹	–	✓	✓
D Deetlefs ²	✓	–	–
JM Tyndale-Biscoe ³	✓	–	–

¹ V Mokholo, Z Bulbulia and K Robinson were appointed to the Social and Ethics Committee with effect from 11 October 2017.

² D Deetlefs resigned with effect from 31 May 2017.

³ JM Tyndale-Biscoe resigned with effect from 15 June 2017.

The Committee is comprised of two non-executive directors, an executive director and the Company Secretary. The Chairman of the Committee is independent. All members of the Board attend the Committee meetings by invitation.

Duties of the Committee

In executing its duties during the reporting period, the Social and Ethics Committee:

- Reviewed the Company and Group compliance plans in respect of the Revised B-BBEE Codes and the ICT Sector Charter
- Reviewed the Company and Group gender and racial diversity policies, as part of the aforementioned Company and Group B-BBEE compliance plans
- Reviewed the Group's carbon emissions and Lost Time Injury Frequency Rate

Focus going forward

- Monitoring the implementation of B-BBEE Compliance Plan on page 51 of this Report
- Overseeing the development of a Code of Ethics as a key component of the strategic initiative to create a people centric organisation, which entrenches an ethical value system across the Group

REMUNERATION REPORT

BACKGROUND STATEMENT

Dear Shareholder

Following the Acquisition **+**, the Board has been focussing on enhancing the holding company structure to drive the Growing Huge Strategy **↑** and incorporating the new companies into Huge. This includes aligning Huge's remuneration governance with these new developments.

During the reporting period, the Remuneration Committee (the **Committee**) revised its charter with reference to principles and recommended practices in King IV. Specific attention was given to developing a group approach to remuneration, which allows for the subsidiary companies to adopt specific remuneration practices which align with their strategic imperatives and business requirements, whilst also adhering to a group-wide Remuneration Policy and the delivery of the Growing Huge Strategy.

The Remuneration Policy which governed the reporting period (the 2017 Remuneration Policy) has been revised after taking into account the recommended practices of King IV. The Board has adopted the 2018 Remuneration Policy, which will be presented to shareholders for approval at the annual general meeting on 30 August 2018. The 2018 Remuneration Policy can be found on www.hugegroup.com/policies.

Various internal factors influenced remuneration practices at Huge over the course of the year. Aside from the Acquisition, Huge made significant investments in technical, regulatory and telephony resources. Huge was also not immune to economic and socio-political challenges, which impacted revenue performance. Having considered both the internal and external factors impacting Huge, the executive directors and the Board agreed that performance bonuses would not be awarded during this period.

In order to preserve Huge's policy of offering market-related salaries to support its retention plans, the Board approved a general increase in remuneration costs for all group companies of 5.3%, which was equal to the average inflation rate for 2017. Whilst the Board approved the overall percentage, the managing directors of the subsidiary companies were given the latitude to increase individual salaries in a manner they deemed most prudent and efficient for achieving their strategic objectives and performance targets, provided the overall remuneration cost did not exceed 5.3%. Generally, a higher percentage increase was applied to employees at lower levels of remuneration in order to narrow the earnings gap between employees in the lowest remuneration levels and those in the highest. The 2018 Remuneration Policy prescribes the application of this approach going forward.

At the last annual general meeting of the Company, 97.31% of the votes cast by shareholders supported the 2017 Remuneration Policy and the Remuneration Implementation Report. Non-executive director fees received the support of 99.98% of the votes cast. As Huge drives the Growing Huge Strategy and as the remuneration philosophy is developed, the Board will engage with institutional investors and major shareholders in the appropriate manner with regard to proposals to introduce a share incentive scheme.

No remuneration consultants were used during the period under review. However, cognisance was had to the following independent public reports on remuneration:

- Non-executive Directors: Practices and Remuneration Trends Report, PWC, 10th Edition
- Executive Directors: Practices and Remuneration Trends Report, PWC, 9th Edition

The Committee is of the view that it has achieved the stated objectives of its prior charter and it is satisfied with the progress made in respect of aligning itself with the principles and recommended practices of King IV. This will be an ongoing activity for the Committee during 2018, with particular regard being given to ensuring the sustainable delivery of the Growing Huge Strategy.



Duarte da Silva

Chairman of the Remuneration Committee

REMUNERATION REPORT continued

REMUNERATION POLICY

Governance of remuneration

The Committee assists the Board in discharging its responsibilities relating to the remuneration of Huger's executive directors and managing directors; developing and monitoring the Huger's Remuneration Policy and Remuneration Implementation Plan; and ensuring that the disclosure of remuneration matters is accurate, complete and transparent.

The Committee updated its charter during the reporting period in order to align it with the principles and recommended practices of King IV. All members of the Committee are non-executive directors of the Company, the majority of whom are independent. The Committee met four times during the reporting period and the full report of the Committee's activities can be found on page 42.

The Chief Executive Officer, the Chief Financial Officer and the balance of the board members attend the Committee meetings by invitation. Executive directors do not participate in the deliberations relating to their own remuneration.

Key principles of the Remuneration Policy

The 2017 Remuneration Policy set out Huger's remuneration philosophy, which applied in the main to Huger Telecom, as Huger's main subsidiary company prior to the Acquisition.

The key aspect of this Remuneration Philosophy is to pay market-related industry salaries and in the upper quartile. Specific consideration was also given to the scarcity of the skills required, whether a position constitutes a critical position and the extent to which an employee is considered "top talent".

The 2018 Remuneration Policy requires the Committee to determine a remuneration philosophy with due regard to Huger's short, medium and long-term strategic implementation plans. During 2018, the Committee will oversee the development of a remuneration philosophy which supports the delivery of the Growing Huger Strategy, particularly with regard to:

- Creating incentives that will deliver growth, both organically and acquisitively
- Promoting and entrenching a culture of excellent service delivery
- Improving gender and racial representation and overall B-BBEE compliance

The 2018 Remuneration Policy incorporates the principles for ensuring recommended practices of King IV and provides Huger with a basis for ensuring it remunerates its employees fairly, responsibly and transparently, in order to promote the achievement of the Growing Huger Strategy and positive outcomes in the short, medium and long term.

OVERVIEW OF THE REMUNERATION POLICY

Remuneration elements and design principles for executives and employees

Huger remunerates its employees on the following basis:

- Salaries are calculated on a total gross package (TGP) basis
- Salaries are reviewed annually in February and increases are implemented with effect from 1 March
- In benchmarking salaries, comparatives are made against market-related industry salaries in the upper quartile
- Executive director remuneration is considered in light of peer group comparatives and relevant remuneration surveys

Various employee benefits are available to employees, as part of their TGP, and depend on the subsidiary company through which they are employed:

- Membership to a provident fund
- Membership to a medical scheme
- Car insurance benefits
- Study assistance

Details of any obligations in employment contracts that could give rise to payments on termination

Executive directors' employment contracts:

- do not commit the Company to make payments on termination arising from the directors' failure to perform his or her agreed duties
- do not provide for automatic termination upon a change of control
- do not provide for a restraint of trade or any compensation related to a restraint of trade
- do provide for differentiated notice periods based on the reason for termination
- do provide for the possibility of certain payments being made to the executive director in the event of termination for change of control or an action which constitutes legal constructive dismissal.

Framework and performance measures used to assess strategic objectives and positive outcomes, including the relative weighting of each performance measure and period of time over which it is measured

Executive director contracts provide for the award of performance-based bonuses on an annual basis in June of each calendar year after the publication of the annual financial statements. The amount of this award is determined by the Board, acting through the Committee, with reference to the financial performance of Huga in the prior year. Consideration is also given to non-financial performance which contributes to the long-term sustainability of Huga.

As noted in the Background Statement of this Remuneration Report, the Board, in conjunction with the executive directors, agreed that no performance bonus would be payable in the reporting period. The decision not to award performance bonuses was not based on the performance of the executive directors, which the Board otherwise considered was satisfactory and was in line with its expectation.

The Acquisition, the bringing together of an enlarge group of companies as well as the execution and achievement of various strategic initiatives at Huga Telecom were, in the opinion of the Board and the Committee, delivered in a more than satisfactory manner.

The 2018 Remuneration Policy makes provision for the design and implementation of suitable short, medium and long-term incentive schemes which will support the Growing Huga Strategy.

Potential consequences of applying the Remuneration Policy to minimum, on target and maximum performance outcomes

The Committee may recommend that the Board approve the payment of performance bonuses for executive directors during the course of 2018.

Any decision to pay such performance bonuses will take due regard to the financial performance, non-financial performance and strategic objectives of Huga. The expectations of investors around capital management and Huga's cash requirements will also be taken into consideration.

The specific performance measures against which the executive directors are measured will be approved by the Board and reported to shareholders.

Explanation of how the Remuneration Policy addresses fair and reasonable remuneration of executive directors in context of overall employee remuneration

As noted in the Background Statement of this Remuneration Report, the Board and executive directors are of the considered view that Huga has a duty to narrow the earnings gap between employees in the lowest remuneration levels and those in the highest. This was implemented at Huga Telecom where their average percentage increase for the 10 lowest earning employees was 19.6%. This practice will continue to be implemented incrementally through the process of annual increases.

Application and justification of remuneration benchmarks

In considering executive director remuneration, reference was made to the executive directors: Practices and Remuneration Trends Report in particular, small capitalisation services companies listed on the JSE, with appropriate adjustments made to align with the reporting period.

The Chief Executive Officer's remuneration is considered to be in the median quartile.

REMUNERATION REPORT continued

The Chief Financial Officer's remuneration exceeds the upper quartile. The Committee is of the view that given Mr Bulbulia's depth and wealth of industry experience, the level of his remuneration is appropriate and accords with Huger's remuneration philosophy.

The Chief Financial Officer's remuneration also aligns with the parameters of the 2018 Remuneration Policy, which requires remuneration to support the delivery of the Growing Huger Strategy.

Basis for setting the fees for non-executive directors

Non-executive directors are paid a monthly retainer for their services and a fee for attending Board and Committee meetings and special Board meetings. Members who tender apologies for meetings do not receive the relevant meeting attendance fee. The Committee believes that this structure is the most appropriate structure for remunerating non-executive directors, given their availability to the executive directors for ongoing strategic matters.

In considering fees for non-executive directors, reference was made to the non-executive directors: Practices and Remuneration Trends Report in particular, small capitalisation services companies listed on the JSE, with appropriate adjustments made to align with the reporting period.

The Chairman and non-executive directors' fees are considered to be between the median and upper quartile.

REMUNERATION IMPLEMENTATION PLAN

Summary of remuneration activities and decisions taken

During the reporting period, the Committee undertook the following activities and approvals:

- Approved the revised Committee charter, updated to incorporate the recommendations of King IV
- Approved the revised annual workplan
- Approved a budgetary increase of 5.3% for Huger employee remuneration
- Mandated the Chairman to develop performance criteria for the Chief Executive Officer, which process is underway
- Mandated the Chief Executive Officer to develop performance criteria for senior executives, which process is underway

Adjustments made to total guaranteed pay

With effect from 1 March 2017, The Board approved an average remuneration increase of 6.60%. This percentage was applied to the total guaranteed pay of executive directors.

Director	Percentage increase
Z Bulbulia	Not applicable
D Deetlefs	6.60%
JC Herbst	6.60%

Zunaid Bulbulia was appointed as an executive director in the position of Chief Financial Officer on 27 March 2017.

For the financial year commencing 1 March 2018, the Board approved a general increase in remuneration of 5.3%. In an effort to reduce the earnings gap between employees at the lower levels of remuneration and those at the higher levels, Huger Telecom approved an average percentage increase for the 10 lowest earning employees of 19.6%.

Total remuneration outcomes (actual amounts paid) for executive directors and prescribed officers for the period ended 28 February 2018

Director	Salary	Risk, retirement and medical contributions	Other benefits ¹	Total salary and benefits	Bonus payments	Total annual remuneration
Z Bulbulia ⁴	R3 000 840	–	–	R3 000 840	–	R3 000 840
D Deetlefs ⁵	R661 690	R58 040	–	R719 730	–	R719 730
JC Herbst ²	R851 519	R89 331	–	R940 851	–	R940 851
JC Herbst ³	R2 558 576	R263 977	–	R2 822 554	–	R2 822 554
Prescribed officers						
A Lessing ⁶	R1 826 696	R67 054	R156 882	R2 050 633	–	R2 050 633
SM Oberholzer ⁷	R1 702 781	R58 698	–	R1 755 479	–	R1 755 479

1 A Lessing receives personal car insurance through a company insurance scheme which benefits the employees of Huge Connect.

2 Remuneration in respect of position held as Chief Executive Officer of Huge Group.

3 Remuneration in respect of position held as Managing Director of Huge Telecom.

4 As part of his total package, Z Bulbulia assumes responsibility for his risk, retirement and medical contributions.

5 D Deetlefs received a discretionary payment following his resignation on 31 May 2017.

6 Following the Acquisition, A Lessing became a prescribed officer of the Company.

7 Following the Acquisition, SM Oberholzer became a prescribed officer of the Company.

From 1 June 2017 to 28 February 2018, James Herbst fulfilled the position of Chief Executive Officer of Huge Group and Managing Director of Huge Telecom. During this period his remuneration was not increased and the cost of his remuneration was split proportionately between the two companies. This total earnings from both positions was R3 763 406.

Increase in non-executive directors' fees

Having due regard to the growth that Huge is experiencing, its future expectations in respect of growth and the formation of the group structure, the Board will propose an increase in fees.

In determining the fees payable to the Chairman and the non-executive directors, consideration was also given to the following:

- increased risk and responsibility on non-executive directors, particularly following the Acquisition;
- the concomitant increase in the market capitalisation of Huge from R1 067 187 226 in 2017 to R1 510 177 862 in 2018;
- The market-related increases to non-executive directors' remuneration applied to small capitalisation services companies for 2016, where the fees increased by 8.7% and 11.8% for the Chairman and non-executive directors respectively; and
- the 5.3% related increase applied to employee remuneration.

Accordingly, the Committee has recommended that the monthly retainer fees be increased as follows:

	Current	Proposed	% increase
Chairman	R45 000	R52 500	16.3
Non-executive directors	R26 500	R27 900	5.3

REMUNERATION REPORT continued

Accordingly, the Committee has recommended that the Board meeting attendance fees payable to the Chairman and the non-executive directors be increased as follows:

	Current	Proposed	% increase
Board attendance fees	R14 000	R16 000	8.7
Special Board attendance fees	R5 000	R5 000	–

Total remuneration of non-executive directors for the period ended 28 February 2018

Director	Total
BC Armstrong	R201 000
DF da Silva	R844 120
DR Gammie	R418 080
CWJ Lyons	R270 830
VM Mokholo	R413 080
AD Potgieter	R132 080
SP Tredoux	R413 080

Interests of directors and prescribed officers in share capital

Further detail of directors' and prescribed officers' interest in the share capital of Huge is set out on pages 59 to 61 of the Directors' Report.

Directors' personal financial interests


Further detail of directors' and prescribed officers' contractual interest in the share capital of Huge is set out on pages 59 to 61 of the Directors' Report.

NON-BINDING ADVISORY VOTE

The Remuneration Policy and the Remuneration Implementation Plan will be presented to shareholders for separate, non-binding advisory votes at the annual general meeting. Should shareholders vote against the Remuneration Policy and the Remuneration Implementation Plan by more than 25%, the Remuneration Committee will engage with shareholders and shall include the following detail in its subsequent Background Statement:

- the number of votes against the Remuneration Policy and Remuneration Implementation Plan;
- the subsequent engagement process with shareholders;
- the manner of the engagement process;
- reasonable and material issues raised by shareholders; and
- actions implemented by the Company to address the issues raised.

SOCIAL AND ETHICS COMMITTEE REPORT TO SHAREHOLDERS

Huge aims to be a proactive contributor to good corporate citizenship and it has identified the improvement of the Group's B-BBEE profile as a key strategic objective of the Growing Huge Strategy . The Board understands that compliance with the Revised Codes of Good Practice (the **Revised Codes**) and the ICT Sector Charter constitutes a key component of being a responsible corporate citizen and ensuring the sustainability of its business in a more representative society.

The Social and Ethics Committee assists the Board in monitoring compliance with the ICT Sector Charter and the delivery of the B-BBEE Compliance Plan which paves the way for Huge and its major operating subsidiary companies to achieve a compliant status following their next assessment period. During 2018 and 2019, specific plans will focus on achieving compliance by Huge Connect and Huge Telecom.

B-BBEE COMPLIANCE PLAN

In respect of the Ownership requirements of the Revised Codes, a measurement exercise as at 28 February 2018 confirmed that Huge has approximately 6% Black Ownership, which flows through to its wholly owned subsidiary companies.

The public and listed status of Huge presents unique challenges in respect of the Ownership requirements of the Revised Codes, which must be managed in light of investor and stakeholder expectations, as well as market-related and economic factors. The Investment Committee has been tasked by the Board to identify B-BBEE partners with whom a suitable Ownership model can be explored.

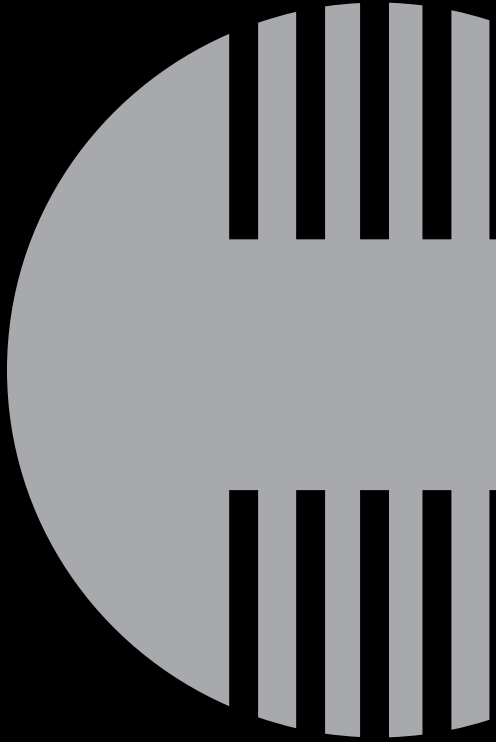
In respect of the Management Control requirements of the Revised Codes, consideration is being given to options which will allow the Group and its subsidiary companies to improve their respective B-BBEE scorecards.

In respect of the requirement of the Revised Codes relating to Skills Development, Enterprise and Supplier Development and Socio-Economic Development (the **Elements**), Huge supports the budgetary commitment of Huge Connect and Huge Telecom to ensure that the necessary expenditure takes place which will allow both companies to comply with the Elements of the Revised Codes.

