Huge Group Limited
Integrated Report
for the year ended
28 February 2021

Registration number: 2006/023587/06
Share Code: HUG ISIN: ZAE000102042
“Huge” or “the Company” or “the Group”

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Our Huge Story

Annual Financial Statements

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Feedback

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

Facebook Twitter

Our Report

Navigating Our Report

Capitals	Stakeholders
Financial Capital	Shareholders
Social and Relationship Capital	Employees
Manufactured Capital	Service Providers
Natural Capital	Professional Advisors
Intellectual Capital	Funders
Human Capital	Customers
	Business Partners

The CEO's Huge Topics seek to address those factors which could have a strategic impact on Huge's ability to deliver its strategic objectives.

- **Human Capital and Rewards**
- **Customer Acquisition**
- **High Growth, High Margin and Scaling**
- **Service Intensity, Efficiency and Innovation**
- **Distribution and Customer Reach**
- **Sustainable Supply**
- **Mergers and Acquisitions**
- **Transformation**
- **Debt Capital Market Appetite**
- **Equity Capital Market Appetite**

Our FY2021 integrated reporting process comprises the following reports:

- Full Integrated Report (available in a user-friendly online version and downloadable PDF at www.hugegroup.com)
- Summarised Integrated Report (available in printed format)

The full, online and summarised Reports include the Consolidated and Separate Annual Financial Statements, Notice of AGM and Form of Proxy.

Reporting scope and boundary

This Integrated Report is Huge's primary report to its shareholders and stakeholders for the financial year 1 March 2020 to 28 February 2021. In addition to presenting Huge's operational and financial performance, this Report provides information on Huge's business model, strategy, risk management and illustrates how Huge has created value. This Report aims to provide a balanced and accurate assessment of Huge's delivery of its strategic objectives over the short (less than 12 months), medium (one to three years) and long-term (more than three years). This Report is available at www.hugegroup.com.

Reporting frameworks

The reporting process has been guided by the International Financial Reporting Standards (IFRS), the International <IR> Framework of the International Integrated Reporting Council, the King Code on Corporate Governance 2016 (King IV), 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 Huge's ability to create value in the short, medium and long-term. The materiality test applied by the Board is based on internal and external factors, both positive and negative, that substantially affect the ability of Huge to deliver its strategy and which could have a material impact on revenue, profitability and growth. The CEO's Huge Topics, set out on pages 10 to 20, seek to address those factors which could have a significant impact on Huge's ability to deliver its strategic objectives.

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 and Separate Annual Financial Statements have been assured by Huge's independent auditor, Moore Johannesburg Incorporated.

Forward-looking statements

This Integrated Report includes forward-looking statements which relate to the possible future financial position and results of Huge. 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. Huge 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 JSE Listings Requirements. The forward-looking statements have not been reviewed or reported by Huge's independent auditor.

Approval

The Board of Huge Group Limited has approved the publication of this Integrated Report for the year ended 28 February 2021.

Duarte da Silva
Chairman

James Herbst
Chief Executive Officer

Highlights

Key performance highlights

Net Tangible Asset Value per Share
has increased by **35%**
from 152 cents to 205 cents

Fixed Annuity Revenue
makes up **73%** of total revenue

Net Asset Value per Share
has increased by **12%**
from 533 cents to 595 cents

No Covid-19 related retrenchments or salary cuts

Group Organogram

huge group

- 100% huge messaging
- 83.71% huge connect
- 100% huge telecom
  - 49% huge cellular
  - 50.03% huge networks
  - 100% huge services
- 100% huge technologies
- 49% huge SOHO
- 96% huge media
- 75% huge software
- 100% huge management
- 100% huge payments
- 75.13% huge distribution
- 100% huge capital

Chairman's Letter

Huge's strength lies in its proven ability to maintain and leverage its customer real estate. Despite prevailing challenges, Huge has continued to meet the objectives of the Growing Huge Strategy and solidify its investment case. Where endurance is the path to sustainable success, Huge invests to deliver superior stakeholder returns.

For Huge, the pandemic created considerable uncertainty at the start of FY2021. Notwithstanding this challenging start, the Group demonstrated significant resilience and credible financial results for FY2021 were delivered. Huge has managed the economic and structural impact of COVID-19 very well. It has placed a lot of emphasis on staff and customer safety and well-being.

One of the milestones of FY2021 was Huge Telecom's successful migration of all its customers from Cell C's mobile telephone network to MTN's mobile telephone network.

Huge has started FY2022 on the front foot and is set to continue delivering on its Growing Huge Strategy. The end of FY2021 saw the end of Huge's first three-year cycle of the Growing Huge Strategy, which focused on broadening the customer real-estate, leveraging the platform for acquisitive growth, improving B-BBEE credentials and elevating the Huge brand. Great strides were made in all these areas, but market conditions and deal flow did not allow us to deliver all that we would have liked to have delivered. We expected to achieve a lot more success with our transformation agenda, which will remain a focus for FY2022 and the next three-year cycle of the Growing Huge Strategy.

"Quality means doing it right when no one is looking"

– Henry Ford

Duarte da Silva
Chairman

“Opportunities don't happen. You create them” – Chris Grosser

The Growing Huge Strategy leverages the value of the compounding benefits of a growing annuity revenue, the ability to generate cash and Huge’s entrepreneurial skills.

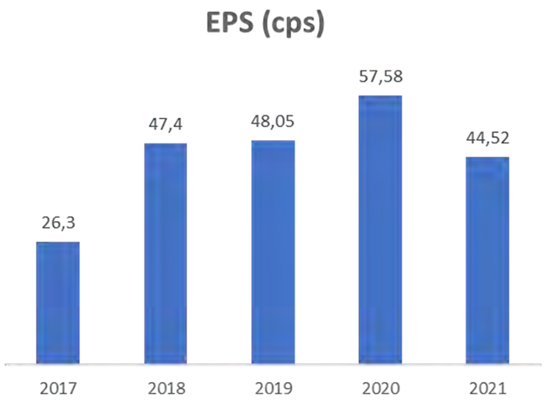
Huge has spent a considerable amount of time identifying the market segments on which it wishes to focus in the future, with particular reference to the converging connectivity, cloud, software and x-tech markets.