Element	Project identified	Huge Connect	Huge Telecom
Skills Development	Training programmes supporting staff and disabled Black individuals through eDeaf	R150 000	R300 000
Enterprise and Supplier Development	Huge Procurement Hub with 51% Black Ownership	R2 500 000	R900 000
Socio-Economic Development	ICT products and services to educational facilities	R750 000	R275 000

04 / ANNUAL FINANCIAL STATEMENTS

	Page
Definitions	53
Approval of the financial statements	55
Company Secretary's Certification	55
Certificate by preparer of the financial statements	56
Directors' Report	57
Independent Auditor's report	66
Statement of Financial Position	72
Statement of Profit or Loss and Other Comprehensive Income	73
Statement of Changes in Equity	74
Statement of Cash Flows	75
Accounting Policies	76
Notes to the Consolidated and Separate Annual Financial Statements	84
Shareholder analysis	117
Notice of Annual General Meeting	119
Form of proxy	127
Notes to the form of proxy	128



DEFINITIONS

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

A2X Markets	A2X Proprietary Limited, a stock exchange licenced in terms of the Financial Markets Act, 19 of 2012, on which the Company has a secondary listing
Accknowledge	Accknowledge Systems Proprietary Limited, registration number 2005/042514/07, a 75% owned subsidiary company of Huge
the Act	the Companies Act, 71 of 2008 (as amended)
AFS	Consolidated Annual Financial Statements in the case of the Group, and Separate Annual Financial Statements in the case of the Company
AltX	the Alternative Exchange of the JSE
Ambient	Ambient Mobile Proprietary Limited, registration number 2008/001288/07, a 50.2% held subsidiary company of Huge Telecom
the Board	the board of directors of the Company as constituted from time to time
CGU	cash generating unit
the Commissioner	the Commissioner of the Companies and Intellectual Property Commission
the Companies Act	the Companies Act, 71 of 2008 (as amended)
ConnectNet Broadband Wireless	ConnectNet Broadband Wireless Proprietary Limited (now Huge Connect Proprietary Limited) (registration number 2004/005721/07), a wholly owned subsidiary of Huge
DIBs	Discretionary Incentive Bonuses
EBITDA	earnings before interest, taxation, depreciation and amortisation
EPS	earnings per share
Eyeballs	Eyeballs Mobile Advertising Proprietary Limited, registration number 2007/004818/07, a 96% owned subsidiary company of Huge
FirstRand Bank	FirstRand Bank Limited, registration number 1929/001225/06, and the bankers to Huge
functional currency	South African Rands
Futuregrowth	Futuregrowth Asset Management Proprietary Limited, registration number 1996/018222/07, financing agent of Huge
Gonondo	Gonondo Telecom Proprietary Limited, registration number 2006/027671/07, a 50% held joint venture company, which 50% is held by Huge Telecom
Goodwill	the goodwill acquired by Huge on the acquisition of Accknowledge, Huge Connect, Huge Networks and Huge Telecom
Group	Huge and its subsidiary companies
GSM	Global System for Mobile communication and in the context of this Report, refers to a digital mobile telephone system
HEPS	headline earnings per share
Huge or the Company	Huge Group Limited, registration number 2006/023587/06, a company of which the shares are listed on the JSE and A2X Markets
Huge Cellular	Huge Cellular Proprietary Limited, registration number 2008/004068/07, a wholly owned subsidiary company of Huge Telecom

DEFINITIONS continued

Huge Connect	Huge Connect Proprietary Limited (formerly ConnectNet Proprietary Limited), registration number 2004/005721/07, a wholly owned subsidiary company of Huge
Huge Networks	Huge Networks Proprietary Limited (formerly Sainet Internet Proprietary Limited), registration number 2014/009214/07, a wholly owned subsidiary company of Huge Telecom
Huge Soho	Huge Soho Proprietary Limited, registration number 2002/022642/07, a wholly owned subsidiary company of Huge
Huge Software	Huge Software and Technologies Proprietary Limited, registration number 2008/006066/07, a wholly owned subsidiary company of Huge
Huge Telecom	Huge Telecom Proprietary Limited, registration number 1993/003902/07, a wholly owned subsidiary company of Huge
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
JSE	the JSE Limited, registration number 2005/022939/06
King III	King Report on Corporate Governance (2009)
King IV	King IV Report on Corporate Governance for South Africa, 2016
Le Gacy	Le Gacy Telecom (FRA) Proprietary Limited, registration number 2007/033510/07, a 49.7% held subsidiary company of Huge Telecom due to common control
Listings Requirements	the Listings Requirements of the JSE
MNOs	Mobile Network Operators
MOI	Memorandum of Incorporation
Nedbank	Nedbank Limited, registration number 1951/000009/06
SAICA	South African Institute of Chartered Accountants
Sainet Internet	Sainet Internet Proprietary Limited (now Huge Networks Proprietary Limited) (registration number 2014/009214/07), a wholly owned subsidiary company of Huge Telecom
SENS	Stock Exchange News Service
shares	ordinary par value shares of R0.0001 each
SOHO	Small Office Home Office
SOHOR	Small Office Home Office Residential
SSFs	Single Stock Futures
SSL	Stellar Specialised Lending Proprietary Limited, registration number 1882/000030/07, which entity has assumed all loans previously extended to Huge Software by Afrasia Special Opportunities Fund, registration number 2010/002213/07
Telemasters	Telemasters Holdings Limited, registration number 2006/015734/06
Telkom	Telkom SA SOC Limited, registration number 1991/005476/30
VAT	Value Added Tax

APPROVAL OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2018

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 requirements, 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, effecting accounting procedures and adequate segregation of duties in order to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be eliminated fully, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal financial control provides reasonable assurance that the financial records may

be relied on for the preparation of the AFS. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement of loss. The directors have reviewed the Group's cash flow forecast for the next twelve months from date of approval of this report and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Group's external auditor is responsible for independently auditing and reporting on the Group's AFS. The AFS have been examined by the Group's external auditor and the report is presented on pages 66 to 69.

The AFS set out on pages 72 to 116, which have been prepared on a going concern basis, were approved by the board of directors on 29 June 2018 and were signed on its behalf by:



Duarte da Silva
Chairman



James Herbst
Chief Executive Officer

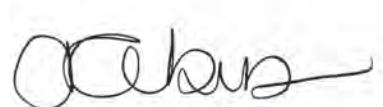


Zunaid Bulbulia
Chief Financial Officer

COMPANY SECRETARY CERTIFICATION

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

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



Karen Robinson
Company Secretary
29 June 2018

CERTIFICATE BY PREPARER OF THE FINANCIAL STATEMENTS

These Consolidated and Separate Annual Financial Statements were compiled internally under the ultimate supervision of Zunaid Bulbulia, BComm, BCompt, CTA, CA(SA).



Zunaid Bulbulia
Chief Financial Officer
29 June 2018

DIRECTORS' REPORT

The directors submit their report for the year ended 28 February 2018.

1. Nature of business

Huge is an investment holding company holding investments in subsidiary companies operating in the telecommunications, media, technology and software industries. The Company maintains a listing on the Main Board of the JSE Limited and, a secondary listing on A2X Markets, and conducts its business principally within South Africa but also in Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe.

Huge Telecom was the principal operating entity of Huge prior to the acquisition of Huge Connect, formerly ConnectNet Broadband Wireless, and its wholly owned subsidiary company, Huge Networks, formerly Sainet Internet. Huge Connect and Huge Networks were acquired with effect from 30 March 2017 and Accknowledge Systems on 30 June 2017 (the Acquisitions).

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 the network (the last mile is the final connection from the core network to the customer's premises). Its principal service is substituting fixed-line voice infrastructure, like that provided by a public switched telephone network such as Telkom, with wireless GSM solutions. Huge Telecom has more than 15 000 customers (representing approximately 40 000 telephone lines) which comprise corporate organisations of any size and residential consumers, who require a fixed location voice connectivity service. Huge Telecom does not own any core network infrastructure; rather, it leverages off the existing mobile operator networks in South Africa.

Huge Connect is a telecommunications solutions company with a focus on growing its voice, network and payment connectivity solutions. It was established in 2004 and provides connectivity to the card payment terminals of merchants, payment service providers and the commercial banks in South Africa by making use of secure, managed, dual SIM connectivity over GSM data networks. It has over 28 000 merchants as customers. 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 solutions, branch connectivity, hosting services and website and system development.

Huge Software is a company which develops billing software and acquires, develops and manufactures connectivity devices for its own use and for sale to third parties. It owns proprietary billing and rating software, known as the Huge Integrated Value Engine or the HIVE and it licences this to Huge Telecom and a company in Namibia. Huge Software is a wholly owned subsidiary company of Huge.

Ambient is a company which develops messaging software and systems for use by Group companies and for sale to third parties. It has developed and made commercial a Microsoft Outlook plug-in or add-in, called TexSMS, which allows users to generate SMS messages in exactly the same manner as they would generate emails. It has also developed and commercialised the ability for a client's in-house software application to connect directly to the TexSMS SMS server, allowing SMS messages to be sent in bulk from machine to machine. Ambient is a 52% held subsidiary company of Huge Telecom.

Eyeballs is engaged in the on-going development and licencing of software for innovative and affordable real time, permission based, high impact and targeted advertising to mobile phones. Eyeballs is a 96% held subsidiary company of Huge.

Accknowledge develops, maintains and supplies the WebAccounting Accounting Software Suite. The software is developed locally in South Africa and was released to the market in 2005. WebAccounting is multi-lingual and is sold internationally. WebAccounting incorporates both online, hosted (in the cloud) and individual company intranet installation options. The software can be accessed from anywhere in the world without having to have the software loaded onto a client's server. Accknowledge is a 75% held subsidiary company of Huge.

Gonondo is a joint venture company in which the joint venture partners are Huge Telecom and a subsidiary company of Adapt IT Holdings Limited. Both partners share equally in the profit of the joint venture. Gonondo is a cloud telecommunications intelligence and management solutions provider which supplies telecommunications management services (TMS) to customers throughout South Africa.

DIRECTORS' REPORT continued

2. Financial results

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

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

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 (the **Forecast Period**) following the date of the approval of these AFS. In reaching this opinion, the Board has considered the following factors:

- The current cash balances of the Group;
- The access of the Group to lines of credit during the Forecast Period;
- The headroom in the current debt facilities of the Group and the ability of the Group to take on additional debt as a result of this headroom, as well as the appetite of the debt providers to advance further debt during the Forecast Period;
- The continuing increase in monthly annuity sales, together with the resulting revenue increases and profitability improvements during the Forecast Period;
- The operating cash flow generation projections of the Group for the Forecast Period;
- The capital expenditure projections of the Group for the Forecast Period;
- The changes in the working capital requirements of the Group for the Forecast Period;
- The expected further improvement in the Group's profitability as reflected in the budget for the year that will end on 28 February 2019, which budget was approved by the Board during February 2018.

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. Interest in subsidiary companies and joint venture

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

Name of subsidiary and joint venture	%		
	shareholding	2018	2017
Accknowledge	75.0	28 987	
Ambient	50.2	147 858	440 162
Eyeballs	96.0	4 667 827	58 726
Gonondo (joint venture)	50.0	(144 110)	(43 184)
Huge Cellular	100.0	608 222	6 146 173
Huge Connect	100.0	51 176 317	–
Huge Networks	100.0	4 120 410	–
Huge Software	100.0	1 117 491	2 893 702
Huge SOHO	100.0	(364 268)	1 283 610
Huge Telecom	100.0	22 203 750	16 731 001
Le Gacy	49.7	(88 230)	(75 476)
		83 474 254	27 434 714

6. 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 in which its subsidiary companies operate and the possible changes that may impact the carrying value of Goodwill.

7. Authorised and issued share capital

AUTHORISED SHARE CAPITAL

The authorised share capital of the Company as at 28 February 2018 is 1 000 000 000 Shares.

ISSUED SHARE CAPITAL

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

Since incorporation and up until 29 February 2016, the Company and its subsidiary company, Huge Telecom, repurchased and acquired 31 505 483 Shares.

At 29 February 2016, the Company had 110 901 443 Shares in issue, of which 9 646 926 Shares were held by Huge Telecom as treasury Shares. Equity at that date comprised share capital in the amount of R11 090 and share premium in the amount of R230 675 332.

The listing of the Company was moved to the Main Board of the Johannesburg Stock Exchange on 1 March 2016.

SHARES ISSUED

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

During 2017, 14 650 000 Shares were issued at 615 cents per share, the proceeds of which amounted to R90 097 500.

During 2018, 24 373 551 Shares were issued at a price of 615 cents per share, the proceeds of which amounted to R149 897 339 and from which share issue expenses of R5 624 208 were deducted.

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

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

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

Date of issue	Number of shares issued	Price per share (in cents)	Proceeds (in Rand)
22 February 2017	4 000 000	615	24 600 000
28 February 2017	10 650 000	615	65 497 500
	14 650 000		90 097 500
7 March 2017	988 000	615	6 076 200
20 March 2017	14 500 000	615	89 175 000
27 March 2017	5 356 598	615	32 943 078
5 April 2017	249 685	615	1 535 563

DIRECTORS' REPORT continued

Date of issue	Number of shares issued	Price per share (in cents)	Proceeds (in Rand)
13 April 2017	2 450 000	615	15 067 500
24 April 2017	829 268	615	5 099 998
	24 373 551		149 897 339
	39 023 551		239 994 839
30 March 2017	25 208 333	600	151 249 998
6 September 2017	468 740	800	3 750 000
	64 700 624		394 994 837

REPURCHASE BY THE COMPANY OF ITS SHARES AND ACQUISITIONS BY THE COMPANY'S SUBSIDIARY COMPANIES OF ITS SHARES

At the last annual general meeting of the Company held on 31 August 2017, 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 30 August 2018. 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 (2017: 0 Shares). The Company has, since incorporation, repurchased and cancelled in aggregate 21 858 557 Shares.

SHARES OF THE COMPANY ACQUIRED AND HELD BY HUGE TELECOM

A detailed summary of the acquisitions of Shares by the Company and by its subsidiary company, Huge Telecom, is set out in note 18 of the AFS. As at 28 February 2018, the Group (through Huge Telecom) held 9 646 926 (2017: 9 646 926) Shares as treasury Shares.

FORWARD ISSUE OF SHARES

In terms of an announcement published on the JSE's SENS on 3 January 2017, shareholders of Huge were advised that the Company had concluded a subscription agreement, dated 27 December 2016, with Praesidium Capital Management Proprietary Limited, in its capacity as general partner of the SA Hedge Fund en Commandite Partnership (**Praesidium**), in terms of which Praesidium has agreed to subscribe for 17 500 000 Shares, at a subscription price of 850 cents per Share. Praesidium was a material shareholder of Huge at the time (in that its existing shareholding at the time was in excess of 10% of the then issued share capital of the Company), and as such, was regarded as a related party. However, no fairness opinion was required as the issue price in respect of the subscription was at a premium to the volume weighted average share price of Huge measured over the 30 business days prior to the date on which the issue price was agreed between the parties (i.e. 27 December 2016). Shareholder approval for this proposed specific issue of Shares for cash to Praesidium was granted on 14 February 2017.

In terms of an agreement of sale of Shares concluded by Huge Telecom, dated 29 March 2018, Huge Telecom agreed to sell Shares in Huge, held by it as treasury Shares, to G Engling, on the basis that the number of Shares to be issued would be based on the price performance of 2 941 177 Shares, at a price of 850 cents per Share, over a term of three years and provided that the maximum number of Shares to be issued would be limited to 2 941 177 Shares. Huge will seek approval from shareholders for a specific issue of Shares for cash to G Engling.

The number of Shares in issue at 28 February 2018 is 175 602 077 (2017: 125 551 443).

8. Directorate

8.1 Composition of the Board

The Board consists of the following members:

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

Changes in directorship during the period under review were made as follows:

- D Deetlefs resigned from the Board with effect from 31 May 2017
- AD Potgieter resigned from the Board with effect from 3 July 2017
- CWJ Lyons was appointed to the Board with effect from 3 July 2017
- BC Armstrong was appointed to the Board with effect from 1 September 2017

JM Tyndale-Biscoe resigned as the company secretary on 15 June 2017 and KE Robinson was appointed on 1 September 2017.

8.2 Rotation of directors

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

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

As at 28 February 2018, the following directors held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2018 - Number of shares held				
JC Herbst ¹	268 370	24 445 549	24 713 919	14.074
AD Potgieter ²	569 984	3 440 275	4 010 259	2.284
D Deetlefs ³	250 000	188 174	438 174	0.249
CWJ Lyons ⁴	–	200 000	200 000	0.114
	1 088 354	28 273 998	29 362 352	16.721
2017 - Number of shares held				
JC Herbst ¹	184 907	24 445 549	24 630 456	19.618
AD Potgieter	3 831 135	3 664 325	7 495 460	5.970
D Deetlefs	1 767 348	393 174	2 160 522	1.721
	5 783 390	28 503 048	34 286 438	27.309

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

² The indirect shareholding of AD Potgieter, who resigned from the Board with effect from 3 July 2017, was held through The Luigi's Trust.

³ The indirect shareholding of D Deetlefs, who resigned from the Board with effect from 31 May 2017, was held through Dee-anco Investments Proprietary Limited.

⁴ The indirect shareholding of CWJ Lyons is a non-beneficial shareholding.

In terms of a call option agreement concluded with Praesidium on or about 16 December 2016, DF da Silva has the right on 28 February 2019 to acquire 7 500 000 Shares from Praesidium at a price of 850 cents per Share.

DIRECTORS' REPORT continued

9. Directors' interest in the share capital of the Company (continued)

In terms of a call option agreement concluded with Praesidium on or about 20 December 2016, Z Bulbulia has the right on 28 February 2019 to acquire 7 500 000 Shares from Praesidium at a price of 850 cents per Share.

In terms of a call option agreement concluded with Praesidium on or about 15 December 2016, VM Mokholo has the right on 28 February 2019 to acquire 500 000 Shares from Praesidium at a price of 850 cents per Share.

As at 28 February 2018, the following directors of major subsidiary companies held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2018 Number of shares held				
A Lessing ⁵	–	4 694 044	4 694 044	2.673
DD Meintjes ⁶	–	1 751 434	1 751 434	0.997
SM Oberholzer ⁷	–	5 448 907	5 448 907	3.103
K Schmulian ⁸	5 007	1 065 688	1 070 695	0.610
KB Sinclair ⁹	–	4 049 613	4 049 613	2.306
	5 007	17 009 686	17 014 693	9.689
E van Heerden ¹⁰	1 803	–	1 803	0.001
RM Mushonga ¹¹	16 260	–	16 260	0.009
	23 070	17 009 686	17 032 756	9.699

⁵ An indirect shareholding of A Lessing, a director of Huge Connect, amounting to 4 689 025 Shares is held by K2017038068 South Africa Proprietary Limited, while 5 019 shares are held by CJ Lessing.