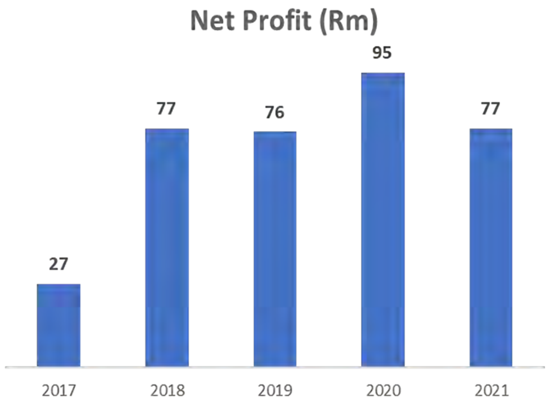
The disruption of the Fourth Industrial Revolution has been impacted by, and in many instances, accelerated during the global pandemic. Numerous investment opportunities have been identified because of these unique circumstances. The team at Huge has surveyed the landscape and filtered prospective targets based on synergies, fit and alignment, expansion of customer “real estate”, exploring economies of scale with concomitant cost and profitability benefits and efficiencies. The importance of investment scale and shareholder diversification has been recognised as a central tenet for creating stakeholder value and accessing capital markets.

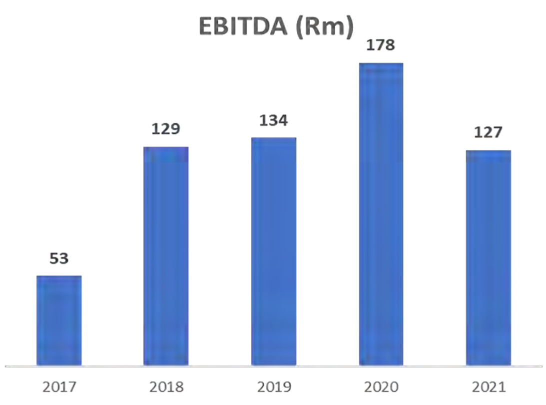
Huge’s interest in Adapt IT is well publicised. The offer made in January 2021 resulted in an immediate and substantial increase in the price of an Adapt IT share and a subsequent offer by Canadian-listed Volaris. This has demonstrated Huge’s ability of identifying quality target companies in preferred sectors. We have documented the rationale for our interest in Adapt IT in various documents on various platforms and we believe that our primary rationale of being ‘better together’ is true. Our commitment to fairness was also illustrated when we revised our offer in May 2021, following guidance from Adapt IT’s independent expert. At the date of this letter Apapt IT shareholders are probably assessing the merits of our offer of 1.37 Huge shares for every one Adapt IT share, valuing each Adapt IT share at the maximum valuation of 909c against the Volaris alternatives. We are confident of the commercial merits of our proposed transaction, which is all about investment scale, and we believe that substantial value can be created for Huge shareholders and Adapt IT shareholders. We are optimistic that these merits will be recognised by Adapt IT shareholders.

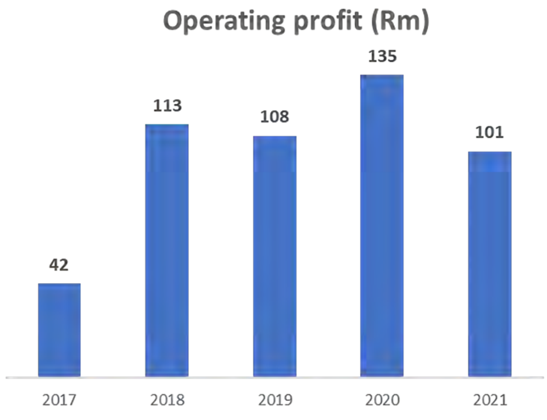
I appreciate the efforts of our executive team and Board under challenging conditions. I am enthusiastic about the future, including a future involving Adapt IT. Prospects for organic and acquisitive growth are good and the team is capable of extracting value from these opportunities for benefit of all its stakeholders.

FY2021 numbers are normalised.









The Huge Business Model

Huge uses the six capitals defined in the International <IR> Framework to illustrate how its business model has created value in the short, medium and long-term.

Huge Inputs

Financial Capital

Shareholders and funders provide Huge with capital to support the delivery of the Growing Huge Strategy.

Social and Relationship Capital

Business Partners provide a distribution channel for Huge, while Huge continues to support the communities in which it operates. Transformation initiatives maintain our social licence to operate.

Manufactured Capital

Products and services acquired from service providers allows Huge to deliver innovative, cost effective and efficient solutions to our customer real estate.

Natural Capital

Fleet of 53 vehicles installing products and delivering services to our customer real estate.

Intellectual Capital

26 years of ICT experience, skills and competencies, internal software development expertise, wholesale agreements with mobile network operators and individual and class ECS and ECNS licences provide intellectual capacity for strategic delivery.

Human Capital

315 employees provide Huge with the human components required to deliver products and services to our customer real estate.

Professional advisors ensure that Huge engages with third parties on a commercially sound basis.

Our business

huge group

huge connect	huge networks	huge software	huge telecom	huge distribution
We provide value-added data services using GSM-based cellular data networks for business-to-business and machine-to-machine applications.	We provide customers with a complete solution to all their current and future data, internet, communications and private network needs.	We provide customers with a fully integrated online accounting solution suitable for small, medium and large businesses, as well as a mobile application.	We provide a GSM-based wireless full suite telephony service that gives our customers a replacement for their traditional "telco" fixed-line voice infrastructure.	We distribute world-class products and solutions from leading global vendors, including NEC, to take your telecommunications business to greater heights

Our service providers

vodacom MTN Telkom

Working with a common base of service providers, Huge's operating companies acquire the required inputs which enable the delivery of enhanced services and products to its customer real estate.

Our business enablers

Huge's business solutions enable its customer real estate to access high quality, reasonably priced connectivity solutions.

Extensive distribution capacity	**Critical scale of operations**
National footprint	**ECNS and ECS licenses**
Wholesale agreements with mobile network operators	**Technical and customer support systems**

Our Business Partners

Huge collaborates with Business Partners as well as internal and direct sales teams who drive the sales of our products and services.

Benefiting from our outputs

- Connecting over 40 000 customers
- Sustainable investment in growing Huge
- Creating connections through locally and internally developed technology
- Entrepreneurial, innovative and cost-effective solutions
- Strengthening the community through Business Partners and contributing ICT resources to educational and welfare facilities
- Servicing customers sustainably

Our customers

SMEs
Corporates
Individuals

Huge Outcomes

Financial Capital

- Maintained sustainable debt funding at favourable interest rates.
- Generated R57 million cash from operations.
- Normalised EBITDA R93 million.

Social and Relationship Capital

- R26.8 million paid in commissions to Business Partners.
- Cash, ICT equipment and services to the value of R770 000 paid in support of education and welfare facilities.
- R3.7 million paid in regulatory and licence fees.

Manufactured Capital

- R154 million paid to service providers, enabling us to provide products and services to our customer real estate.

Natural Capital

- Our service engineers travelled 3 million km,producing 756 tons of carbon emissions, in servicing our customer real estate.

Intellectual Capital

- R3 million spent on research, development and furthering innovation.
- Proven ability to develop bespoke technology to drive internal efficiencies.

Human Capital

- R130 million paid in salaries and benefits.
- Loss Time Injury Frequency Rate of 0.0028.
- R6.5 million paid in fees to professional advisors.
- R6 million invested in training and development.

Investment Case

Vision: “Huge Group owns and acquires meaningful interests in businesses in the converging connectivity, cloud, software and x-tech markets”

Focus on delivering capital appreciation, earnings growth and dividend yields

Our customer real estate provides:

- foundation of sustainable annuity revenue
- platform for growth and opportunity
- defensive earnings profile
- entry point for investment in x-tech

Strong corporate management capacity	Ability to partner with financial institutions	Proven investment strategy
Access to well valued debt funding	Efficient Group cash management processes	Healthy debt to equity ratio which provides a strategic advantage in structuring acquisitions
Ability to harness opportunities arising from the impending convergence of connectivity, cloud, software and x-tech	Focus on innovation, research and development enables investment in profitable solutions and mitigates risks in respect of digital transformation	Ability of operating companies to generate substantial earnings growth by taking advantage of price elasticity

Huge's Acquisition Strategy

Huge's investor base is largely institutional investors focusing principally on long- term earnings growth and dividend yields. Accordingly, Huge's acquisition strategy needs to deliver on those expectations when evaluating organic and acquisitive growth opportunities.

Huge's acquisition strategy is to focus on opportunities that can leverage its customer real estate.

There must be tangible proof that an opportunity is sustainable and, crucially, that the opportunity can successfully be made commercial.

The founder or executive team should want to remain invested in the acquired entity. The founder or a member of the executive team with 'skin in the game' should want to remain the 'jockey' of the entity.

Huge's earnings and cash focus means it actively avoids acquisition opportunities that are dilutive, that might negatively impact earnings or that might impose excessive capital commitments.

Huge believes that its acquisition strategy does maximise value for all its stakeholders.

In order for Huge to pursue an acquisition:

- the target must have a large customer real estate
- the founder or a member of the executive team should want to remain invested in the acquired entity
- the target must have a direct contractual relationship with its customers
- the target must have the ability to bill its customers directly
- the target must generate annuity revenues

The CEO's Huge Topics

The CEO's Huge Topics seek to highlight those matters which the executive management team believes could have a significant impact on Huge's ability to create value and deliver the Growing Huge Strategy and which the executive management team believes are most important to shareholders and prospective investors. One or more of the Huge Topics may have been raised by the non-executive directors on the Board, the Company's shareholders and its other stakeholders during various engagements over the course of FY2021. The executive management team also believes that by highlighting the Huge Topics it will strengthen the relationship that the executive management team has with the Board, the Company's shareholders and its other stakeholders.

Human Capital and Rewards

Customer Acquisition and Customer Real Estate

High Growth, High Margin and Scaling

Service Intensity, Efficiency and Innovation

Distribution and Customer Reach

Sustainable Supply

Mergers and Acquisitions

Transformation

Debt Capital Market Appetite

Equity Capital Market Appetite

Human Capital and Rewards

Huge will only achieve long-term success if it has invested in the right people and enough of the right people.

In October 2009, Huge's market capitalisation, measured by the number of shares in issue and the market price at which those shares traded on the JSE's stock exchange was R35 million, and for the year ended 28 February 2010 it generated operating profit of R3 million. In October 2018, Huge's market capitalisation had grown to R1.7 billion – 50 times greater than what it was nine years earlier. For FY2021, Huge generated normalised operating profit (before the Executive Options) of R101 million – 34 times greater than what it was 11 years ago.

These successes were only achieved because of Huge's people, their credibility, along with the skills and experience they could bring to the table.

In early 2017 Huge was a single operating company, listed company and within the space of three months it became a multiple operating company, listed company. This was accomplished in a measured, conservative and risk conscious manner and at the lowest possible cost to Huge's shareholders. However, if Huge is to grow, and if the Growing Huge Strategy is to be fulfilled, Huge must create human capital capacity.