⁶ The indirect shareholding of DD Meintjes, a director of Huge Connect, is held by DM Holdco Proprietary Limited.

⁷ The indirect shareholding of SM Oberholzer, a director of Huge Connect and Huge Networks, is held by K2017082648 South Africa Proprietary Limited.

⁸ The indirect shareholding of K Schmulian, a director of Huge Connect, is held by K2017038099 South Africa Proprietary Limited.

⁹ The indirect shareholding of KB Sinclair, a director of Huge Connect, is held by K2017038086 South Africa Proprietary Limited.

¹⁰ E van Heerden is a director of Huge Connect and Huge Networks.

¹¹ During the reporting period, R Mushonga was a director of Huge Telecom. He resigned with effect from 18 April 2018.

Save as for disclosed above, there has been no other change in directors' interests in the share capital of the Company subsequent to year end and prior to the publication of this report.

During the prior financial period ending on 28 February 2017, no directors of major subsidiary companies held shares of the Company.

10. Restricted shares

Shareholder	Pledged as security for warranties ¹²	Subject to 24 month lock-in ¹³	ConnectNet Incentive Trust ¹⁴	Total
K2017038068 South Africa Proprietary Limited – A Lessing ⁵	2 937 430	1 751 595	–	4 689 025
DM Holdco Proprietary Limited – DD Meintjes ⁶	1 097 182	654 252	–	1 751 434
K2017082648 South Africa Proprietary Limited – SM Oberholzer ⁷	3 413 456	2 035 451	–	5 448 907
K2017038099 South Africa Proprietary Limited – K Schmulian ⁸	667 598	398 090	–	1 065 688
K2017038086 South Africa Proprietary Limited – KB Sinclair ⁹	2 536 871	1 512 742	–	4 049 613
	10 652 537	6 352 130	–	17 004 667
Datawireless Proprietary Limited	377 337	225 007	–	602 344
K2017038129 South Africa Proprietary Limited	1 735 754	1 035 034	–	2 770 788
K2017038154 South Africa Proprietary Limited	400 559	238 854	–	639 413
CNet Empowerment Proprietary Limited	1 706 728	1 017 726	–	2 724 454
The ConnectNet Incentive Trust – Initial transfer	–	–	1 337 252	1 337 252
	14 872 915	8 868 751	1 337 252	25 078 918
The ConnectNet Incentive Trust – 2018 allocation to share beneficiaries			129 415	129 415
	14 872 915	8 868 751	1 466 667	25 208 333

¹² In terms of the subscription and repurchase agreement entered into between Huge and ConnectNet Broadband Wireless on or about 30 March 2017, Huge subscribed for 185 new ordinary shares in ConnectNet Broadband Wireless for a total subscription consideration of R418 million, R266.75 million of which was settled in cash and R151.25 million of which was settled by the issue of renounceable letters of allocation. Subsequent to the subscription, ConnectNet Broadband Wireless repurchased 122 existing ordinary shares in its share capital from the relevant shareholders for a total consideration of R275 million, of which R123.75 million was settled in cash and R151.25 million was settled by the delivery of renounceable letters of allocation in respect of 25 208 333 shares in Huge at 600 cents per share. ConnectNet Broadband Wireless renounced 25 208 333 shares in Huge in favour of the relevant shareholders. The relevant shareholders agreed to pledge 14 872 915 shares in Huge as security for the payment of any claims instituted by Huge against the relevant shareholders for, amongst other things, a breach of a profit warranty that the cumulative aggregate operating profit of the ConnectNet Broadband Wireless Group for the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 will be no less than 80% of cumulative aggregate operating profit target of R239.9 million, which determination shall be made within 15 business days of the date of finalization of the financial statements of the ConnectNet Broadband Wireless Group for the year ended 29 February 2020.

¹³ In terms of the subscription and repurchase agreement, 10 335 518 shares issued to the relevant shareholders were the subject of a 24-month lock-in undertaking, which expires on 29 March 2019. Huge agreed to the transfer of 1 466 667 of these shares from the relevant shareholders to The ConnectNet Incentive Trust. The ConnectNet Incentive Trust was established pursuant to the subscription and repurchase agreement concluded by Huge and ConnectNet Broadband Wireless on or about 30 March 2017 for the purposes of creating incentives for certain employees, directors and/or consultants of the Group to inter alia assist the Group achieve the targets for the profit warranty referred to in 12 above. The allocation of these Shares to share beneficiaries is governed by The ConnectNet Incentive Trust Deed.

¹⁴ During April 2017, 129 415 shares were transferred by The ConnectNet Incentive Trust to share beneficiaries, being certain existing employees, directors and/or consultants to the ConnectNet Broadband Wireless Group. Of the remaining 1 337 252 shares, 258 831 shares will be allocated to share beneficiaries after 28 February 2018, 388 246 shares after 28 February 2019 and 517 661 shares after 29 February 2020, with the residual 172 514 shares being available for allocation to future employees, directors and/or consultants. Shares that have been allocated to share beneficiaries are not restricted.

DIRECTORS' REPORT continued

11. 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.

12. Special resolutions

The Company passed the following special resolutions at its annual general meeting held on 31 August 2017:

12.1 General authority to acquire (repurchase) shares

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.

12.2 Non-executive directors' remuneration

The approval of the scale of the non-executive directors' remuneration for the financial year commencing 1 March 2017, in terms of section 66(9) of the Companies Act.

12.3 General authority to enter into funding agreements, provide loans or other financial assistance

The granting of a general approval in terms of the section 45 of the Companies Act, to the Company and its directors, and to any subsidiary company 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 JSE Listings Requirements.

13. Significant announcements

COMPLETION OF THE CONNECTNET ACQUISITION

30 March 2017

The Company completed the acquisition of 100% of the shares in ConnectNet Broadband Wireless. Sainet Internet, a wholly owned subsidiary of ConnectNet was sold to Huge Telecom in terms of an internal restructure.

APPOINTMENT OF CRAIG LYONS

4 July 2017

The Company appointed Craig Lyons to the Board in the capacity of an independent non-executive director with effect from 3 July 2017. Craig is an experienced and accomplished investment banker and businessman with extensive strategic, management and finance experience gained in various industries. He is presently a non-executive director of a number of companies and previously he held the position as Chief Executive Officer of Mvelaphanda Strategic Investments.

APPOINTMENT OF BRIAN ARMSTRONG

4 September 2017

The Company appointed Brian Armstrong to the Board in the capacity of an independent non-executive director with effect from 1 September 2017. Brian presently holds the position of Professor in the Chair of Digital Business at Wits Business School and was previously the Group Chief Operating Officer of Telkom SA SOC Limited.

APPOINTMENT OF GUNTER ENGLING AS MANAGING DIRECTOR OF HUGE TELECOM

27 November 2017

Huge Telecom appointed Gunter Engling as its managing director with effect from 1 April 2018. Gunter was the previously the Deputy Group Chief Financial Officer of MTN Group and the Chief Executive Officer of MTN Rwanda, Chief Financial Officer of MTN Ghana and the General Manager: Financial Planning of MTN Nigeria.

14. Pro-active Monitoring of financial statements

On 11 August 2017, shareholders of Huge were advised that the Company's application (the **Application**) to the High Court: Gauteng Local Division Johannesburg (the **Court**) to set aside the decision of the JSE of 27 October 2014 (the **Decision**) directing the Company to restate its AFS for the years 2010, 2011 and 2012 (the **Restatement**), was dismissed. In terms of the Decision, the Company was required to announce the Restatement on the JSE's SENS and include the full details of the Restatement in Huge's next annual financial statements, being the annual financial statements for the year ended 28 February 2018.

The Restatement is related to the accounting treatment in Huge's 2010 (and by implication the 2009 comparative), 2011 and 2012 annual financial statements (the **Relevant AFS**) of 80 455 single stock futures (**SSF**) contracts that Huge acquired in October 2008.

Huge, on the advice of its statutorily appointed auditors, reflected the SSF contracts in the Relevant AFS as derivative financial instruments and accounted for the movement in the fair value of the SSF contracts through profit and loss and ultimately retained income in equity. In terms of the Decision, Huge should have reflected the SSF contracts in the Relevant AFS as equity instruments and accounted for the movement in the fair value of the SSF contracts directly in equity.

Fair value losses relating to the SSF contracts of R17 881 163 and R7 059 948 were recorded in the 2009 and 2010 AFS respectively, a fair value gain relating to the SSF contracts of R3 252 619 was recorded in the 2011 AFS and fair value losses relating to the SSF contracts of R1 783 148 and R4 202 350 were recorded in the 2012 and 2013 AFS respectively. The aggregate fair value losses relating to the SSF contracts and recorded from 2009 to 2013 amounted to R27 673 990. The Company accounted for these losses through profit and loss and ultimately retained income in equity, instead of directly in equity, as is required by the Decision.

Huge has considered the impact of the Restatement on these AFS and in this regard Accounting Standard (IAS) 8: Accounting Policies, Changes in Accounting Estimates and Errors is applicable. Because the cumulative impact of the Restatement is both a debit and a credit to equity in the same amount (being a debit directly in equity and a credit to retained income in equity of the same amount) and the Company closed out the SSF contracts on 18 December 2013, there is no impact on assets, equity or liabilities of the current or comparative period in these AFS.

15. 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.

16. Dividends

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

17. 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 AFS, which affects the financial position of the Group or the results or its operations at the date of this report.

18. Company secretary and administration

The office of the company secretary was held by J Tyndale-Biscoe until 15 June 2017 and thereafter by K Robinson, who was appointed on 1 September 2017.

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

Contact information for the company secretary and the transfer secretaries can be found on page 129 of this Integrated Report.

19. Audit Committee

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

20. Auditors

The Audit Committee has recommended that BDO South Africa Inc remain in office in accordance with section 90(1) of the Companies Act.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Huge Group Limited
Report on the Audit of the Consolidated and Separate Financial Statements

OPINION

We have audited the consolidated and separate financial statements of Huge Group Limited (the Company and where applicable, the Group), set out on pages 72 to 116, which comprise the statement of financial position as at 28 February 2018, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Huge Group Limited as at 28 February 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our

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

KEY AUDIT MATTERS

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

Key audit matters identified at a Group level

Key audit matter	Audit response
Purchase price allocation on the acquisition of subsidiaries (refer to note 34)	
<p>During the year, Huge Group Limited completed the acquisitions of ConnectNet Broadband Wireless (100%) and Accknowledge (75%) and this gave rise to a need to perform purchase price allocations.</p> <p>There is a significant degree of management judgement and estimation when calculating the purchase price allocation of an acquisition as a result of the fair value measurement of the assets and liabilities. As such, this matter was identified as a key audit matter.</p>	<p>We focused our testing on the fair value evaluation of the assets and liabilities, the calculation of the purchase price allocation and the key assumptions made by managements independent expert (the Expert).</p> <p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Considering the independence and qualifications of the Expert. • Testing the methodology and assumptions used by the Expert in arriving at the fair value of assets and liabilities. • We reviewed the source documentation used by the Expert to determine these fair values. • Recalculating the purchase price allocation and the determination of goodwill. • Assessing of the related disclosure requirements of the acquisition in terms of IFRS.

Assessment of goodwill impairment (refer to note 5) and the related impairment of the Investment in Subsidiaries (refer to note 7)

As required by the applicable accounting standards, management has to conduct annual impairment tests on goodwill to assess the recoverability of its carrying value. Management performs a value in use valuation to assess the recoverability based on the discounted cash flow model of the cash generating unit (Acknowledge, Huge Connect, Huge Networks and Huge Telecom). As disclosed in note 5, there are a number of key sensitive judgements made in determining the inputs into these models which include:

- Revenue projections
- The discount rate
- Fixed and variable costs

Accordingly, the impairment test of goodwill is considered to be a key audit matter.

There was no impairment of the goodwill relating to Acknowledge, Huge Connect, Huge Networks or Huge Telecom nor on each investment in the subsidiary company.

We focused our testing of the impairment of goodwill on the key assumptions made by management and the Expert.

Our audit procedures included, among others:

- Critically evaluating whether the model used by the Expert in calculating the value in use of the Cash Generating Unit complied with the requirements of IFRS and specifically IAS 36 Impairment of Assets.
- Validating the assumptions used to calculate the discount rate.
- Analysing the future projected cash flows used in the valuation model to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit.
- Performing sensitivity analyses on the key assumptions.
- Comparing the projected cash flows, including the assumptions relating to revenue growth rates, operating margins and commodity prices against historical performance in order to test the accuracy of management's projections.
- Assessing of the related disclosure requirements of the calculation of impairment of goodwill in terms of IFRS.
- Confirming the independence and competence of the Expert.

IT systems and integration

The accuracy, completeness and validity of revenue recorded are reliant on the internally developed software (**Billing and Revenue**) and the integration of this software with the financial systems (the **Financial Accounting Software**). Because of its importance to the continued operations of the Group this was regarded as a key audit matter.

Our testing was focused on the integration of the Billing and Revenue Software and the Financial Accounting Software and the accuracy, completeness and validity of the data input into the Billing and Revenue Software and the information outputs of the Financial Accounting Software.

Our audit procedures included, among others:

- Involving BDO IT audit specialists in testing both the general and application controls in place around the Billing and Revenue Software and the Financial Accounting Software.
- Using computer assisted audit techniques which included, among others:
 - A reconciliation of the invoicing in the Billing and Revenue System to the revenue in the Financial Accounting System.
 - Testing the completeness of the Call Data Records (CDR) parsed into the Billing and Revenue System.
 - Testing the cut-off of revenue at year-end.

INDEPENDENT AUDITOR'S REPORT continued

OTHER INFORMATION

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the AFS, including the disclosures and whether the AFS represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

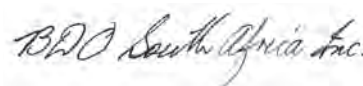
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period

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

Report on Other Legal and Regulatory Requirements

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



BDO South Africa Incorporated

FM Bruce-Brand

Director

Registered Auditor

22 Wellington Road
Parktown
2193

29 June 2018

AUDIT COMMITTEE REPORT

REPORT TO THE SHAREHOLDERS ON THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 28 FEBRUARY 2018

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

Statutory duties

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

- determined the fees and terms of engagement of, and recommended the appointment of BDO South Africa Inc (**BDO**) for appointed as its external auditor;
- nominated F Bruce-Brand from the audit firm BDO for appointment as the designated audit partner;
- believes that both BDO and Mr Bruce-Brand are independent of the Company and meet the requirements of the Companies Act, the Listings Requirements and King IV; and
- is satisfied that the external auditor does not perform any non-audit services for the Company, but any proposed agreements of this nature would be pre-approved by the Committee.

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

Delegated duties

- **Financial statements**
The Committee reviewed the consolidated and separate annual financial statements, summarised consolidated and separate annual financial statements, preliminary announcements, and short-form announcements and accompanying reports to shareholders and other announcements made in respect of the Company's results during the reporting period.

- **Integrated reporting**

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

- **Internal audit**

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

- **Risk management**

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

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

- **External audit**

The Committee evaluated and reported on the independence of the external auditor and reviewed the quality and efficacy of the external audit process. Accordingly, the Committee recommends to shareholders that BDO South Africa Inc. be reappointed as the Company's external auditor, and that Mr Bruce-Brand be reappointed as the designated audit partner.

The Committee has also determined the fees and terms of engagement of the external auditor and is satisfied that it has complied with the Companies Act and other relevant legislation.

Following the Acquisition¹, BDO South Africa Inc. were also appointed as the external auditors of Huge Connect and Huge Networks. Prior to the Acquisition, ConnectNet was audited by Gregory, Butt and Marx and Sainet Internet was audited by Emslie & Co. Huge first appointed BDO South Africa Inc. in 2012 and Mr Bruce-Brand was first appointed as the designated audit partner in 2015.

Aside from the addition of Huge Connect and Huge Networks, there has been no significant changes in management which may affect the relationship or familiarity between the external auditors and management.

- **Chief Financial Officer**

The Committee is satisfied with the appropriateness of the experience and expertise of Mr Bulbulia as the Chief Financial Officer and confirms same to shareholders.

- **Financial function**

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

- **Oversight of risk management**

The Chairman of the Audit Committee also chairs the Risk Committee. All members of the Board attend both meetings, by invitation where they are not already members. This provides the Audit Committee with the ability to interact closely with the functions performed by the Risk Committee to ensure that there is an adequate understanding of the risk management processes.

- **Internal financial controls**

The Committee reviewed the efficacy of the Company's system of internal financial controls, including receiving assurance from management and the external auditors. The Committee reviewed material issues raised during the external audit process.

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

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

The key audit matters from the year-end audit report on page 66 and 67 of the Independent auditor's report.

- **Combined assurance**

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

In this regard, the Company regards the following:

First line:	line management is responsible for monitoring and managing risk and opportunity
Second line:	risk management functions in each operating entity, including those at Group level, review and consider risk and opportunity matters
Third line:	the Company utilises the services of various external consultants to assist with managing risk in respect of revenue recognition and regulatory compliance

Fourth line:

the external auditors consider and review risk management at the Company and the Group and raise any areas which may require further attention

Fifth line:

the Risk Committee and the Audit Committee provide the Board with advice and recommendations in respect of risk management and opportunities

- **IT Governance**

The Committee is responsible for ensuring that the IT framework is in place and that an IT Charter and policies are established and implemented. It is also responsible for ensuring that an IT internal control framework is adopted and implemented and that the Board receives independent assurance on the effectiveness thereof. These are tasks that the Committee will focus on during 2018 and report on in future.

- **Regulatory compliance**

The Committee has complied with all its applicable legal and regulatory responsibilities.

The Committee has reviewed the AFS, prior to approval, both with management and in a separate forum with the external auditors. The Committee is satisfied with the appropriateness of the accounting policies and considers the AFS to be a fair presentation of the financial performance, financial position and cash flows of the Company and the Group for the year ended 28 February 2018.



Dennis Gammie

Chairman

29 June 2018

STATEMENT OF FINANCIAL POSITION

as at 28 February 2018

Figures in Rand	Notes	Group		Company	
		2018	2017	2018	2017
Assets					
Non-Current Assets					
Property, plant and equipment	4	178 668 998	73 222 194	–	–
Goodwill	5	593 443 252	215 153 482	–	–
Intangible assets	6	8 679 681	3 927 427	–	9 283
Investments in subsidiary companies	7	–	–	535 093 477	113 343 479
Investment in joint venture company	8	615 832	687 887	–	–
Other financial assets	9	7 495 923	–	–	–
Deferred tax	10	12 805 450	7 550 181	2 288 747	1 111 344
Deferred expenditure	11	–	16 950 014	–	–
		801 709 136	317 491 185	537 382 224	114 464 106
Current Assets					
Inventories	12	1 219 193	646 853	–	–
Loans to Group companies	13	–	–	80 702 548	61 591 999
Loans to shareholders	14	–	898 784	–	898 784
Trade and other receivables	15	103 284 136	41 707 254	7 012 144	4 020 380
Current tax receivable		14 637	–	–	–
Deferred expenditure	11	–	7 693 967	–	–
Cash and cash equivalents	16	30 265 495	70 975 813	12 149 506	69 996 640
		134 783 461	121 922 671	99 864 198	136 507 803
Total Assets		936 492 597	439 413 856	637 246 422	250 971 909
Equity and Liabilities					
Equity					
Equity attributable to holders of parent					
Share capital	18	618 772 080	319 420 891	620 135 111	320 783 922
Accumulated profit (loss)		128 773 534	60 361 058	(71 597 979)	(83 688 177)
		747 545 614	379 781 949	548 537 132	237 095 745
Non-controlling interest	19	(3 015 552)	(3 001 048)	–	–
		744 530 062	376 780 901	548 537 132	237 095 745
Liabilities					
Non-Current Liabilities					
Interest bearing liabilities	21	82 500 000	–	52 500 000	–
Instalment sales	20	2 155 141	1 331 339	–	–
Deferred tax	10	30 670 276	9 942 033	–	–
		115 325 417	11 273 372	52 500 000	–
Current Liabilities					
Loans from Group companies	13	–	–	11 215 318	6 838 901
Loans from shareholders	14	–	177 660	–	177 660
Interest bearing liabilities	21	22 199 080	752 936	20 792 337	–
Current tax payable		9 682 633	4 256 098	–	–
Instalment sales	20	1 917 658	1 165 824	–	–
Trade and other payables	22	41 506 875	35 566 423	4 201 635	6 859 603
Bank overdraft	16	1 330 872	9 440 642	–	–
		76 637 118	51 359 583	36 209 290	13 876 164
Total Liabilities		191 962 535	62 632 955	88 709 290	13 876 164
Total Equity and Liabilities		936 492 597	439 413 856	637 246 422	250 971 909

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2018

Figures in Rand	Notes	Group		Company	
		2018	2017	2018	2017
Revenue	24	401 381 596	245 993 067	–	–
Cost of sales	25	(176 843 620)	(127 380 868)	–	–
Gross profit		224 537 976	118 612 199	–	–
Other income	26	2 579 656	1 246 872	22 154 609	5 913 279
Selling and administration expenses		(43 422 253)	(30 389 103)	(19 593 668)	(8 721 011)
Employee costs		(70 720 177)	(47 230 907)	–	–
Operating profit (loss)	27	112 975 202	42 239 061	2 560 941	(2 807 732)
Investment income	28	4 332 280	232 758	17 809 044	125 455
Loss from joint venture company	8	(72 055)	(21 592)	–	–
Impairment of property, plant and equipment		(2 794 606)	–	–	–
Reversal of impairment on other financial assets		4 520 448	–	–	–
Finance costs	29	(11 036 477)	(5 335 988)	(9 457 190)	(25 926)
Profit (loss) before taxation		107 924 792	37 114 239	10 912 795	(2 708 203)
Taxation	30	(30 860 712)	(10 307 129)	1 177 403	1 083 870
Profit (loss) for the year		77 064 080	26 807 110	12 090 198	(1 624 333)
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		77 064 080	26 807 110	12 090 198	(1 624 333)
Total comprehensive income attributable to:					
Owners of the parent		76 840 867	26 623 525	12 090 198	(1 624 333)
Non-controlling interest	19	223 213	183 585	–	–
		77 064 080	26 807 110	12 090 198	(1 624 333)
Earnings per share					
Per share information					
Earnings per share	31	47.4	26.3	–	–

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2018

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated profit (loss)	Equity attributable to holders of the parent	Non-controlling interest	Total equity
Group							
Balance at 1 March 2016	10 125	229 313 266	229 323 391	33 737 533	263 060 924	(3 184 633)	259 876 291
Profit for the year	–	–	–	26 623 525	26 623 525	183 585	26 807 110
Other comprehensive income	–	–	–	–	–	–	–
Issue of shares	1 465	90 096 035	90 097 500	–	90 097 500	–	90 097 500
Opening balance as previously reported	11 590	319 409 301	319 420 891	60 361 058	379 781 949	(3 001 048)	376 780 901
Adjustments							
Early adoption of IFRS9: Valuation of financial instruments	–	–	–	(8 428 391)	(8 428 391)	–	(8 428 391)
Balance at 1 March 2017 as restated	11 590	319 409 301	319 420 891	51 932 667	371 353 558	(3 001 048)	368 352 510
Profit for the year	–	–	–	76 840 867	76 840 867	223 213	77 064 080
Other comprehensive income	–	–	–	–	–	–	–
Issue of shares	5 006	299 346 183	299 351 189	–	299 351 189	–	299 351 189
Business combinations	–	–	–	–	–	(237 717)	(237 717)
Balance at 28 February 2018	16 596	618 755 484	618 772 080	128 773 534	747 545 614	(3 015 552)	744 530 062
Notes	18	18	18			19	
Figures in Rand	Share capital	Share premium	Total share capital	Accumulated profit (loss)	Total equity		
Company							
Balance at 1 March 2016	11 090	230 675 332	230 686 422	(82 063 844)	148 622 578		
Loss for the year	–	–	–	–	–	(1 624 333)	(1 624 333)
Other comprehensive income	–	–	–	–	–	–	–
Issue of shares	1 465	90 096 035	90 097 500	–	–	–	90 097 500
Balance at 1 March 2017	12 555	320 771 367	320 783 922	(83 688 177)	237 095 745		
Profit for the year	–	–	–	–	–	12 090 198	12 090 198
Other comprehensive income	–	–	–	–	–	–	–
Issue of shares	5 006	299 346 183	299 351 189	–	–	–	299 351 189
Balance at 28 February 2018	17 561	620 117 550	620 135 111	(71 597 979)	548 537 132		
Notes	18	18	18				

STATEMENT OF CASH FLOWS

for the year ended 28 February 2018

Figures in Rand	Notes	Group		Company	
		2018	2017	2018	2017
Cash flows from operating activities					
Cash generated from (used in) operations	32	88 872 058	30 018 443	(3 079 508)	(1 223 205)
Interest income	28	4 332 280	232 758	809 044	125 455
Dividends received	28	–	–	17 000 000	–
Finance costs	29	(11 036 477)	(5 335 988)	(9 457 190)	(25 926)
Finance costs in instalment sales		960 586	435 491		
Tax (paid) received	33	(16 566 483)	85 296	–	–
Net cash from (used in) operating activities		66 561 964	25 436 000	5 272 346	(1 123 676)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(96 709 032)	(20 266 428)	–	–
Proceeds from disposal of property, plant and equipment		1 995 281	16 982	–	–
Purchase of intangible assets	6	(5 132 033)	(5 548 857)	–	–
Business combinations	34	(109 329 809)	–	–	–
Purchase of investments in subsidiaries	35	–	–	(270 499 998)	–
Purchase of financial assets		(1 283 849)	–	–	–
Net cash used in investing activities		(210 459 442)	(25 798 303)	(270 499 998)	–
Cash flows from financing activities					
Proceeds from share issue	18	148 101 189	90 097 500	148 101 189	90 097 500
Proceeds from interest bearing liabilities		–	59 052	73 292 337	–
Repayment of interest bearing liabilities		(37 249 138)	–	–	–
Repayment of interest bearing liability		–	(20 000 000)	–	–
Repayment of Group loans on Business combination		(120 205)	–	721 124	–
Repayment of shareholders loan		(49 966)	(1 182 506)	–	(1 182 506)
Instalment sale payments		(1 165 824)	(1 758 634)	–	–
Funds received for vehicle finance		1 780 874	–	–	–
Repayment of loans from Group companies		–	–	(14 734 132)	(17 798 456)
Net cash from (used in) financing activities		111 296 930	67 215 412	207 380 518	71 116 538
Total cash movement for the year		(32 600 548)	66 853 109	(57 847 134)	69 992 862
Cash at the beginning of the year		61 535 171	(5 317 938)	69 996 640	3 778
Total cash at end of the year	16	28 934 623	61 535 171	12 149 506	69 996 640

ACCOUNTING POLICIES

1. Presentation of Consolidated and Separate Annual Financial Statements

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

These accounting policies are consistent with the previous period.

Basis of preparation

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

1.1 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 or **CODM**) to make decisions about resources to be allocated to each segment and to assess each segment's performance, and for which discrete financial information is available.

The basis of 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 its 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.

Subsidiary companies

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

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

Joint arrangements

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

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

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.

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

1.2 Consolidation (continued)

Goodwill

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

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

1.3 Significant judgements and sources of estimation uncertainty

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

Significant judgements

Power to exercise significant influence

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

Estimates and assumptions

Trade receivables and Loans and receivables

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

Taxation

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

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that 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 company; and
- the cost of the item can be measured reliably.

ACCOUNTING POLICIES continued

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. From 2018, this category includes the commissions paid to the Business Partners at the commencement date of revenue contracts entered into between Huge Telecom or Huge Connect and their customers where the duration and benefit of such contracts extends into future reporting periods. In previous years, these payments were classified as DIBs – refer to note 11.

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

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

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

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

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 Software

This is recognised when:

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

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

Router Development Technology

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

No research costs have been capitalised to Router Development Technology.

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

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

Patents

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

Subsequent expenditure on Software, which is internally generated and Software which is purchased

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

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

1.5 Intangible assets Software (continued)

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

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

1.5

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

Item	Useful life
Patents	20 years from date of first granting of patent
Router Development Technology	10 years
Software, internally generated	10 years
Software, purchased	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
Other financial assets	Loans and receivables
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 liabilities	Other liabilities at amortised cost

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

Initial recognition and measurement

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

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

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

Derecognition

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

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

Trade and other receivables, loans receivable and other financial assets

Trade and other receivables, loans receivable and other financial assets 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 continued

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

1.6 Financial instruments Classification (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

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

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.

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

In 2017, deferred DIBs were amortised over the expected life of the customer and were classified as current or non-current assets.

From 2018, these items are now classified as Plant, Property and Equipment. Refer to note 1.4 and note 11.

Deferred SOHOR expenditure

In 2017, the cost of such SOHOR devices was amortised over the duration of the revenue contracts to cost of sales. Deferred SOHOR expenditure was classified as current and non-current assets.

From 2018, these items are now classified as Plant, Property and Equipment. Refer to note 1.4 and note 11.

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

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

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

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

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

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

1.9 Instalment sales and operating leases

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

1.9 Instalment sales and operating leases (continued)

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

Instalment sales/liabilities

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

The instalment sale 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 are recorded as expenses in the periods in which they are incurred.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the

contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

1.10 Inventories

Inventories comprise stock held by Accknowledge, Huge Connect, Huge Networks and Huge Telecom and consists of router equipment and merchandise not yet deployed and installed at customers' premises.

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

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

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

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.

ACCOUNTING POLICIES *continued*

1. An impairment loss is recognised for Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.11 Impairment of assets

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 investee 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.

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 annual leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted.

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

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

Defined contribution plans

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

1.14 Revenue

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

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

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

1.15 Earnings and headline earnings per share

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

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

1.16 Borrowing costs

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

2. New Standards and Interpretations

2.1 Standards and Interpretations early adopted

The Group has chosen to early adopt the following standards and interpretations:

IFRS 9 Financial Instruments

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

The Group early adopted the standard for the first time in these 2018 Consolidated and Separate Annual Financial Statements.

The impact of early adoption is noted in note 42.

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRS 15 also includes extensive new disclosure requirements.

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

The Group has conducted an assessment of the impact of this standard on the AFS and determined that there will be no material impact.

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 2018 or later periods:

IFRS 16 Leases

IFRS 16 is the new Leases standard.

- IFRS 16 is a new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.
- IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.
- 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 2018.

The Group expects to adopt the standard for the first time in the 2019 AFS. The impact of the standard is currently being assessed.

3. Segmental reporting

The directors have considered IFRS 8 Operating Segments and are of the opinion, based on the information provided to the 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 14. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

3. Segmental reporting (continued)

Reporting segments

In terms of Huger's segmental reporting, the Telecom Grouping comprises the following companies:

- 50.2% held Ambient Mobile, the shares of which are held by Huger Telecom
- 100% held Huger Cellular the holding company of which is Huger Telecom
- 100% held Huger Networks, the holding company of which is Huger Telecom
- 100% held Huger Soho, the holding company of which is Huger
- 100% held Huger Software, the holding company of which is Huger
- 100% held Huger Telecom, the holding company of which is Huger
- 49.66% held Le Gacy, the shares of which are held by Huger Telecom

In terms of Huger's segmental reporting, the Fintech Grouping comprises the following companies:

- Huger Connect, the holding company of which is Huger.

In terms of Huger's segmental reporting, the Corporate Office Grouping comprises the following companies:

- Huger itself
- 75% held Accknowledge, the shares of which are held by Huger
- 96% held Eyeballs the shares of which are held by Huger

Geographic areas

The Group has operations physically located in 5 regions, which are Gauteng, Western Cape, Eastern Cape, North West and Free State.

Services

The Group provides the following services: Voice connectivity services, Messaging services, Fintech, ISP services, Software licencing and Telephone Management Services. Refer to note 24 for more detail.

2018	Telecom Grouping	Fintech Grouping	Corporate Office Grouping	Total
Revenue	262 524 350	136 919 583	1 937 663	401 381 596
Cost of sales	(135 669 569)	(40 865 210)	(308 841)	(176 843 620)
Gross profit	126 854 781	96 054 373	1 628 822	224 537 976
Other income	1 285 079	1 294 577	–	2 579 656
Selling and administration expenses	(21 731 332)	(13 481 272)	(8 209 649)	(43 422 253)
Employee costs	(44 826 217)	(14 036 000)	(11 857 960)	(70 720 177)
Operating profit (loss)	61 582 311	69 831 678	(18 438 787)	112 975 202
Investment income	610 813	2 973 377	748 090	4 332 280
Loss from joint venture company	(72 055)	–	–	(72 055)
Impairment of property, plant and equipment	(2 794 606)	–	–	(2 794 606)
Reversal of impairment on other financial assets	–	4 520 448	–	4 520 448
Finance costs	(1 600 211)	(13 401)	(9 422 865)	(11 036 477)
Profit (loss) before taxation	57 726 252	77 312 102	(27 113 562)	107 924 792
Taxation	(13 140 936)	(18 702 629)	982 853	(30 860 712)
Profit (loss) for the year	44 585 316	58 609 473	(26 130 709)	77 064 080

Assets and liabilities – 2018	Telecom Grouping	Fintech Grouping	Corporate Office Grouping	Total
Non-Current Assets	147 110 594	60 077 466	594 521 076	801 709 136
Current Assets	98 431 738	20 210 237	16 141 486	134 783 461
	245 542 332	80 287 703	610 662 562	936 492 597
Non-Current Liabilities	(51 548 244)	(11 082 823)	(52 694 350)	(115 325 417)
Current Liabilities	(32 370 241)	(7 265 164)	(37 001 713)	(76 637 118)
	(83 918 485)	(18 347 987)	(89 696 063)	(191 962 535)

2017	Telecom Grouping	Fintech Grouping	Corporate Office Grouping	Total
Revenue	245 993 067	–	–	245 993 067
Cost of sales	(127 380 868)	–	–	(127 380 868)
Gross profit	118 612 199	–	–	118 612 199
Other income	1 246 872	–	–	1 246 872
Selling and administration expenses	(21 668 092)	–	(8 721 011)	(30 389 103)
Employee costs	(47 230 907)	–	–	(47 230 907)
Operating profit (loss)	50 960 072	–	(8 721 011)	42 239 061
Investment revenue	107 303	–	125 455	232 758
Loss from joint venture company	(21 592)	–	–	(21 592)
Finance costs	(5 310 062)	–	(25 926)	(5 335 988)
Profit (loss) before taxation	45 735 721	–	(8 621 482)	37 114 239
Taxation	(11 390 999)	–	1 083 870	(10 307 129)
Profit (loss) for the year	34 344 722	–	(7 537 612)	26 807 110

Assets and liabilities – 2017	Telecom Grouping	Fintech Grouping	Corporate Office Grouping	Total
Non-Current Assets	203 027 079	–	114 454 106	317 491 185
Current Assets	47 006 867	–	74 915 804	121 922 671
	250 033 946	–	189 379 910	439 413 856
Non-Current Liabilities	(11 273 372)	–	–	(11 273 372)
Current Liabilities	(37 483 419)	–	(13 876 164)	(51 359 583)
	(48 756 791)	–	(13 876 164)	(62 632 955)

The total assets and liabilities of each reportable segment are not regularly provided to the CODM. The CODM reviews the Group statement of financial position.

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS *continued*

4. Property, plant and equipment

Group	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Customer premise equipment	221 477 454	(49 943 974)	171 533 480	86 352 834	(16 427 256)	69 925 578
Furniture and fixtures	2 531 681	(2 085 204)	446 477	313 512	(251 435)	62 077
Motor vehicles	8 197 182	(4 186 559)	4 010 623	4 190 879	(2 531 341)	1 659 538
Computer equipment	13 660 432	(10 982 014)	2 678 418	7 733 335	(6 158 334)	1 575 001
Leasehold improvements	1 396 310	(1 396 310)	–	385 358	(385 358)	–
Total	247 263 059	(68 594 061)	178 668 998	98 975 918	(25 753 724)	73 222 194

Reconciliation of property, plant and equipment – Group – 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Impairment loss	Total
Customer premises equipment	69 925 578	92 318 003	24 949 129	(56 362)	(12 808 262)	(2 794 606)	171 533 480
Furniture and fixtures	62 077	128 887	445 277	(121 702)	(68 062)	–	446 477
Motor vehicles	1 659 538	3 200 762	377 709	(243 859)	(983 527)	–	4 010 623
Computer equipment	1 575 001	1 061 380	1 379 138	(427 040)	(910 061)	–	2 678 418
	73 222 194	96 709 032	27 151 253	(848 963)	(14 769 912)	(2 794 606)	178 668 998

Reconciliation of property, plant and equipment – Group – 2017

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

Encumbered assets

Two (2017: Three) light commercial vehicles with a carrying value of R144 179 (2017: R189 849) serve as security for instalment sale agreements concluded with Wesbank, a division of FirstRand Bank. Refer to note 20.

Twenty-three (2017: Twelve) light commercial vehicles with a carrying value of R3 837 036 (2017: R1 414 190) serve as security for instalment sale agreements concluded with Merchant West Proprietary Limited. Refer to note 20.