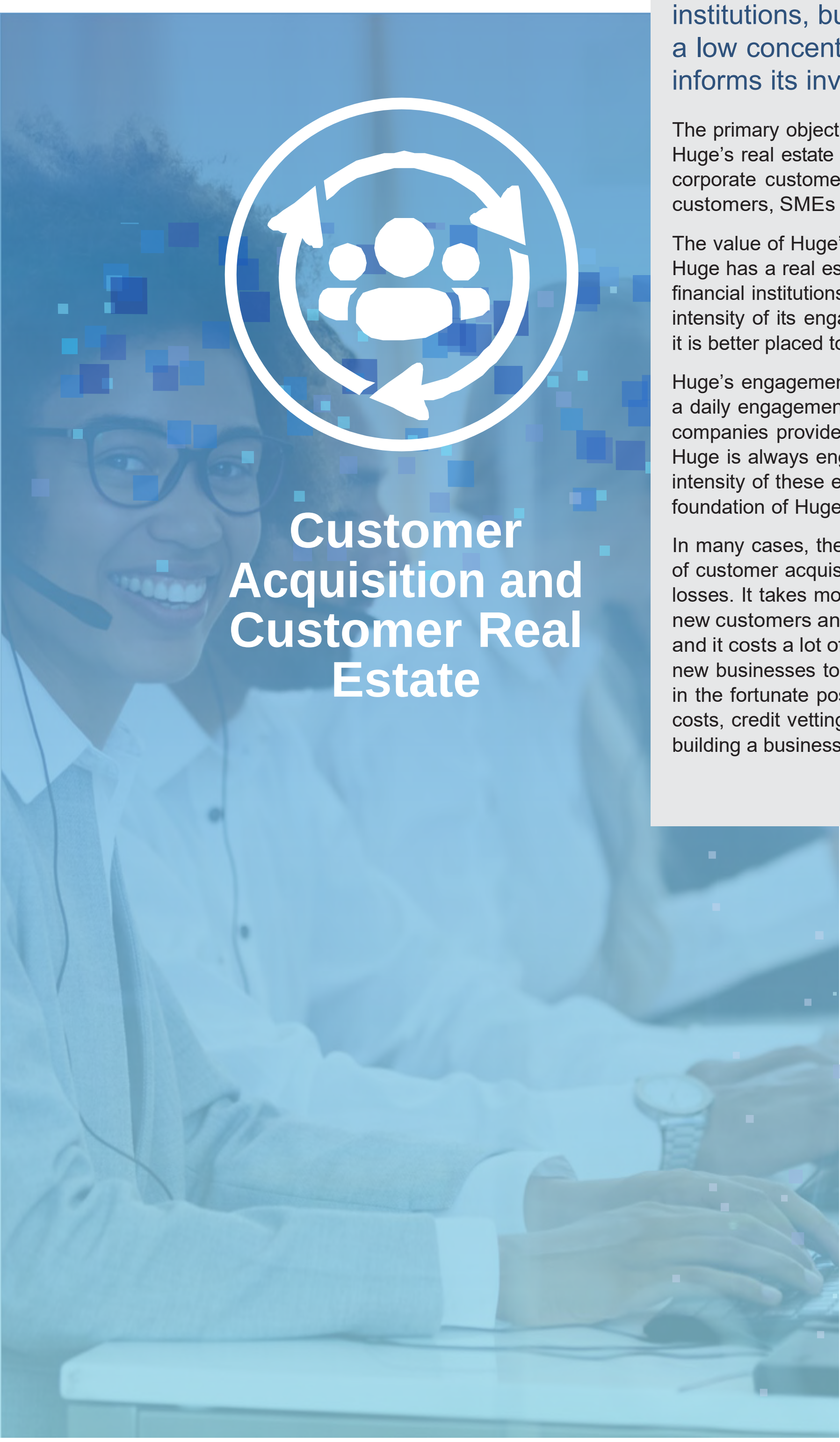
Huge has established a corporate office to support its operating companies in pursuing the Growing Huge Strategy. Huge's executive management team responsible for overseeing the delivery of the Growing Huge Strategy now comprises a Chief Executive Officer, a Chief Operating Officer and a Chief Financial Officer. This executive management team is supported by a Company Secretary and three professional support staff.

Huge's view is that if it invests in companies with the 'right jockeys' it will have a direct and positive bearing on Huge's long-term success and the success of the Growing Huge Strategy.

For Huge to be successful it must attract and retain its people. If Huge is to attract and retain human capital, it will have to create and offer incentives to its executives, members of management and employees.

During FY2020, shareholders overwhelmingly approved the Executive Option Agreements concluded with the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. This support demonstrated that Huge's shareholders understand the correlation between incentives and shareholder value.

The Executive Option Agreements create a mechanism which will only reward the executive management team if the Group grows its earnings and cashflows and if the market rewards this growth in higher valuations. These simple performance hurdles align the objectives of the executive management team with the objectives of the Company's shareholders.



Customer Acquisition and Customer Real Estate

Huge has a very substantial real estate of customers, which includes five of South Africa's leading financial institutions, but its real estate of SME customers with a low concentration of spend is the attribute that best informs its investment case.

The primary objective of the Growing Huge Strategy is growing Huge's real estate of customers and in particular, its real estate of corporate customers, whether or not they are small-office-home-office customers, SMEs or medium to large corporate organisations.

The value of Huge's real estate of customers is often underestimated – Huge has a real estate of customers similar in size to some of the larger financial institutions in South Africa and because of the frequency and intensity of its engagement with these customers, it can be argued that it is better placed to leverage this value.