5. Goodwill

Group	2018			2017		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	593 541 026	(97 774)	593 443 252	215 251 256	(97 774)	215 153 482

Reconciliation of goodwill – Group – 2018

	Opening balance	Additions through business combinations	Total
Goodwill	215 153 482	378 289 770	593 443 252

Reconciliation of goodwill – Group – 2017

	Opening balance	Total
Goodwill	215 153 482	215 153 482
Consisting of:		
Huge Telecom	215 153 482	215 153 482
Huge Connect	373 826 719	–
Accknowledge	4 463 051	–
	593 443 252	215 153 482

Huge Telecom

The Goodwill arose on the acquisition of Huge Telecom on 9 July 2007 and on the acquisition of Huge Soho on 15 February 2008. These businesses are measured and viewed as a single CGU.

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

The recoverable amount or value in use was determined by discounting the future cash flows generated by the CGU, which consists of Huge Telecom, Huge Soho, Huge Cellular and Huge Software. The valuation of the goodwill attributable to this CGU, based on the valuation performed by Managhan SA Proprietary Limited, is R522 362 000 (2017: R397 470 000).

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 the CGU 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 19.4% for the year to 28 February 2019 (2018: (8.4%)), 11.9% for the years to 28 February 2020 to 2023 (2018: (8.4%));
- cost of sales growth rate of 3.7% for the year to 28 February 2019 (2018: (13.4%)), 13.2% for the years to 28 February 2020 to 2023 (2018: (13.4%));
- operating costs increasing at a growth rate of 26.3% for the year to 28 February 2019 (2018: 1.9%), and 10% for the years from 28 February 2020 to 2023 (2018: 1.9%);
- a weighted average cost of capital represented by a pre-tax discount rate of 15.84% (2018: 17.09%); and
- a terminal growth rate of 3.0% (2018: 3.1%).

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

5. Goodwill (continued)

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

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

Huge Connect and Huge Networks

The goodwill arose on the acquisition of Huge Connect and Huge Networks on 30 March 2017. These businesses are measured and viewed as separate CGUs.

During the current 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 these CGUs, which consist of Huge Connect and Huge Networks. The valuation of the goodwill attributable to the these two CGUs, based on the valuation performed by Managhan SA Proprietary Limited, is R523 990 000.

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 the CGUs operate. The WACC is represented by a pre-tax discount rate which is based on a risk free rate of return, adjusted by a premium 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 9.9% for the year 28 February 2019, 8% for the years to 28 February 2020 to 2023;
- cost of sales growth rate of 25% for the year to 28 February 2019, 7.38% for the years to 28 February 2020 to 2023;
- operating costs increasing at a growth rate of 5.1% for the year to 28 February 2019, and 8% for the years from 28 February 2020 to 2023;
- a weighted average cost of capital represented by a pre-tax discount rate of 15.84%; and
- a terminal growth rate of 3.0%.

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

- an increase in the WACC;
- a decrease in the forecast gross profit percentage; 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.

Accknowledge

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

During the current 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 this CGU, which consists of Accknowledge. The valuation of the goodwill attributable to this CGU, which based on the valuation performed by Managhan SA Proprietary Limited, is R10 153 000.

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 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 8.9% for the year 28 February 2019, 32.45% for the years to 28 February 2020 to 2023;
- cost of sales growth rate of (45%) for the year to 28 February 2019, 47.55% for the years to 28 February 2020 to 2023;
- operating costs increasing at a growth rate of (37%) for the year to 28 February 2019, and 8% for the years from 28 February 2020 to 2023;
- a weighted average cost of capital represented by a pre-tax discount rate of 15.84%; and
- a terminal growth rate of 3.0%.

5. Goodwill (continued)

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

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

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

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

6. Intangible assets

Group	2018			2017		
	Cost	Accumulated amortisation and impairment losses	Carrying value	Cost	Accumulated amortisation and impairment losses	Carrying value
Router Development Technology	2 870 749	(174 539)	2 696 210	1 714 387	–	1 714 387
Software, internally generated	25 053 428	(20 101 619)	4 951 809	17 238 161	(15 213 465)	2 024 696
Software, purchased	1 250 431	(413 219)	837 212	2 479 785	(2 410 183)	69 602
Patents	629 500	(435 050)	194 450	393 264	(274 522)	118 742
Total	29 804 108	(21 124 427)	8 679 681	21 825 597	(17 898 170)	3 927 427

Company	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software, internally generated	13 925	(13 925)	–	13 925	(4 642)	9 283

Reconciliation of intangible assets – Group – 2018

	2018		2017		Total
	Opening balance	Additions	Amortisation	Transfers	
Router Development Technology	1 714 387	1 156 363	(174 540)	–	2 696 210
Software, internally generated	2 024 696	3 130 067	(548 053)	345 099	4 951 809
Software, purchased	69 602	769 895	(2 285)	–	837 212
Patents	118 742	75 708	–	–	194 450
	3 927 427	5 132 033	(724 878)	345 099	8 679 681

During the current year, the directors have reassessed the useful life of router development technology and internally generated software from 3 years to 10 years.

Reconciliation of intangible assets – Group – 2017

	2017		2016		Total
	Opening balance	Additions	Disposals	Transfers	
Router Development Technology	1 274 951	1 442 887	(1 003 451)	–	1 714 387
Computer software, internally generated	88 893	4 071 598	–	(118 211)	2 024 696
Computer software, purchased	95 930	13 466	–	118 211	69 602
Patents	97 836	20 906	–	–	118 742
	1 557 610	5 548 857	(1 003 451)	–	3 927 427

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

6. Intangible assets (continued)

Reconciliation of intangible assets – Company – 2018

	Opening balance	Amortisation	Total
Computer software, internally generated	9 283	(9 283)	–

Reconciliation of intangible assets – Company – 2017

	Opening balance	Amortisation	Total
Computer software, internally generated	13 925	(4 642)	9 283

Router Development Technology

During the prior financial years, Huge Software acquired certain intellectual property to facilitate the development of the Group's own router equipment. The development costs incurred during the year amounts to R1 156 363 (2017: R 1 442 887) and is included under additions.

7. Investments in subsidiary companies

Name of company	Held by	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Accknowledge	Huge	75.0	–	3 750 000	–
Ambient	Huge				
Eyeballs	Telecom	50.2	50.2	–	–
	Huge	96.0	96.0	6 115 194	6 115 194
Huge Cellular	Huge				
Huge Connect	Telecom	100.0	100.0	–	–
	Huge	100.0	–	417 999 998	–
Huge Networks	Huge				
Huge Software	Telecom	100.0	–	–	–
Huge Soho	Huge	100.0	100.0	100	100
Huge Telecom	Huge	100.0	100.0	69 411 943	69 411 943
	Huge				
Le Gacy	Huge				
	Telecom	49.7	49.7	–	–
				610 620 614	188 870 616
Provision for impairment of investment in Huge Soho				(69 411 943)	(69 411 943)
Provision for impairment of investment in Eyeballs				(6 115 194)	(6 115 194)
Net carrying amount				535 093 477	113 343 479

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

The investments in Eyeballs and Huge Soho have been impaired by R75 527 137 (2017: R75 527 137), as a result of the uncertainty of the recoverability of the carrying amounts of these investments.

8. Investment in joint venture company

By the Group

Name of company	Held by	% ownership interest 2018	% ownership interest 2017	Carrying amount 2018	Carrying amount 2017
Gonondo	Huge Telecom	50.0	50.0	615 832	687 887

The above mentioned joint venture company is incorporated and has its effective place of business in South Africa. The information presented below represents 100% of Gonondo's results.

Huge Telecom and Multimatics have a joint arrangement involving Gonondo.

There are no restrictions on the joint venture company relating to the transfer of funds.

The financial period of the joint venture company is aligned with that of the Group.

Carrying amount

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

Figures in Rand	Group		Company	
	2018	2017	2018	2017
Opening balance	687 887	709 479	–	–
Share of retained earnings	(72 055)	(21 592)	–	–
Carrying amount	615 832	687 887	–	–

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

Loss from joint venture company	(72 055)	(21 592)	–	–
Share of retained earnings from the joint venture company	(72 055)	(21 592)	–	–

Summary of the joint venture company

Statement of financial position

Non-Current Assets	–	1 100	–	–
Current Assets	1 052 490	848 261	–	–
Current Liabilities – non-interest bearing	(739 631)	(392 396)	–	–
Equity	312 859	456 965	–	–

Statement of comprehensive income

Revenue	1 097 104	1 225 214	–	–
Other expenses	(1 251 083)	(1 280 189)	–	–
Investment income	9 869	8 727	–	–
Taxation income (expense)	–	3 065	–	–
Loss for the year	(144 110)	(43 183)	–	–

Statement of cash flows

Cash flows from operating activities	(244 753)	210 066	–	–
Net cash flow	(244 753)	210 066	–	–

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

Figures in Rand	Group		Company	
	2018	2017	2018	2017
9. Other financial assets				
Loans and receivables				
Loan – Intelpay Proprietary Limited	7 495 923	–	–	–
<p>The loan bears interest at prime plus 2% compounded monthly. The loan is repayable after 24 months by applying it to the cost price (to be determined by a predetermined formula) of ordinary shares of Intelpay Proprietary Limited to be issued to Huge Connect and equivalent to a 43% shareholding. If the ordinary shares issue price is greater than the loan amount, the difference has to be settled. If the loan amount is greater than the share issue price, a loan account will be created in the name of the company.</p> <p>Huge Connect has the right to terminate the conversion of the loan into ordinary shares if certain predetermined milestones are not achieved. This will result in the undrawn amount of the loan being cancelled and that the outstanding amount becoming repayable in 48 equal monthly instalments.</p> <p>The total loan facility is R6 295 890 of which R6 295 890 has been advanced to Intelpay Proprietary Limited at the end of the financial year.</p> <p>There was a reversal of a provision for impairment of R4 520 448 during the current year.</p>				
Non-current assets				
Loans and receivables	7 495 923	–	–	–
10. Deferred tax				
Deferred tax asset	12 805 450	7 550 181	2 288 747	1 111 344
Deferred tax liability	(30 670 276)	(9 942 033)	–	–
	(17 864 826)	(2 391 852)	2 288 747	1 111 344
Reconciliation of deferred tax balances				
At beginning of year	(2 391 852)	4 992 709	1 111 344	27 474
Included in income tax	(11 582 344)	(7 384 561)	1 177 403	1 083 870
Acquired on business combination	(3 890 630)	–	–	–
	(17 864 826)	(2 391 852)	2 288 747	1 111 344
Composition of deferred tax				
Accrual for credit notes	64 918	139 123	–	–
Accrual for leave pay	1 310 690	684 361	21 200	–
Allowance for doubtful debts	452 984	554 529	–	–
Intangible assets	(291 404)	(52 668)	–	–
Deferred expenditure	(9 901 732)	(6 900 315)	–	–
Prepayments	(181 580)	–	–	–
Property, plant and equipment	(16 582 446)	(2 989 054)	–	–
Tax losses available for set off against future taxable income	7 263 744	6 172 172	2 267 547	1 111 344
	(17 864 826)	(2 391 852)	2 288 747	1 111 344
Recognition of deferred tax asset				
<p>A deferred tax asset has been raised on assessed tax losses based on conservative forecasts of future taxable income. The directors are satisfied that the deferred tax assets will be recovered.</p>				

Figures in Rand	Group		Company	
	2018	2017	2018	2017
11. Deferred expenditure (Refer to note 1.7 and 1.44)				
Deferred DIBs	–	23 311 568	–	–
Deferred SOHOR expenditure	–	1 332 413	–	–
	–	24 643 981	–	–
Non-current portion	–	16 950 014	–	–
Current portion	–	7 693 967	–	–
	–	24 643 981	–	–

12. Inventories

Router equipment	104 930	600 953	–	–
Merchandise	1 114 263	45 900	–	–
	1 219 193	646 853	–	–

There was no write-off of inventory during the year (2017: R Nil).

**13. Loans to/(from) Group companies
Subsidiary companies**

Huge Telecom	–	–	50 130 955	(6 838 901)
Huge Soho	–	–	1 302 617	1 253 276
Huge Software	–	–	30 571 592	61 591 999
Eyeballs	–	–	21 233 535	20 835 146
Huge Connect	–	–	(10 181 690)	–
Accknowledge	–	–	(1 033 628)	–
	–	–	92 023 381	76 841 520
Impairment of Huge Soho	–	–	(1 302 617)	(1 253 276)
Impairment of Eyeballs	–	–	(21 233 535)	(20 835 146)
	–	–	69 487 229	54 753 098

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

The provision for impairment for Huge Soho and Eyeballs was adjusted by R447 730 (2017: R1 162 504) in line with the movement in the loans.

Current assets	–	–	80 702 547	61 591 999
Current liabilities	–	–	(11 215 318)	(6 838 901)
	–	–	69 487 229	54 753 098

14. Loans to/(from) shareholders

AD Potgieter	–	898 784	–	898 784
JC Herbst	–	(177 660)	–	(177 660)
	–	721 124	–	721 124

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

The loans could not be repaid without the consent of FirstRand Bank.

Current assets	–	898 784	–	898 784
Current liabilities	–	(177 660)	–	(177 660)
	–	721 124	–	721 124

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

Figures in Rand	Group		Company	
	2018	2017	2018	2017
15. Trade and other receivables				
Trade receivables	36 555 561	36 596 091	2 991 764	–
Contractual asset	16 000 000	–	–	–
Deposits	3 274 603	1 002 073	–	–
Other receivables	471 516	89 086	376	376
Amounts subject to legal dispute	4 020 004	4 020 004	4 020 004	4 020 004
Prepayments	36 568 137	–	–	–
VAT	6 394 315	–	–	–
	103 284 136	41 707 254	7 012 144	4 020 380

Trade and other receivables pledged as security

Huge Telecom has ceded, as security, all its rights, title and interest in and to the Huge Telecom book debts of R30 000 000 (2017: R30 000 000) to FirstRand Bank (refer to note 16).

16. Cash and cash equivalents

Cash on hand	4 359	23 067	–	–
Bank balances	29 037 132	70 952 746	12 149 506	69 996 640
Short-term deposits	1 224 004	–	–	–
Bank overdraft	(1 330 872)	(9 440 642)	–	–
	28 934 623	61 535 171	12 149 506	69 996 640
Current assets	30 265 495	70 975 813	12 149 506	69 996 640
Current liabilities	(1 330 872)	(9 440 642)	–	–
	28 934 623	61 535 171	12 149 506	69 996 640

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

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

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

- Ambient
- Huge Soho

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

- Accknowledge
- Huge Connect
- Huge Networks

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 R15 000 000.
- Settlement payment and collection system (PACS) facility of R3 000 000.

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

16. Cash and cash equivalents (continued)**Collateral**

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

Surety	Debtor	Amount
Huge Soho	Huge Telecom	Unlimited
Huge Group	Huge Telecom	Unlimited

- Subordination by Huge of its loan account balances held against Huge Telecom in favour of FirstRand Bank;
- 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.

17. Financial assets by category

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

Group – 2018

	Loans and receivables	Total
Other financial assets	7 495 923	7 495 923
Trade and other receivables (excl VAT and prepayments)	56 301 680	56 301 680
Cash and cash equivalents	30 265 495	30 265 495
	94 063 098	94 063 098

Group – 2017

	Loans and receivables	Total
Loans to shareholders	898 784	898 784
Trade and other receivables (excl VAT and prepayments)	37 687 250	37 687 250
Cash and cash equivalents	70 975 813	70 975 813
	109 561 847	109 561 847

Company – 2018

	Loans and receivables	Total
Loans to Group companies	80 702 548	80 702 548
Trade and other receivables (excl VAT and prepayments)	2 992 140	2 992 140
Cash and cash equivalents	12 149 506	12 149 506
	95 844 194	95 844 194

Company – 2017

	Loans and receivables	Total
Loans to Group companies	61 591 999	61 591 999
Loans to shareholders	898 784	898 784
Trade and other receivables (excl VAT and prepayments)	376	376
Cash and cash equivalents	69 996 640	69 996 640
	132 487 799	132 487 799

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS *continued*

Figures in Rand	Group		Company	
	2018	2017	2018	2017
18. 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	175 602 077	125 551 443	175 602 077	125 551 443
Shares held by Huge Telecom as treasury shares	(9 646 926)	(9 646 926)	–	–
	165 955 151	115 904 517	175 602 077	125 551 443

Issued share capital	Number of shares	Share capital – Group R	Share premium – Group R	Share capital – Company R	Share premium – Company R
Opening balance at 1 March 2016	101 254 517	10 125	229 313 265	11 090	230 675 332
14 650 000 shares issued at R6.15 per share	14 650 000	1 465	90 096 035	1 465	90 096 035
Closing balance at 28 February 2017	115 904 517	11 590	319 409 301	12 555	320 771 367
24 373 551 shares issued at R6.15 per share	24 373 551	2 437	149 894 901	2 437	149 894 901
25 208 333 shares issued at R6.00 per share	25 208 333	2 522	151 247 478	2 522	151 247 478
468 750 shares issued at R8.00 per share	468 750	47	3 749 953	47	3 749 953
Capital raising expenses	–	–	(5 546 149)	–	(5 546 149)
Closing balance at 28 February 2018	165 955 151	16 596	618 755 484	17 561	620 117 550
Treasury shares					
Opening balance at 1 March 2016	9 646 926	965	(64 946)	–	–
Closing balance at 28 February 2017	9 646 926	965	(64 946)	–	–
Closing balance at 28 February 2018	9 646 926	965	(64 946)	–	–

Total share capital	Group		Company	
	2018	2017	2018	2017
Issued shares	16 596	11 590	17 561	12 555
Share Premium	618 485 484	319 409 301	620 117 550	320 771 367
	618 502 080	319 420 891	620 135 111	320 783 922

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 31 August 2017. This authority remains in force until the next annual general meeting to be held on 30 August 2018.

The treasury shares held by Huge Telecom are subject to a cession agreement in favour of Telemasters for the obligations of Huge Cellular, which as at 28 February 2018 are nil.

19. Non-controlling interest

	Eyeballs	Ambient	Le Gacy	Accknowledge	Total
Non-controlling shareholding	4.0%	49.8%	50.3%	–%	
Balance at 28 February 2016	(2 560 240)	243 341	(867 734)	–	(3 184 633)
Share of (loss) profit for the year	2 349	219 201	(37 965)	–	183 585
Balance at 28 February 2017	(2 557 891)	462 542	(905 699)	–	(3 001 048)
Non-controlling shareholding	4.0%	49.8%	50.3%	25.0%	
Share of profit (loss) for the year	186 713	73 633	(44 380)	7 247	223 213
Business combination	–	–	–	(237 717)	(237 717)
Balance at 28 February 2018	(2 371 178)	536 175	(950 079)	(230 470)	(3 015 552)

The below information represents 100% of the subsidiary companies' results.

Summary of Group's interest in the subsidiary companies

Statement of financial position	Eyeballs		Ambient	
	2018	2017	2018	2017
Non-current assets	2 354 851	4 158 918	507 558	570 534
Current assets	6 897 876	841	760 734	429 459
Current liabilities	(21 305 497)	(20 880 356)	(2 075 024)	(1 954 583)
Equity	(12 052 770)	(16 720 597)	(806 732)	(954 590)

Statement of comprehensive income

Revenue	–	–	3 007 998	3 124 861
Cost of sales	–	–	(2 319 351)	(2 192 584)
Other income	6 660 034	314 392	622 487	626 018
Other expenses	(1 687 754)	(269 595)	(892 305)	(757 219)
Finance costs	–	–	(208 035)	(192 527)
Investment income	–	–	40	2 788
Income tax expense	(1 823 453)	13 929	(62 976)	(171 174)
Profit (loss) for the year	4 667 827	58 726	147 858	440 163

Statement of cash flows

Cash flows from operating activities	(322 477)	180 546	1 040 219	156 464
Cash flows from investing activities	(75 708)	(20 907)	–	–
Cash flows from financing activities	398 389	(160 765)	(1 011 923)	(158 672)
Net cash outflow	204	(1 126)	28 296	(2 208)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

19. Non-controlling interest (continued)

Statement of financial position	Le Gacy		Acknowledge	
	2018	2017	2018	2017
Non-current assets	–	–	1 077 824	–
Current assets	18 619	23 449	250 287	–
Long-term liabilities	–	–	(1 457 571)	–
Current liabilities	(583 195)	(499 795)	(792 421)	–
Equity	(564 576)	(476 346)	(921 881)	–
Statement of comprehensive income				
Revenue	7 821	35 303	1 937 662	–
Cost of sales	(4 015)	(13 086)	(308 841)	–
Other income	–	–	–	–
Other expenses	(92 036)	(98 447)	(1 379 056)	–
Finance costs	–	–	(26 762)	–
Investment income	–	753	334	–
Income tax expense	–	–	(194 350)	–
Profit (loss) for the year	(88 230)	(75 477)	28 987	–
Statement of cash flows				
Cash flows from operating activities	(21 631)	(62 451)	291 435	–
Cash flows from investing activities	–	–	(1 109 878)	–
Cash flows from financing activities	15 000	17 280	806 123	–
Net cash outflow	(6 631)	(45 171)	(12 320)	–

20. Instalment sales

Figures in Rand	Group		Company	
	2018	2017	2018	2017
Minimum instalment payments due				
– within one year inclusive	2 554 346	1 373 938	–	–
– in second to fifth year inclusive	2 457 640	1 621 736	–	–
	5 011 986	2 995 674	–	–
less: future finance charges	(939 187)	(498 511)	–	–
Present value of minimum instalment payments	4 072 799	2 497 163	–	–
Present value of minimum instalment payments due				
– within one year	1 917 658	1 165 824	–	–
– in second to fifth year	2 155 141	1 331 339	–	–
	4 072 799	2 497 163	–	–
Non-current liabilities	2 155 141	1 331 339	–	–
Current liabilities	1 917 658	1 165 824	–	–
	4 072 799	2 497 163	–	–

The Group leases motor vehicles under instalment sale agreements. The average term is 36 months ending during 2018 and the rate of borrowing is variable. Interest rates are linked to the prime overdraft rate at the contract date. Monthly instalments are R212 862 (2017: R99 624) inclusive of interest. There are renewal options on the lease of properties.

The Group's obligations under instalment sales are secured with motor vehicles. Refer to note 4.

Figures in Rand	Group		Company	
	2018	2017	2018	2017
21. Interest bearing liabilities				
Held at amortised cost				
Futuregrowth – Held through Huge Group	73 292 337	–	73 292 337	–
The loan bears interest compounded quarterly at three-month JIBAR plus 4%. The loan is repayable over a 60-month period.				
Covenants:				
1. Debt to EBITDA between 0 and 4				
2. EBITDA to debt interest not less than 4				
3. Debt service to EBITDA not less than 4				
4. Group debt to Group EBITDA between 0 and 2.5				
Futuregrowth – Held through Huge Software	30 566 944	–	–	–
The loan bears interest compounded quarterly at three-month JIBAR plus 4%. The loan is repayable at the end of a 60-month period.				
Covenant:				
1. Debt to EBITDA between 0 and 4				
2. EBITDA to debt interest not less than 4				
3. Debt service to EBITDA not less than 4				
4. Group debt to Group EBITDA between 0 and 2.5				
J Ingram	97 455	89 556	–	–
EM Kerby	693 039	619 329	–	–
GB Shiers	49 305	44 051	–	–
	104 699 080	752 936	73 292 337	–
The J Ingram, EM Kerby and GB Shiers loans are unsecured, bear interest at the prime overdraft rate (2017: 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.				
Non-Current Liabilities				
At amortised cost	82 500 000	–	52 500 000	–
Current Liabilities				
At amortised cost	22 199 080	752 936	20 792 337	–
	104 699 080	752 936	73 292 337	–

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

Figures in Rand	Group		Company	
	2018	2017	2018	2017
22. Trade and other payables				
Trade payables	18 530 723	22 455 025	2 326 591	630 728
VAT	3 817 371	747 561	299 376	1 806 097
Trade payables subject to legal dispute	1 333 966	4 331 554	1 333 966	4 331 554
Payroll accruals	6 203 665	3 773 868	241 702	91 224
Accrued leave pay	2 444 832	217 533	–	–
Accrued Business Partner commission	7 728 681	3 720 521	–	–
Operating lease payables	253 421	–	–	–
Deposits received	704 087	320 361	–	–
Deferred revenue	490 129	–	–	–
	41 506 875	35 566 423	4 201 635	6 859 603

23. Financial liabilities by category

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

Group – 2018

	Financial liabilities at amortised cost	Total
Instalment sales	4 072 799	4 072 799
Interest bearing liabilities	104 699 080	104 699 080
Trade and other payables	19 978 360	19 978 360
Bank overdraft	1 330 872	1 330 872
	130 081 111	130 081 111

Group – 2017

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

Company – 2018

	Financial liabilities at amortised cost	Total
Loans from Group companies	11 215 318	11 215 318
Interest bearing liabilities	73 292 337	73 292 337
Trade and other payables	2 326 591	2 326 591
	86 834 246	86 834 246

Company – 2017

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

24. Revenue

Voice connectivity services	222 923 803	230 762 721	–	–
Payment connectivity services	136 438 051	–	–	–
Data connectivity services	34 770 533	–	–	–
Messaging services	3 727 126	4 027 560	–	–
Software licence fees	1 937 662	–	–	–
Telephone management services	1 584 421	1 202 786	–	–
Connection incentive bonus	–	10 000 000	–	–
	401 381 596	245 993 067	–	–

25. Cost of sales

Voice connectivity services	71 815 039	86 080 613	–	–
Business Partner commissions	33 337 840	32 298 012	–	–
Router equipment depreciation	6 785 291	6 424 636	–	–
Payment connectivity services	39 158 090	–	–	–
Data connectivity services	21 777 797	–	–	–
Messaging services	2 319 351	1 059 160	–	–
Telephone management services	1 341 372	1 518 447	–	–
Software licence fees	308 840	–	–	–
	176 843 620	127 380 868	–	–

26. Other income

Profit on sale of property, plant and equipment	1 149 864	4 633	–	–
Administration fees received	337 377	874 243	22 154 609	5 913 279
Rental income	468 707	183 125	–	–
Sundry income	561 297	184 871	–	–
Other income	62 411	–	–	–
	2 579 656	1 246 872	22 154 609	5 913 279

27. Operating profit (loss)

Operating profit (loss) for the year is stated after accounting for the following:

Income from subsidiaries

Dividends	–	–	17 000 000	–
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Operating lease charges

Premises

• Straight-line basis	8 800 444	4 456 321	–	–
Equipment				
• Straight-line basis	136 168	81 922	–	35 263
	8 936 612	4 538 243	–	35 263

**NOTES TO THE CONSOLIDATED AND SEPARATE
ANNUAL FINANCIAL STATEMENTS** *continued*

Figures in Rand	Group		Company	
	2018	2017	2018	2017
27. Operating profit (loss) (continued)				
Depreciation of property, plant and equipment	14 769 912	8 125 032	–	–
Amortisation of intangible assets	724 878	2 175 589	9 283	4 642
Impairment of property, plant and equipment	2 794 606	–	–	–
Reversal of impairments of loan to Group companies	–	–	447 729	(1 162 504)
Reversal of impairment of other financial assets	(4 520 448)	–	–	–
Profit on exchange differences	5 064	–	–	–
Employee costs	99 190 427	47 230 907	10 728 593	3 451 349
Amount expensed in respect of retirement benefit plans:	–	4 085 610	–	–
Research and development costs	7 915	–	–	–
Legal expenses	5 236 692	3 176 494	–	–
Bad debts written off	(146 258)	2 914 187	–	–
28. Investment income				
Dividend revenue				
Subsidiaries companies	–	–	17 000 000	–
Interest income				
Bank	3 052 383	26 934	809 044	7 729
Interest charged on trade and other receivables	453 708	88 098	–	–
Other receivables	707 856	117 726	–	117 726
Loans to owners	118 333	–	–	–
	4 332 280	232 758	809 044	125 455
	4 332 280	232 758	17 809 044	125 455
29. Finance costs				
Group companies	–	–	871 324	–
Shareholders' loans	65 956	101 560	65 913	25 922
Interest bearing liabilities	9 086 897	–	8 519 953	–
Trade and other payables	224 263	92 143	–	4
Instalment sales	960 586	435 491	–	–
Bank overdraft	698 775	4 706 794	–	–
	11 036 477	5 335 988	9 457 190	25 926
30. Taxation				
Major components of the tax expense/(income)				
Current				
Local income tax – current period	(19 278 368)	(2 922 566)	–	–
	(19 278 368)	(2 922 566)	–	–
Deferred				
Originating and reversing temporary differences	(11 582 344)	(7 384 563)	1 177 403	1 083 870
	(30 860 712)	(10 307 129)	1 177 403	1 083 870

Figures in Rand	Group		Company	
	2018	2017	2018	2017

30. Taxation (continued)**Reconciliation of the tax expense**

Reconciliation between the statutory tax rate and the average effective tax rate.

Applicable tax rate	28.0%	28.0%	28.0%	28.0%
Exempt income	(4.0)%	(3.7)%	(46.5)%	–%
Disallowable charges	7.3%	5.3%	11.3%	–%
Utilised/unutilised assessed loss	(2.7)%	(1.1)%	7.2%	–%
	28.6%	28.5%	–%	28.0%

31. Earnings and headline earnings per share

2018	Gross	Tax	NCI	Net
Total comprehensive income attributable to owners of the parent				76 840 867
Adjusted for:	–	–	–	
Impairment of property, plant and equipment	2 794 606	–	–	2 794 606
Reversal of impairment on Intelpay loan	(4 520 448)	–	–	(4 520 448)
Headline earnings	(1 725 842)	–	–	75 115 025

2017	Gross	Tax	NCI	Net
Total comprehensive income attributable to owners of the parent				26 623 525
Adjusted for:	–	–	–	
Profit on disposal of property, plant and equipment	(4 633)	1 297	–	(3 336)
Headline earnings	(4 633)	1 297	–	26 620 189

Weighted average number of ordinary shares

Issued ordinary shares at 1 March	125 551 443	101 254 517	–	–
Weighted average ordinary shares issued during the year	46 195 654	105 890	–	–
Treasury shares held by Huge Telecom	(9 646 926)	–	–	–

Weighted average number of ordinary shares in issue at 28 February (basic, diluted and headline)

	162 100 171	101 360 407	–	–
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Per share statistics

Earnings per share	47.4	26.3	–	–
Headline earnings per share	46.3	26.3	–	–

**NOTES TO THE CONSOLIDATED AND SEPARATE
ANNUAL FINANCIAL STATEMENTS** continued

Figures in Rand	Group		Company	
	2018	2017	2018	2017
32. Cash generated from (used in) operations				
Profit (loss) before taxation	107 924 792	37 114 239	10 912 795	(2 708 203)
Adjustments for:				
Depreciation	14 769 912	8 125 032	–	–
Amortisation	724 878	2 175 589	9 283	4 642
Profit on sale of property, plant and equipment	(1 146 318)	(4 633)	–	–
Loss from joint venture	72 055	21 592	–	–
Dividends received	–	–	(17 000 000)	–
Interest received	(4 332 280)	(232 758)	(809 044)	(125 455)
Finance costs	11 036 477	5 335 988	9 457 190	25 926
Reversal of impairment loss	(4 520 448)	–	–	–
Impairment of property, plant and equipment	2 794 606	–	–	–
Early adoption of IFRS9: Valuation of financial instruments	(8 428 291)	–	–	–
Changes in working capital:				
Inventories	214 891	646 732	–	–
Trade and other receivables	(51 570 555)	(13 135 471)	(2 991 764)	466 409
Deferred expenditure	26 033 735	(8 926 734)	–	–
Trade and other payables	(4 701 296)	(1 101 133)	(2 657 968)	1 113 476
	88 872 058	30 018 443	(3 079 508)	(1 223 205)
33. Tax (paid)/refunded				
Balance at beginning of the year	(4 256 098)	(1 248 236)	–	–
Current tax for the year recognised in profit or loss	(19 278 368)	(2 922 566)	–	–
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements balance at end of the year	(2 700 013)	–	–	–
	9 667 996	4 256 098	–	–
	(16 566 483)	85 296	–	–

Figures in Rand	Group		Company	
	2018	2017	2018	2017
34. Business combinations				
Aggregated business combinations				
Property, plant and equipment	27 151 253	–	–	–
Intangible assets	345 099	–	–	–
Other financial assets	1 691 626	–	–	–
Deferred expenditure	1 389 754	–	–	–
Inventories	787 231	–	–	–
Current tax receivable	12 078	–	–	–
Trade and other receivables	10 006 227	–	–	–
Cash and cash equivalents	18 170 188	–	–	–
Other financial liabilities	(141 195 282)	–	–	–
Deferred tax	(3 890 630)	–	–	–
Provisions	(2 132 667)	–	–	–
Loans from Group companies	(120 205)	–	–	–
Loans from shareholders	(771 090)	–	–	–
Current tax payable	(2 712 091)	–	–	–
Trade and other payables	(8 509 081)	–	–	–
Total identifiable net assets	(99 777 590)	–	–	–
Non-controlling interest	237 717	–	–	–
Goodwill	378 289 870	–	–	–
	278 749 997	–	–	–
Consideration paid				
Cash	(270 500 000)	–	–	–
Equity – Renounceable Letters of Allocation	(151 250 000)	–	–	–
Loan assumed	1 804 721	–	–	–
Liabilities settled	141 195 282	–	–	–
	(278 749 997)	–	–	–
Acquisition date fair value of consideration paid				
Cash settled payment for equities	(3 750 000)	–	–	–
Cash settled subscriptions for equities	(266 750 000)	–	–	–
Interest bearing liabilities settled	141 195 282	–	–	–
Loans advanced to Group Companies	1 804 721	–	–	–
	(127 499 997)	–	–	–
Equity settled subscription for equities	(151 250 000)	–	–	–
	(178 749 997)	–	–	–
Cash settled repurchase of equities	123 749 997	–	–	–
Equity settled repurchase of equities	151 250 000	–	–	–
	(3 750 000)	–	–	–
Net cash outflow on acquisition				
Cash consideration paid	(127 499 997)	–	–	–
Cash acquired	18 170 188	–	–	–
	(109 329 809)	–	–	–

Acknowledge

On 1 July 2017 the Group acquired 100% of the voting equity interest of Accknowledge which resulted in the Group obtaining control over Accknowledge. Accknowledge is principally involved in the Computer Software industry.

Goodwill of R4 463 151 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

Figures in Rand	Group		Company	
	2018	2017	2018	2017
34. Business combinations (continued)				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	41 147	–	–	–
Intangible assets	345 099	–	–	–
Inventories	2 816	–	–	–
Current tax receivable	12 078	–	–	–
Trade and other receivables	117 837	–	–	–
Cash and cash equivalents	147 501	–	–	–
Loans from Group companies	(120 205)	–	–	–
Loans from shareholders	(771 090)	–	–	–
Trade and other payables	(726 051)	–	–	–
Total identifiable net assets	(950 868)	–	–	–
Non-controlling interest	237 717	–	–	–
Goodwill	4 463 151	–	–	–
	3 750 000	–	–	–
Acquisition date fair value of consideration paid				
Cash paid for equities	(3 750 000)	–	–	–
Cash settled subscription for equities	–	–	–	–
Interest bearing liabilities settled	–	–	–	–
Loans advanced to Group Companies	–	–	–	–
	(3 750 000)	–	–	–
Equity settled subscription for equities	–	–	–	–
	(3 750 000)	–	–	–
Cash settled repurchase of equities	–	–	–	–
Equity settled repurchase of equities	–	–	–	–
	(3 750 000)	–	–	–
Huge Connect and Huge Networks				
On 1 April 2018 the Group acquired 100% of the voting equity interest of Huge Connect and Huge Networks which resulted in the Group obtaining control over Huge Connect and Huge Networks . Huge Connect and Huge Networks is principally involved in the telecom industry.				
Goodwill of R373 826 719 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	27 110 106	–	–	–
Other financial assets	1 691 626	–	–	–
Deferred expenditure	1 389 754	–	–	–
Inventories	784 415	–	–	–
Trade and other receivables	9 888 390	–	–	–
Cash and cash equivalents	18 022 687	–	–	–
Other financial liabilities	(141 195 282)	–	–	–
Deferred tax	(3 890 630)	–	–	–
Provisions	(2 132 667)	–	–	–
Current tax payable	(2 712 091)	–	–	–
Trade and other payables	(7 783 030)	–	–	–
Total identifiable net assets	(98 826 722)	–	–	–
Goodwill	373 826 719	–	–	–
	274 999 997	–	–	–

Figures in Rand	Group		Company	
	2018	2017	2018	2017
34. Business combinations (continued)				
Acquisition date fair value of consideration paid				
Cash paid for equities				
Cash settled subscription for equities	(266 750 000)	–	–	–
Interest bearing liabilities settled	141 195 282	–	–	–
Loans advanced to Group Companies	1 804 721	–	–	–
	(123 749 997)	–	–	–
Equity settled subscription for equities	(151 250 000)	–	–	–
	(274 999 997)	–	–	–
Cash settled repurchase of equities	123 749 997	–	–	–
Equity settled repurchase of equities	151 250 000	–	–	–
35. Movement in investment in subsidiaries				
Fair value of assets acquired				
Property, plant and equipment	–	–	27 151 253	–
Intangible assets	–	–	345 099	–
Deferred tax assets/liabilities	–	–	(3 890 630)	–
Other non-current assets	–	–	1 691 626	–
Goodwill	–	–	378 289 870	–
Inventories	–	–	787 231	–
Trade and other receivables	–	–	10 006 227	–
Trade and other payables	–	–	(8 509 081)	–
Tax assets/liabilities	–	–	(2 700 013)	–
Borrowings	–	–	(142 086 577)	–
Cash	–	–	18 170 188	–
Deferred expenditure	–	–	1 389 754	–
Provisions	–	–	(2 132 667)	–
Outside shareholders	–	–	237 717	–
	–	–	278 749 997	–
Acquisition date fair value of consideration paid				
Cash settled payment for equities	–	–	(3 750 000)	–
Cash settled subscription for equities	–	–	(266 750 000)	–
Interest bearing liabilities settled	–	–	141 195 282	–
Loans advanced to Group Companies	–	–	1 804 721	–
	–	–	(127 799 997)	–
Equity settled subscription for equities	–	–	(151 250 000)	–
	–	–	(278 749 997)	–
36. Commitments				
Airtime commitment (expense)				
Minimum Monthly Purchase Commitment for airtime				
– within one year	115 000 000	–	–	–
– in second to fourth year	345 000 000	–	–	–
	460 000 000	–	–	–
On 17 February 2017, Huger Cellular signed a five year agreement with a network operator for the purchase of airtime on wholesale terms. The agreement was effective from 1 March 2017.				
Huger has the option to renew this agreement for another three years from 1 March 2019.				
Operating leases – as lessee/(expense)				
Minimum lease payments due				
– within one year	4 567 732	685 037	–	–
– in second to fifth year inclusive	320 224	–	–	–
	4 887 956	685 037	–	–
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.				
Authorised capital expenditure				
The Group has no current capital expenditure commitments.				