Huge's engagement with its customers is not fleeting or once-off – it is a daily engagement informed by the services that the Huge operating companies provide to these customers. These services ensure that Huge is always engaging with these customers. The frequency and intensity of these engagements is the steel which reinforces the foundation of Huge's investment case.

In many cases, the two largest costs of doing business is the cost of customer acquisition and, the cost of credit vetting and credit losses. It takes months, if not years, to forge new relationships with new customers and to build the trust which is required to do business and it costs a lot of money to get this right. Huge can introduce new businesses to this real estate of customers, who will then be in the fortunate position of not having to bear customer acquisition costs, credit vetting costs and credit losses as primary costs of building a business.

High Growth, High Margin and Scaling

Huge's operating companies are either high growth, high margin or provide scaling opportunities, or they have a combination of two or more of these attributes.

Huge Telecom, Huge's largest revenue generating company, provides connectivity for making telephone calls, Huge Connect, Huge's second largest revenue generating company, provides connectivity for processing payment transactions and Huge Networks, Huge's third largest revenue generating company, provides connectivity for transmitting data. In today's world, these types of services are universal and are universally required. The Fourth Industrial Revolution is all about connectivity, cloud, software and x-tech and following the onset of COVID-19, it has become even more apparent that connectivity, cloud, software and x-tech are the most important tools on which businesses rely to operate. The digital evolution has been fast-tracked, challenging the norms of commercial and societal structures worldwide.

Huge's revenue streams are annuity in nature and as customers are acquired these revenue streams compound, like interest compounds on capital – and compounding is the eighth wonder of the world.

Huge Telecom has brought a corporate telephony solution to the market, which is built on the GSM standard. While it has been working on this solution and the various components of this solution for over a decade, the executive management team believes that the tipping point of its acceptance in the market as the preferred corporate telephony solution is near. The conclusion of a supply agreement with a tier-1 mobile telephone network operator like MTN has brought this tipping point nearer. GSM is the perfect substitute for the copper cables of a traditional fixed- line telephone operator's network. While fixed-line telephony is ex-growth, voice is not and corporate voice using GSM is anything but ex-growth. It is a significant growth opportunity. People still need to make telephone calls, but they need to do so in a simple and easy way without the maintenance headaches and associated downtime and without the security risks associated with VoIP. GSM is simply not hackable. While Huge Telecom is still in its infancy, when measured by revenue, the opportunity to grow its revenue is significant.

In addition to providing payment connectivity to five of South Africa's largest banks, Huge Connect provides connectivity to approximately 30 000 merchants. This provides Huge with the opportunity to dip its toe into the Fintech arena in a risk-averse cautious manner by offering cash advances secured by the future receivables collected at the time of a credit card or debit card swipe and at the same time that an acquiring bank takes its fee for the provision of the mobile-point-of-sale device. Lately, there are also suggestions that the banks are considering their involvement in the renting of mobile-point-of-sale devices and may even consider exiting this line of business. Huge Connect is perfectly placed to benefit from this change in strategy. As the payment industry evolves, a company like Huge Connect is better equipped to identify the right opportunities. The executive management team is determined to participate in this high-growth area of the market.

Huge Networks is a data connectivity business, not unlike the many other data connectivity businesses operating in South Africa – and there are many. The market for data connectivity to corporate customers is maturing and consolidating and the opportunities to scale businesses through acquisition are increasing every month. Data connectivity businesses require scale and Huge Networks is perfectly placed to scale. Scaling will improve operating profit margins.

Huge Software is key to Huge's aspirations with connectivity, cloud, software and x-tech. Point-of-sale devices must integrate with point-of-sale software, which must integrate with accounting software. Huge Software has already played a vital part in integrating Huge Telecom and Huge Connect's CRM and billing engines with Huge Software's accounting system.

In the world of connectivity, there is an age-old saying that he who owns the switching device owns the connectivity. It is not by chance that Huge decided to acquire a controlling interest in Huge Distribution. Huge will use Huge Distribution to grow its telephony connections and Huge Distribution will use Huge to acquire customers who need PABXs. This is another example of Huge levering its real estate of customers.

Service Intensity, Efficiency and Innovation

Huge seeks to acquire businesses with low service intensities and high service efficiencies, change the business models of currently owned businesses in an effort to decrease their service intensities and increase their service efficiencies and sell currently owned businesses whose service intensities are too high, or whose service efficiencies are too low, or where the trends in service intensities are rising at a faster rate, or where the trends in service efficiencies are falling at a faster rate than expected.

The service intensities of Huge's two largest operating companies, Huge Telecom and Huge Connect, are low. They also have very high service efficiencies. These are exactly the types of businesses in which Huge wants to invest and they are also exactly the types of businesses which Huge wants to grow. The services provided by these two companies are 'plug, play and walk away' services where most of the time is spent installing, setting-up and activating the services rather than dealing with the ongoing maintenance of the services. In other words, they have low service intensities.

Huge's operating companies seek to lower service intensities by adopting technologies which are simple to manage and/or which are easy to understand and maintain and accordingly will bring with them a lower service cost. They also seek to lower service intensities by reducing the number of variables in the business model or by reducing the number of variables in the service ecosystem – fewer variables mean less management and maintenance, lower costs of servicing and higher profit margins.

Other ways in which Huge's operating companies have lowered their service intensities is through process automation, owning their own CRM, billing and accounting software, and integrating them and developing and owning some of the technology used in delivering the services. Huge Connect and Huge Telecom have developed and own their own CRM and billing engines and Huge Software has developed an accounting software platform which it licenses to third parties and to Huge's operating companies. This has created significant service efficiencies.

Huge Telecom has developed its own routing devices, and this has introduced competition to the local market for the supply of routing devices, which has had the effect of reducing the costs to deliver the services.

These efforts matter and these matters have the attention of the executive management team. Reducing service intensities reduces service costs and increases service efficiencies and ensures a higher conversion of gross profit into net profit. Huge believes that innovation must take place primarily at the service layer rather than at the technology layer because all technology eventually becomes commoditised.

Distribution and customer reach are key – a good product or a good service will never be a great product or a great service unless the product or service can reach the chosen customer market in a simple, efficient and speedy manner. Huge has access to approximately 800 Business Partners which enable it to go from good to great.

Over the last decade, Huge has built a sizable distribution capability through its Business Partner network. On average, each Business Partner has five sales representatives, and this provides Huge with about 5 000 'feet-on-the-street'. This is testimony to Huge's distribution capability and its customer reach.

Sustainable Supply

The capability of each operating company is dependent on a sustainable supply of its required inputs at the lowest possible cost, without compromising quality.

Huge's operating companies focus on services which have already experienced high degrees of commoditisation. The greater the commoditisation, the lower the cost and the higher the gross margin. Huge Telecom and Huge Connect have very high gross profit margins. They are able, with these low costs, to add value at the service layer, and so they enjoy high gross margins.

Multiple sources of supply are very important, and the executive management team pays careful attention to managing supplier relationships, and the risks associated with these relationships. Negotiating and securing commercial supplier relationships is a time-consuming process and this raises a natural barrier to entry into Huge's markets.

Mergers and acquisitions remain a key strategic objective of the Growing Huge Strategy and a central focus for the executive management team. Huge already has a substantial real estate of customers and growing this real estate by acquisition is a very important objective for the executive management team.

The executive management team believe that there are many acquisition opportunities related to businesses which provide various forms of, and attend to, various needs for connectivity, cloud, software and x-tech. In addition, businesses which provide x-tech solutions to customers would also fit into the gamut of acquisition opportunities which would fall within the framework of the Growing Huge Strategy. COVID-19 has made the world more reliant on connectivity, cloud, software and x-tech. The value of Huge's customer real estate has enhanced its investment case and not simply preserved it.

The post-COVID-19 environment is likely to result in an acceleration of acquisitive opportunities. Valuation expectations are likely to be more tempered, thus increasing the number of viable opportunities open to Huge. Huge's appeal remains its critical mass of customers and its ability to leverage them.

The executive management team will continue to focus on acquisition targets which have strong annuity revenue streams, high gross margins, low levels of service intensity, high operating profit margins and a high cash conversion rate.

Mergers and Acquisitions

Transformation

Huge's B-BBEE profile is important because it assists Huge in operating in the broader South African economy. Huge continues to strive to improve the B-BBEE profile of its underlying operating companies.

Transformation in business is very important if a company wants to be a good corporate citizen and wants to drive positive economic outcomes for the whole of society.

COVID-19 has highlighted the important role companies can play in being good corporate citizens by being active members of the broader society, who provide immediate and emergency support to their stakeholders and the whole nation. Huge continues to target strategic initiatives that improve its transformation credentials, while also focusing on the well-being of its employees, particularly during economic circumstances as challenging as those currently being experienced.

During FY2020, Huge Connect concluded an empowerment transaction. Huge Connect is now 16.29% black-owned, and 60% of this black ownership constitutes black female ownership. This empowerment transaction significantly improves Huge Connect's B-BBEE credentials and ensures that it can maintain its competitive advantage in both the private and public sectors. The transaction also constitutes a positive step in achieving the Group's strategic objective of improving its B-BBEE profile.

Initiatives and investments focused on the transformation of Huge's other operating companies will continue as a key objective of the Growing Huge Strategy.

Access to debt capital is a key enabler of Huge's current expansion aspirations and the delivery of the Growing Huge Strategy.

In challenging economic times, successful deal making depends on innovative deal structuring. Huge's ability to raise debt capital in partnership with financial service institutions such as Futuregrowth Asset Management enables it to be more flexible and agile when investigating acquisitive growth opportunities. The Board believes that the productive and progressive relationship between Huge and its providers of debt capital is evidence of the support that significant stakeholders are prepared to give to Huge so that it can achieve its objectives over the medium to long-term. It is also testimony to the quality of Huge's underlying operating companies.

During FY2020, the executive management team created a centralised treasury function. This treasury function operates through Huge Management and is responsible for providing capital to Huge's operating companies. The objectives of this centralised treasury function include reducing the cost of debt on a Group basis and improving the internal oversight of inter-company borrowing and lending. The function provides the operating companies with a single point of contact for their borrowing requirements and it simplifies and speeds up the process of raising the necessary debt capital. This function creates efficiencies in the Group cash management processes and allows the operating companies to focus on more important objectives relating to business strategies and growth. It also allows Huge to leverage the strong relationships it has with its lenders and the experience of the executive management team in cashflow management and funding processes.

The debt to equity ratio of the Group is 17%. This provides Huge with a strategic advantage in pursuing and structuring acquisitions.

Debt Capital Market Appetite

Equity Capital Market Appetite

Access to equity capital is key to Huge's growth aspirations and delivery of the Growing Huge Strategy.

The global trend in asset management from active to passive fund management has had a marked impact on stock markets. This has resulted in investments becoming concentrated in large capitalisation companies. This trend has meant that small capitalisation companies and their shares are paid little attention.

Huge's executive management team continues to engage investors about the Group's value proposition and investment case so that Huge might be positioned as a preferred investment destination.

Huge's executive management team believes that there are many organic and acquisitive growth opportunities for Huge and that the Company can still leverage both its listed shares as well as the unlisted shares of its operating companies. The Group's cash position and its access to reasonably priced debt means that it is unlikely that the Group will need to consider raising equity capital in the short to medium-term.

The Growing Huge Strategy

Operating context

SME customer base

Huge's customer real estate is predominantly SMEs

- Huge is an entrepreneurial business which is skilled in delivering products, services and value to SMEs.
- SME customers have a sensitivity to price but cannot substitute price in favour of quality.
- Huge is able to deliver quality, value for money solutions at a reasonable price, with the aid of its Business Partners.