Figures in Rand	Group		Company	
	2018	2017	2018	2017
37. Related parties (continued)				
Purchases from/(sales to) related parties				
Accknowledge	400 803	258 025	–	–
Gonondo	1 097 104	1 122 447	–	–
Casa Da Luz Proprietary Limited	769 600	564 595	–	–
Dee – Anco Investments Proprietary Limited	1 762 126	–	–	–
	4 029 633	1 945 067	–	–
Management fees (received) paid to related parties				
Ambient	–	–	–	(4 305)
Huge Connect	–	–	–	(16 602)
Huge Software	–	–	–	(389 044)
Huge Telecom	–	–	(12 755 110)	(5 878 038)
Huge Telecom	–	–	900 000	900 000
Le Gacy	–	–	–	-908
	–	–	(11 855 110)	(5 388 897)

38. Directors' emoluments**Executive****2018**

	Emoluments	Medical aid	Provident fund	Total
Z Bulbulia	3 000 840	–	–	3 000 840
D Deetlefs	661 690	–	58 040	719 730
JC Herbst	3 410 096	63 922	289 388	3 763 406
	7 072 626	63 922	347 428	7 483 976

2017

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

Non-executive**2018**

	Directors' fees	Total
BC Armstrong	201 000	201 000
DF da Silva	844 120	844 120
DR Gammie	418 080	418 080
CWJ Lyons	270 830	270 830
VM Mokholo	413 080	413 080
AD Potgieter	132 080	132 080
SP Tredoux	413 080	413 080
	2 692 270	2 692 270

2017

	Directors' fees	Total
Z Bulbulia	1 446 825	1 446 825
DF da Silva	570 145	570 145
DR Gammie	360 065	360 065
VM Mokholo	356 025	356 025
AD Potgieter	350 065	350 065
SP Tredoux	360 065	360 065
	3 443 190	3 443 190

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS *continued*

39. Risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst retaining ultimate responsibility for them, has delegated the authority for designing and operating processes that ensure the effective implementation of objectives and policies to the Group's finance function. The Board receives monthly reports from the 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 13, 14, 20 and 21, and equity as disclosed in the statement of financial position in note 19.

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 16 and note 21.

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 interest bearing financial liabilities as well as forecasting cash inflows and outflows on a day-to-day basis. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day outlook period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or shortfalls. This analysis indicates whether available borrowing facilities are expected to be sufficient over the outlook period.

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

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

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

The trade and other payables reflected in the table below include amounts subject to legal dispute of R1 333 966 (2017: R4 331 554), whilst Trade and other receivables include an amount of R4 020 004 (2017: R4 020 004) subject to legal dispute. The possible settlement of such legal dispute may impact on the Group's liquidity position and the Group has considered its ability to meet such settlement in terms of its credit facilities and its ability to secure funding from its shareholders and is satisfied that it is able to meet its commitments in this regard.

39. Risk management (continued)

Group	Carrying value	Contractual cash flow	Between 1 and 12 months	Between 1 and 5 years	No fixed terms
At 28 February 2018					
Trade and other payables	19 978 360	19 978 360	19 978 358	—	—
Instalment sales	4 072 799	5 011 986	2 554 346	2 457 640	—
Interest bearing liabilities	104 699 080	—	—	—	104 699 080
Bank overdraft	1 330 872	1 330 872	1 330 872	—	—
At 28 February 2017					
Trade and other payables	22 775 386	22 775 386	22 775 386	—	—
Instalment sales	2 497 163	2 995 674	1 165 824	1 331 339	—
Interest bearing liabilities	752 936	—	—	—	752 936
Bank overdraft	9 440 642	9 440 642	9 440 642	—	—
Loans from shareholders	177 600	—	—	—	177 600

Company	Carrying value	Contractual cash flow	Between 1 and 12 months	Between 1 and 5 years	No fixed terms
At 28 February 2018					
Trade and other payables	2 326 591	2 326 591	2 326 591	—	—
Loan from Group company	11 215 318	—	—	—	11 215 318
At 28 February 2017					
Trade and other payables	4 072 799	5 011 986	2 554 346	2 457 640	—
Loan from Group company	630 728	630 728	630 728	—	—
Loan from Group company	6 838 901	—	—	—	6 838 901

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group's cash flow to changes in the level of interest rates. During 2018 and 2017, the Group's borrowings at variable rate were denominated in the Rand. The sensitivity analysis is based on the year-end exposure.

At 28 February 2018, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the year of the Group would have been R3 559 662 (2017: R241 003) lower/higher.

At 28 February 2018, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the year of the Company would have been R900 995 (2017: R2 614) lower/higher.

Variable interest rate instruments

Cash and cash equivalents	28 934 623	61 535 171	12 149 506	69 996 640
Interest bearing liabilities	(104 699 080)	(752 936)	(73 292 337)	—
Instalment sales	(4 072 799)	(2 497 163)	—	—
	(79 837 256)	58 285 072	(61 142 831)	69 996 640

Credit risk

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

Figures in Rand	Group		Company	
	2018	2017	2018	2017
39. Risk management (continued)				
Financial instrument				
Loans to Group companies	–	–	80 702 548	61 591 999
Trade receivables	56 301 680	37 687 250	2 992 140	376
Cash and cash equivalents	30 265 495	70 975 813	12 149 506	69 996 640
	86 567 175	108 663 063	95 844 194	131 589 015

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

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

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

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 28 February 2018, R6 174 904 (2017: R2 034 415) was past due but not impaired.

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

1 month past due	1 507 063	77 639	–	–
2 months past due	3 966 514	774 696	–	–
3 months past due	701 327	1 182 080	–	–
	6 174 904	2 034 415	–	–

Trade and other receivables impaired

As of 28 February 2018, trade and other receivables of R2 121 786 (2017: R3 135 462) were impaired by way of a provision.

The ageing of this impairment is as follows:

Over 6 months	2 121 786	3 135 462	–	–
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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	3 135 462	2 266 912	–	–
Provision for/(reversal of) impairment	(1 013 676)	868 550	–	–
	2 121 786	3 135 462	–	–

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.

40. 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. 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 matters:

- 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 would 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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

41. 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 AFS, which affects the financial position of the Group or the results of its operations to the date of this report.

42. Changes in accounting policy

The consolidated and separate annual financial statements have been prepared in accordance with IFRS on a basis consistent with the prior year except for the early adoption of the following revised standard.

IFRS 9 Financial Instruments

During the year, the Group changed its accounting policy with respect to the treatment of financial assets (trade receivables), where it was previously applying IAS 39. In order to conform with the benchmark treatment of IFRS 9 Financial Instruments. The Group now applies loss rates derived from historical data to compute its provision for doubtful debts.

The aggregate effect of this change in accounting standard on the AFS for the year ended 28 February 2017 is as follows:

Figures in Rand	Group		Company	
	2018	2017	2018	2017
Opening retained income	(8 428 291)	–	–	–
Operating expenses	8 428 291	–	–	–
	–	–	–	–

43. 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 for 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.

Based on these facts, the Board believes that the Group is a going concern and will remain a going concern for the 12-month period that follows the date of approval of these AFS. Accordingly, the Company and the Group continue to adopt the going concern basis of preparing these AFS.

OS / SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS

	2018			2017		
	Number of Shareholders	Number of Shares	% Shareholding	Number of Shareholders	Number of Shares	% Shareholding
Public	829	79 765 937	45,42	722	38 203 903	30,43
Non-public	27	95 836 140	54,12	12	87 347 540	69,57
	856	175 602 077	100	734	125 551 443	100

Non-public shareholder analysis	2018			2017				
	Number of Shares	Number of Shareholders	Total number of Shareholders	Total number of Shares	Number of Shares	Number of Shareholders	Total number of Shareholders	Number of Shares
Beneficial direct holdings relating to directors of Huge Group Limited			6	1 111 424		3	5 783 390	
Shareholders related to directors of Huge	1 088 354	3	–	–	5 783 390	3	–	–
Shareholdings related to directors of major subsidiaries	23 070	3	–	–	390	–	–	–
Beneficial indirect holdings relating to directors of Huge Group Limited			6	17 192 841		1	393 174	
Shareholdings related to directors of Huge	188 174	1	–	–	393 174	1	–	–
Shareholdings related to directors of major subsidiaries	17 004 667	5	–	–	–	–	–	–
Non-beneficial indirect holdings relating to directors of Huge Group Limited		12		32 152 550		5	28 109 874	
Shareholdings related to directors of Huge	28 090 843	5	–	–	27 885 824	5	–	–
The ConnectNet Incentive Trust	4 061 707	3	–	–	–	–	–	–
Associate of directors of Huge	200 000	3	–	–	–	–	–	–
Associate of directors of major subsidiary	5 019	1	–	–	–	–	–	–
Treasury Shares		1		9 646 926		1	9 646 926	
Praesidium Hedge Fund		1		28 000 000		1	23 881 777	
Peregrine Equities		1		7 732 399		1	19 532 399	
		27		95 836 140		12	87 347 540	

SHAREHOLDER ANALYSIS continued

Major Shareholders	2018		2017	
	Number of Shares	% Shareholding	Number of Shares	% Shareholding
Praesidium Hedge Fund	28 000 000	15,95	23 881 777	19,02
Pacific Breeze Trading 417*	14 260 891	8,12	14 260 891	11,36
Eagle Creek Investments 223*	9 805 567	5,58	9 805 567	7,80
Huge Telecom	9 646 926	5,46	9 646 926	7,68
	61 713 384	35,11	57 595 161	45,86

* A non-beneficial holding related to JC Herbst

Shareholder analysis and information	2018		2017	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
Individuals	720	19 676 134	665	45 774 113
Nominees and trusts	28	21 626 198	29	14 324 170
Close corporations	5	119 540	5	75 930
Companies, financial and other institutions	103	134 180 205	35	65 377 230
	856	175 602 077	734	125 551 443

Size of shareholding	2018		2017	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
0 – 1 000 Shares	330	92 270	248	71 546
1 001 – 5 000 Shares	222	621 719	228	657 185
5 001 – 100 000 Shares	210	4 489 201	211	3 938 826
100 001 – 1 000 000 Shares	63	26 177 227	31	10 611 881
1 000 001 Shares and over	31	144 221 660	16	110 272 005

NOTICE OF ANNUAL GENERAL MEETING

HUGE GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2006/023587/06)

Share code: HUG

ISIN: ZAE00101042

(Huge or the Company)

Notice is hereby given to shareholders that the annual general meeting (**AGM**) of Huge for the year ended 28 February 2018 will be held at Unit 6, 1 Melrose Boulevard, Melrose Boulevard, Johannesburg on Thursday, 30 August 2018 at 10h00 to:

- Deal with such business at the meeting with which the Company may lawfully deal; and
- Consider, and if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008 (as amended) (**the Act**), as read with the Company's Memorandum of Incorporation (**MOI**) and the Listings Requirements of the JSE Limited (**Listings Requirements**), being the stock exchange on which the Company's ordinary Shares are listed.
- Shareholders who have dematerialised their Shares, other than those shareholders who have dematerialised their Shares with "own name" registration, should contact their Central Securities Depository Participant (**CSDP**) or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:
- to furnish them with their voting instructions; or
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

shareholder and shall be entitled to vote on a show of hands or a poll. It is requested that proxy forms be forwarded so as to reach the transfer secretaries by no later than 24 (twenty-four) hours before the commencement of the AGM. If shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM do not deliver the proxy form to the transfer secretaries by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the commencement of the AGM, in accordance with the instructions therein, with the Chairman of the AGM.

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Act, the Board of the Company has set the record dates for the purposes of determining which shareholders are entitled to receive notice, participate in, and vote:

	2018
Record date to receive the notice of AGM	Friday, 22 June
Last date to trade to be eligible to participate in and vote at the AGM	Tuesday, 21 August
Record date to be eligible to participate in and vote at the AGM	Friday, 24 August

Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. The form of identification that will be accepted includes an original and valid identity document, a driver's licences and a passport.

Shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of Shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the Shares held by such shareholder bears to the aggregate amount of the nominal value of all Shares issued by the Company.

NOTE

In order for an ordinary resolution to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights exercised in respect of the resolution.

In order for a special resolution to be adopted, it must be supported by at least 75% (seventy-five percent) of the voting rights exercised in respect of the resolution.

When reading the resolutions, please refer to the explanatory notes in respect thereof.

ELECTRONIC PARTICIPATION

The Company intends to offer shareholders reasonable access to attend the AGM through electronic conference call facilities, in accordance with provisions of the Act. Shareholders wishing to participate electronically in the AGM are required

NOTICE OF ANNUAL GENERAL MEETING continued

to deliver written notice to the Company at Unit 6, 1 Melrose Boulevard, Melrose Boulevard, Johannesburg (marked for the attention of Karen Robinson, the Company Secretary) by no later than Friday, 24 August 2018 that they wish to participate via electronic communication at the AGM (the electronic notice). In order for the electronic notice to be valid it must contain:

- if the shareholder is an individual, a certified copy of their identity document;
- if the shareholder is not individual, a certified copy of a resolution passed by the relevant entity and a certified copy of the identity document(s) of the person(s) who passed the relevant resolution, which resolution must set out the person from the relevant entity who is authorised to represent it at the AGM; and
- a valid email address.

Voting on Shares will not be possible via electronic communication and accordingly shareholders participating electronically and wishing to vote their Shares at the AGM will need to be represented at the AGM, either in person, by proxy or by letter of representation. The Company shall use its reasonable endeavours on or before Wednesday, 29 August 2018, to notify the shareholder who has delivered a valid electronic notice of the relevant details through which the shareholder can participate via electronic communication.

PRESENTATION TO SHAREHOLDERS

In terms of the requirements of the Act and the MOI, the following documents have been distributed as required and/or will be presented to the shareholders at the AGM:

- The Consolidated Annual Financial Statements (AFS) of the Company for the year ended 28 February 2018
- Directors' Report
- Independent Auditor's Report
- Audit Committee Report
- Social and Ethics Committee Report

A complete set of the AFS of the Company, together with the abovementioned reports, are set out in the Integrated Report.

The Integrated Report is available on the Company's website: www.hugegroup.com

Social and Ethics COMMITTEE REPORT

In accordance with Regulation 43(5)(c) of the Act, the Chairman of the Social and Ethics Committee will report to the shareholders at the AGM.

ORDINARY RESOLUTION NUMBER 1

Re-appointment of the external auditors

"Resolved that BDO South Africa Incorporated and F Bruce-Brand as the designated audit partner, following the recommendation of the current Audit Committee of the Company, be re-appointed as the external auditors of the Company, until the conclusion of the next AGM."

Explanatory note

In terms of section 90(1) of the Act, each year at its AGM, the Company must appoint an auditor who complies with the requirements of section 90(2) of the Act. Following a detailed review, which included an assessment of its independence, the current Audit Committee of the Company has recommended that BDO South Africa Incorporated be re-appointed as the external auditors of the Company.

ORDINARY RESOLUTION NUMBER 2 (2.1 TO 2.2)

Confirmation of directors' appointments

"Resolved, by way of separate resolutions, that the appointments of the following independent non-executive directors be and are hereby confirmed:

- 2.1 CWJ Lyons, appointed on 3 July 2017;
- 2.2 BC Armstrong, appointed on 1 September 2017."

Explanatory note

In terms of the MOI and the Act, the appointment of a new director must be confirmed at the AGM.

ORDINARY RESOLUTION NUMBER 3 (3.1 TO 3.3)

Re-election of directors

"Resolved, subject to the approval of ordinary resolutions 2.1 and 2.2, to elect, by way of separate resolutions, the following non-executive directors who retire by rotation and who are eligible and available for re-election."

- 3.1 CWJ Lyons (Independent non-executive director)
- 3.2 BC Armstrong (Independent non-executive director)
- 3.3 DF da Silva (Non-executive director)

A brief CV of each director appears on pages 36 and 37 of this Integrated Report.

Explanatory note

In terms of the MOI, one-third of the non-executive directors shall retire from office at each AGM.

The Board, through the Nomination Committee, has evaluated the past performance and contribution of the retiring directors and recommends that they be re-elected.

ORDINARY RESOLUTION NUMBER 4 (4.1 TO 4.3)

Re-election of Audit Committee Members

"Resolved, subject to the approval of ordinary resolution 3.1, to re-elect, by way of separate resolutions, the following independent non-executive directors as members of the Company's Audit Committee."

4.1 DR Gammie (Chairman)

4.2 SP Tredoux

4.3 CWJ Lyons

All the above retiring members are eligible and available for re-election. A brief CV of each member appears on pages 36 and 37 of this Integrated Report.

Explanatory note

The members of the Audit Committee have been nominated by the Board for election as members of the Company's Audit Committee in terms of section 94(2) of the Act. The Board has reviewed the proposed composition of the Audit Committee against the requirements of the Act and Regulations under the Act and has confirmed that, if elected, the membership of the committee will comply with the relevant requirements and the members will have the necessary knowledge, skills and experience to enable it to perform its duties in terms of the Act.