Challenging political, social and economic environment

South Africa's current low growth and COVID-19 has a negative impact on the sustainability of SMEs

- The key to successful economic reform in South Africa lies in the ability for SMEs to grow.
- In order to grow, SMEs require cost effective, value for money and efficient services, which Huge can provide.
- Despite the susceptibility of SMEs to economic challenges, Huge has sustained its customer real estate.

Abundance of supply

Huge has access to multiple suppliers

- Huge has the ability to arbitrage the best cost structure and pass these benefits on to its customer real estate.
- Huge has proven its ability to differentiate itself through its ability to provide expanded product and service offerings.
- Huge enables its SME customers to be able to deliver to their customers the same value as their larger competitors, at an affordable cost.

Explosion in x-tech opportunities

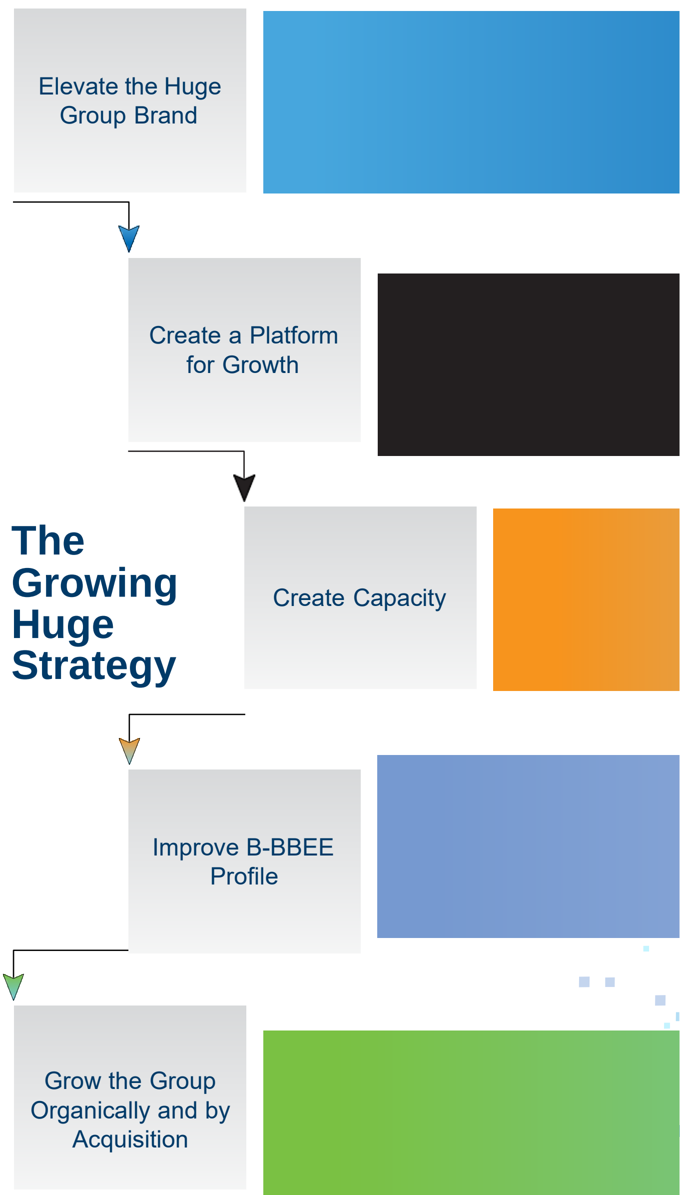
Investment in x-tech is a strategic initiative of the Growing Huge Strategy

- Huge aims to build and acquire capacity and invest in the correct skills to leverage x-tech opportunities.
- Through its Investment Committee, Huge focuses on accurate modelling and risk mitigation.
- Huge will only invest in brownfields opportunities, which have a track record of delivery and the ongoing commitment of the founding management teams, who will be required to retain 'skin in the game'.

Rapid growth of Huge

Huge has grown exponentially in recent years and anticipates that it will continue to do so

- Huge's investment in skills and capacity positions it to deliver the Growing Huge Strategy.
- Huge's growth strategy leverages the value from the compounding impact of growth in annuity revenue.
- Huge is able to deliver the cash generative growth required by its investors.



Six Year Review

Objectives

Understand the ability to expand the Huge brand in the business community

Leverage and expand the existing network of Business Partners and the customer real estate

Leverage existing product and service offerings

Expand into new products and services

Identify new strategic partners

Create a people centric organisation

Advance measurements and data collection

Implement automation in key areas of the operations

Improve internal process management

Review and refine operating models

Develop and implement comprehensive B-BBEE plans

Invest in earnings accretive businesses

Deliver bolt-on acquisitions at subsidiary company level

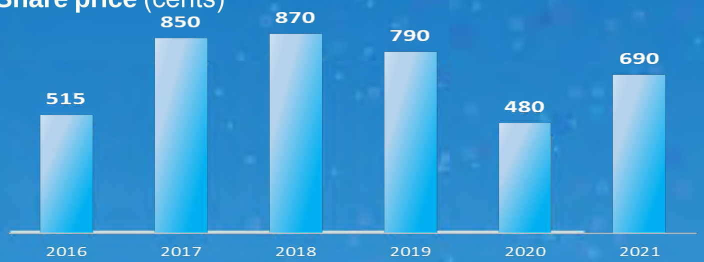
Increase investor base

Add service diversification and amass customer real estate

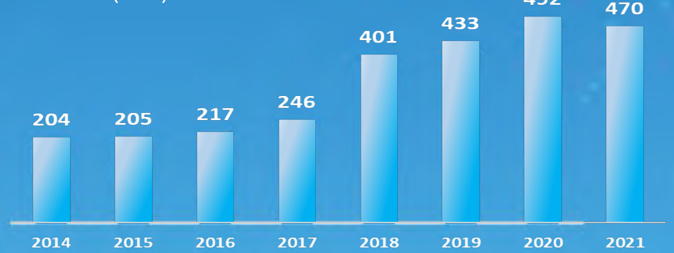
Gross profit (Rm)