ORDINARY RESOLUTION NUMBER 5

General authority to allot and issue Securities (including ordinary Shares) for cash

"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 directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue all or any of the authorised but unissued Securities (including ordinary Shares) of the Company as they in their discretion deem fit, subject to the provisions of the Act, the Listings Requirements and the Company's MOI, provided that:

- (i) The Securities (including ordinary Shares) which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such Securities (including ordinary Shares) that are convertible into a class already in issue;
- (ii) This authority shall not endure beyond the next AGM of the Company nor shall it endure beyond 15 (fifteen) months from the date of this meeting;
- (iii) The Securities (including ordinary Shares) are to be issued in accordance with the Listings Requirements;
- (iv) Upon any issue of Securities (including ordinary Shares) which, together with prior issues during any financial year, will constitute 5% or more of the number of Securities (including ordinary Shares) of the class in issue, the Company shall by way of an announcement on the Securities Exchange News Service of the JSE Limited give full details thereof, including the effect on the net asset value and earnings per share of the Company;
- (v) The number of Securities (including ordinary Shares) issued for cash shall not, in aggregate, exceed 30% of the Company's Securities (including ordinary Shares), which, in the case of the Company's listed ordinary Shares is 49 786 545 Shares, which is 30% of 175 602 077 listed ordinary Shares less 9 646 926 ordinary Shares held as treasury Shares, as at the date of this notice and in the event of a sub-division or consolidation of the Securities (including ordinary Shares), this authority must be adjusted accordingly to represent the same allocation ratio; and
- (vi) The maximum discount at which Securities (including ordinary Shares) may be issued is 10% of the weighted average traded price of the Company's Securities (including ordinary Shares) over the 30 (thirty) business days prior to the date that the price is agreed or determined between the Company and the party subscribing for the Securities (including ordinary Shares).

Explanatory note

In terms of the Listing Requirements, when Securities (including ordinary Shares) are issued, or where consideration is being given to issuing Securities (including ordinary Shares), for cash (including the extinction of a liability, obligation or commitment, restraint, or settlement of expenses), the shareholders are required to authorise such issue with a 75% (seventy-five percent) majority of the votes cast in favour of the resolution.

NOTICE OF ANNUAL GENERAL MEETING continued

The directors consider it advantageous to renew this authority to enable the Company to take advantage of any business opportunity that may arise in future.

ADVISORY ENDORSEMENT NUMBER 1

Approval of the Company's Remuneration Policy

"To endorse, through a non-binding advisory vote, the Company's Remuneration Policy, as set out in the Remuneration Report contained on pages 45 to 50 of this Integrated Report".

ADVISORY ENDORSEMENT NUMBER 2

Approval of the Company's Remuneration Implementation Report

"To endorse, through a non-binding advisory vote, the Company's Remuneration Implementation Report, as contained on pages 48 to 50 of this Integrated Report".

Explanatory Note in respect of Advisory Endorsement Number 1 and Number 2

The King IV Report on Corporate Governance and the Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the Remuneration Policy and the Remuneration Implementation Report every year at the AGM for separate non-binding advisory votes by shareholders. In accordance with the provisions of the Listings Requirements, the Company shall give shareholders the right to express their views on the Remuneration Policy and the Remuneration Implementation Report and in the event that either the Remuneration Policy or the Remuneration Implementation Report, or both, have been voted against by 25% (twenty-five percent) or more of the voting rights exercised by the shareholders, to take these dissenting votes into account.

SPECIAL RESOLUTION NUMBER 1

Approval of the remuneration of non-executive directors

"Resolved as a special resolution that, in terms of section 66(9) of the Act, the following remuneration shall be payable to non-executive directors of the Company in respect of the year ended 28 February 2019, for their services as directors.

	Fees payable in financial year ended 28 February 2018		Fees payable in financial year ended 28 February 2019	
	Chairman of the Board	Directors/Committee members	Chairman of the Board	Directors/Committee members
Monthly retainer	R45 000	R26 500	R52 500	R27 900
Meeting attendance fee (per day)	R14 000	R14 000	R16 000	R16 000
Special Board meetings attendance fee (per day)	R5 000	R5 000	R5 000	R5 000

Exclusive of Value-Added Tax

Explanatory Note

Special resolution number 1 is proposed to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration paid to Directors for their services as Directors may be paid only in accordance with a special resolution approved by shareholders.

For further information on the Group's remuneration practices, please refer to the Remuneration Report contained on pages 45 to 50 of this Integrated Report.

SPECIAL RESOLUTION NUMBER 2

Authority for the Company to grant financial assistance in terms of section 45 of the Act

"Resolved as a special resolution that, in terms of section 45 of the Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time but subject to Board approval at such time, during the period of 2 (two) years commencing from the date of this special resolution, any direct or indirect financial assistance as contemplated in section 45 of the Act and provided that the Board is satisfied that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company."

Explanatory note

Special resolution number 2 is proposed in order to obtain approval from shareholders to enable the Company to provide financial assistance, when the need arises, in accordance with the provisions of section 45 of the Act in order to provide for inter-company loans within the Group.

SPECIAL RESOLUTION NUMBER 3

General authority to repurchase (acquire) Securities (including ordinary Shares)

"Resolved as a special resolution that the Board of Directors is hereby authorised in terms of section 48(8) of the Act by way of a renewable general authority, subject to the provisions of the Listings Requirements and as permitted by the Company's MOI, to approve the repurchase by the Company of its own Securities (including ordinary Shares) and/or the acquisition of the Company's Securities (including ordinary Shares) by any of its subsidiary companies, upon such terms and conditions and in such amounts as the Board may from time to time determine but subject to the MOI, the provisions of the Act and the Listings Requirements, where applicable and provided that:

- The repurchase by the Company of its own Securities (including ordinary Shares) or the acquisition of the Company's Securities (including ordinary Shares) by any subsidiary company of the Company in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% of the Company's issued Securities (including ordinary Shares) constituting its share capital as at the beginning of the financial year as repurchased or acquired from the date of the grant of this general authority.
- If applicable and subject to section 48(8)(b) of the Act, the acquisition of Securities (including ordinary Shares) as treasury stock by a subsidiary company of the Company may not exceed 10% of the number of Securities (including ordinary Shares) issued by the Company;
- This general authority shall lapse on the earlier of the date of the next AGM of the Company or the date that is 15 (fifteen) months after the date on which this special resolution is passed;
- The Board has resolved to authorise the repurchase by the Company or the acquisition by any subsidiary company of the Company and provided further that the resolution of the Board and the resolution of the Board of Directors of any subsidiary company of the Company, if applicable, confirms, as part of the resolution, that it will satisfy the solvency and liquidity test immediately after the repurchase or acquisition, as the case may be, and that subsequent to the tests being undertaken, that there have been no material changes to its financial position;
- The repurchase or acquisition must be affected through the order book operated by the trading system of the JSE Limited and done without any prior understanding or arrangement between the Company or any subsidiary company of the Company and the counterparty;
- The Company or the subsidiary company of the Company only appoints one agent to affect any repurchase or acquisition, as the case may be, on its behalf;
- The price paid per security (including an ordinary Share) may not be greater than 10% (ten percent) above the weighted average of the market value of the Securities (including ordinary Shares) for the 5 (five) business days immediately preceding the date on which a repurchase or an acquisition, as the case may be, is made;
- The repurchase or acquisition of Securities (including ordinary Shares) by the Company or any subsidiary company of the Company may not be effected during a prohibited period, as defined by the Listing Requirements, unless the Company has in place a repurchase programme where the full details of the programme have been submitted to the JSE Limited in writing prior to the commencement of the prohibited period, including the dates and quantities of Securities (including ordinary Shares) to be traded during the relevant period, which must be fixed and not subject to any variation. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's Securities (including ordinary Shares) independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period, to execute the repurchase programme submitted to the JSE Limited; and
- An announcement containing the full details of any repurchase or acquisition of Securities (including ordinary Shares) must be published as soon as the Company and/or any of its subsidiary companies have repurchased or acquired, as the case may be, Securities (including ordinary Shares) constituting, on a cumulative basis, 3% (three percent) of the number of Securities (including ordinary Shares) in issue at the date of the AGM at which this special resolution is considered and if approved, passed and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

NOTICE OF ANNUAL GENERAL MEETING continued

Explanatory Note

Special resolution number 3 is sought to allow the Company and/or any of its subsidiary companies, by way of a general authority, to repurchase or acquire, as the case may be, the Company's Securities (including ordinary Shares). At the present time, the Board has no specific intention with regard to the utilisation of this general authority, which will only be used if the circumstances are appropriate. Any decision by the Board to use this general authority to repurchase or acquire Securities (including ordinary Shares), as the case may be, of the Company will be taken with regard to the prevailing market conditions and other factors. The Board, having considered the effect of a maximum repurchase and/or acquisition, as the case may be, under this general authority, is of the opinion that for a period of 12 months from the date of the AGM notice:

- (i) The Company and the Group will be able to pay their debts in the ordinary course of business;
- (ii) The assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, with such assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited consolidated Annual Financial Statements;
- (iii) The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- (iv) The working capital of the Company and the Group will be sufficient for ordinary business purposes.

The Listings Requirements require the following disclosures relative to special resolution number 3, which appear in the Integrated Report:

- Major shareholders – page 118
- Share capital of the Company – page 59
- Responsibility statement – page 55

MATERIALITY

Other than the facts and developments reported in the Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiary companies between the date of signature of the audit report and the date of this notice.

SPECIAL RESOLUTION NUMBER 4

Amendment to the Company's MOI

"Resolved that the MOI be amended as follows:

- 4.1 By the insertion of a new clause 4.2 and the subsequent re-numbering of the remainder of clause 4:

"4.2 shareholders acting other than at a meeting

- (1) *In accordance with the provisions of section 60 of the Act, but subject to clause 4.2(3) and the Listings Requirements, a resolution that could be voted on at a shareholders' meeting (other than in respect of the holding of the annual general meeting and the election of Directors as set out in clauses 5.11 and 6.2 hereof) may instead be –*
 - (a) *submitted by the Board for consideration to the shareholders entitled to exercise the voting rights in relation to the resolution; and*
 - (b) *voted on in writing by such shareholders within a period of 20 (twenty) business days after the resolution was submitted to them.*
- (2) *A resolution contemplated in clause 4.2(1) –*
 - (a) *will have been adopted if it is supported by persons entitled to exercise sufficient voting rights for it to have been adopted as an ordinary or special resolution, as the case may be, at a properly constituted shareholders' meeting;*
 - (b) *if adopted, will have the same effect as if it had been approved by voting at a meeting; and*
 - (c) *Within 10 (ten) business days after adopting a resolution in accordance with the procedures provided in this clause 4.2(2), the Company shall deliver a statement describing the results of the vote, consent process, or election to every shareholder who was entitled to vote on or consent to the resolution.*

(3) *Notwithstanding the provisions of clause 4.2(1) above and subject to the Listings Requirements, any resolutions required in respect of a:*

- (a) *change of the Company's name;*
- (b) *any odd lot offer;*
- (c) *any increase in the Company's authorised share capital;*
- (d) *the approval of any amendment of this Memorandum of Incorporation; or*
- (e) *as otherwise contemplated from time to time in terms of the Listings Requirements,*

may be proposed as written resolutions in accordance with the provisions of section 60 of the Act."

4.2 By the deletion of the following wording contained in existing clause 4.8:

"4.8 Requirement to deliver proxy instrument to the Company

The instrument of proxy or power of attorney appointing a proxy for any particular meeting must be delivered to the Company at its registered address not less than 24 hours (or such lesser period as the Directors may determine in relation to any particular meeting) before such meeting is due to take place or the instrument of proxy or power of attorney shall not be treated as valid."

and the substitution thereof with the following:

4.8 Requirement to deliver proxy instrument to the Company

"A shareholder or his proxy must deliver to the Company and/or its share transfer secretaries a copy of the instrument appointing a proxy not later than the time of commencement of the meeting at which the proxy intends to exercise that shareholder's rights."

Explanatory Note

Special resolution number 4 is sought to align the Company's MOI with the Act with regard to written resolutions of shareholders and the lodgement of proxy forms, following the judgment of the Supreme Court of Appeal in *Barry v Clearwater Estates NPC & Others 2017 (3) SA 364*. The effect of this amendment is that in instances permitted by the Act and the Listings Requirements, the Company may propose a written resolution to shareholders and shareholders may vote on such resolution in writing. In addition, the minimum time limit within which a proxy form must be delivered to the Company prior to the meeting has also been removed. Proxy forms will therefore be accepted until the commencement of the meeting for which the proxy has been issued.

By order of the Board of Directors



Karen Robinson

Company Secretary

Johannesburg
29 June 2018

FORM OF PROXY

HUGE GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/023587/06)
Share code: HUG
ISIN: ZAE00101042
("Huge" or "the Company")

FOR USE BY CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALIZED SHAREHOLDERS AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT UNIT 6, 1 MELROSE BOULEVARD, MELROSE BOULEVARD, JOHANNESBURG ON 30 AUGUST 2018 AT 10H00.

Certificated shareholders or dematerialised shareholders with "own name" registration who are entitled to attend and vote at the annual general meeting (**AGM**), are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll.

Dematerialised shareholders, other than dematerialised shareholders with "own-name" registrations, must not return this form of proxy to the transfer secretaries or deliver it to the Chairman of the AGM. Dematerialised shareholders, other than dematerialised shareholders with "own-name" registration, should instruct their Central Securities Depository Participant (CSDP) or broker as to what action they wish to take. This must be done in the manner and time stipulated in the agreement entered into between them and their CSDP or broker.

I/We (please print) _____

of (address) _____

Telephone Numbers – Landline: _____ Mobile: _____ Email: _____

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

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the AGM,

as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held on 30 August 2018 at 10h00 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 – Re-appointment of the external auditors			
Ordinary Resolution Number 2.1 – Confirmation of director's appointment: CWJ Lyons			
Ordinary Resolution Number 2.2 – Confirmation of director's appointment: BC Armstrong			
Ordinary Resolution Number 3.1 – Re-election of director: CWJ Lyons			
Ordinary Resolution Number 3.2 – Re-election of director: BC Armstrong			
Ordinary Resolution Number 3.3 – Re-election of director: DF da Silva			
Ordinary Resolution Number 4.1 – Re-election of Audit Committee member and Chairman: DR Gammie			
Ordinary Resolution Number 4.2 – Re-election of Audit Committee member: SP Tredoux			
Ordinary Resolution Number 4.3 – Re-election of Audit Committee member: CWJ Lyons			
Ordinary Resolution Number 5 – General authority to allot and issue Securities (including ordinary Shares) for cash			
Advisory Endorsement Number 1 – Approval of the Company's Remuneration Policy			
Advisory Endorsement Number 2 – Approval of the Company's Remuneration Implementation Report			
Special Resolution Number 1 – Approval of the remuneration of non-executive directors			
Special Resolution Number 2 – Approval for the Company to grant financial assistance in terms of section 45 of the Act			
Special Resolution Number 3 – General authority to repurchase (acquire) Securities (including ordinary Shares)			
Special Resolution Number 4 – Amendment to the Company's Memorandum of Incorporation			

Every person entitled to vote and who is present at the AGM shall be entitled to either:

- One vote on a show of hands, irrespective of the number of Shares such person holds or represents, provided that a proxy shall, irrespective of the number of shareholders they represent, have only one vote; or
- That proportion of the total votes in the Company which the aggregate amount of the nominal value of the Shares held by the shareholder bears to the aggregate amount of the nominal value of all Shares issued by the Company in respect of every matter that may be decided by polling.

A proxy may not delegate his/her authority to act on his/her behalf to another person (see note 4).

This proxy form will lapse and cease to be of force and effect immediately after the AGM of the Company and any adjournment(s) thereof unless it is revoked earlier (as to which see notes 9 and 10).

Signed at _____ on _____ 2018

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 (**AGM**). 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 AGM 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. Shareholders are requested to lodge this form of proxy with the transfer secretaries at Computershare Investor Services, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg by not later than 10:00 on Wednesday, 29 August 2018.
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 AGM 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 AGM 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 AGM 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 AGM; 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. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.
9. This form of proxy is revoked if the shareholder who granted the proxy:
 - 9.1 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 Wednesday 29 August 2018; or
 - 9.2 appoints a later, inconsistent appointment of proxy for the AGM; or
 - 9.3 attends the AGM in person.
10. 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 AGM by giving written notice of the appointment of that representative. This notice should be received by the transfer secretaries, Computershare Investor Services, at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, not later than 10:00 on Wednesday, 29 August 2018 and must be accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed.

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 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 intended to be exercised (section 58(8)(a));
 - 10.2. the invitation or form of proxy instrument supplied by the Company must:
 - 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

Company registration number	2006/023587/06
Country of incorporation and domicile	South Africa
JSE Code	HUG
A2X Code	HUG
ISIN	ZAE000102042
Nature of business and principal activities	Investment holding company, holding investments in subsidiary companies operating in the telecommunications and software industries
Directors:	
Executive	James Herbst (<i>Chief Executive Officer</i>) Zunaid Bulbulia (<i>Chief Financial Officer</i>) David Deetlefs (<i>resigned 31 May 2017</i>)
Non-executive	Duarte da Silva (<i>Chairman</i>) Stephen Tredoux (<i>Lead Independent Director</i>) Brian Armstrong (<i>Independent non-executive director</i>) Dennis Gammie (<i>Independent non-executive director</i>) Craig Lyons (<i>Independent non-executive director</i>) Vincent Mokholo (<i>Non-executive director</i>) Anton Potgieter (<i>resigned 3 July 2017</i>)
Registered address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg Gauteng
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg Gauteng
Postal address	P O Box 1585, Kelvin 2054
Auditor	BDO South Africa Incorporated
Business address	22 Wellington Road, Parktown 2193
Postal address	Private Bag X60500, Houghton 2041
Company Secretary	Karen Robinson (<i>appointed 1 September 2017</i>) Jean Tyndale-Biscoe (<i>resigned 15 June 2017</i>)
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg Gauteng
Postal address	P O Box 1585, Kelvin 2054
Sponsor	Questco Corporate Advisory Proprietary Limited First Floor, Yellowwood House, Ballywoods Office Park 33 Ballyclare Drive, Bryanston 2191
Transfer secretaries	Computershare Services Proprietary Limited
Business address	Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Postal address	P O Box 61051, Marshalltown 2107
Email	web.queries@computershare.co.za
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 71 of 2008 (as amended)
Preparer	These Consolidated and Separate Annual Financial Statements were compiled internally under the ultimate supervision of Zunaid Bulbulia BComm, BComm, CTA, CA(SA)
Published	29 June 2018



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