Market Capitalisation (Rm)

Share price (cents)



Revenue (Rm)



Strategic Performance

Huge implemented the Growing Huge Strategy in March 2018 and the Board continues to track the performance by the operating companies on a regular basis. The implementation of initiatives to Create a Platform for Growth, to Create Capacity and to Elevate the Huge Brand have made good progress against this plan. The challenging economic climate and limited qualifying acquisition targets have impacted the strategic initiatives to Grow the Group by acquisition. While the Huge Connect B-BBEE ownership transaction resulted in that operating company achieving its strategic initiatives with regard to improving its B-BBEE profile, similar initiatives at other operating companies remain a focus.

The strategic performance of Huge Connect, Huge Networks and Huge Telecom, being the key contributors to earnings, is reflected below.

Create a Platform for Growth

	huge connect			huge networks			huge telecom		
Strategic initiative	**<30% delivered**	**30 – 60% delivered**	**60 – 100% delivered**	**<30% delivered**	**30 – 60% delivered**	**60 – 100% delivered**	**<30% delivered**	**30 – 60% delivered**	**60 – 100% delivered**
Leverage and expand existing network of business partners and customer real estate		●				●		●	
Leverage existing product and service offerings			●			●			●
Expand into new products, services and customer bases		●				●			●
Identify new strategic partners		●				●		●	

Year 1 | Year 2 | Year 3

65%

Create Capacity

	huge connect			huge networks			huge telecom		
Strategic initiative	**<30% delivered**	**30 – 60% delivered**	**60 – 100% delivered**	**<30% delivered**	**30 – 60% delivered**	**60 – 100% delivered**	**<30% delivered**	**30 – 60% delivered**	**60 – 100% delivered**
Create a people centric organisation			●		●			●	
Advance measurements and data collection		●			●			●	
Implement automation in key areas			●			●			●
Review and refine operating models		●			●				●

Year 1 | Year 2 | Year 3

75%

Improve B-BBEE profile

	huge connect			huge networks			huge telecom		
Strategic initiative	<30% delivered	30–60% delivered	60–100% delivered	<30% delivered	30–60% delivered	60–100% delivered	<30% delivered	30–60% delivered	60–100% delivered
Develop and implement comprehensive B-BBEE plans			●			●	●		

Year 1 Year 2 Year 3

66%

Grow the Group

	huge connect			huge networks			huge telecom		
Strategic initiative	<30% delivered	30–60% delivered	60–100% delivered	<30% delivered	30–60% delivered	60–100% delivered	<30% delivered	30–60% delivered	60–100% delivered
Target micro-acquisitions at subsidiary company level	●			●			●		

Year 1 Year 2 Year 3

30%

Elevate the Huge Group Brand

	huge connect			huge networks			huge telecom		
Strategic initiative	<30% delivered	30–60% delivered	60–100% delivered	<30% delivered	30–60% delivered	60–100% delivered	<30% delivered	30–60% delivered	60–100% delivered
Understand the ability to expand the Huge Group brand in the business community			●			●			●

Year 1 Year 2 Year 3

100%

Overall progress in implementing the Growing Huge Strategy

70%

Year 1

Year 2

Year 3

Investing in the Creation of Huge Value

Huge appreciates that its ability to deliver the Growing Huge Strategy is contingent upon its collaboration with its stakeholders. Huge focuses on building strong relationships with its stakeholders and recognising their contribution to Huge's value creation process and long-term sustainability.

Shareholders

Capitals impacted

Financial Capital

Huge Topics effected

- Mergers and Acquisitions
- Equity Capital Market Appetite
- Customer Acquisition and Customer Real Estate

Value created for Huge

Shareholders provide Huge with equity capital.

Value created by Huge

Huge repurchased circa R20 million of its own shares during FY2021.

Future outlook

Huge continues to aspire to become a top 100 listed company on the JSE.

Growing Huge Strategy

Create a platform for Growth | Grow the Group

Funders

Capitals impacted

Financial Capital

Huge Topics effected

Debt Capital Market Appetite

Mergers and Acquisitions

Customer Acquisition and Customer Real Estate

Value created for Huge

Access to the debt capital market enables Huge to invest in its growth strategy, while providing a return to funders.

Value created by Huge

During FY2021, Huge paid R14.2 million to Futuregrowth in interest payments on its facilities.

Future outlook

Huge can create sustainable avenues for debt investment in pursuing the delivery of the Growing Huge Strategy.

Growing Huge Strategy

Create a platform for Growth	Grow the Group

Employees

Capitals impacted

Intellectual Capital

Human Capital

Huge Topics effected

Transformation

Human Capital and Rewards

Service Intensity, Efficiency and Innovation

Value created for Huge

Employees provide Huge with the skills to deliver a services-based business model and generate returns on capital employed.

Value created by Huge

During FY2021, Huge paid salaries of R130 million and invested R6 million in skills development and training.

Future outlook

Creating capacity is a key strategic objective of the Growing Huge Strategy, of which 60% has been implemented.

Growing Huge Strategy

Create capacity	Improve B-BBEE profile

Customers

Capitals impacted

Social and Relationship Capital

Manufactured Capital

Huge Topics effected

Customer Acquisition and Customer Real Estate

Service Intensity, Efficiency and Innovation

Distribution and Customer Reach

Value created for Huge

Huge's customer real estate is the foundation of the Growing Huge Strategy and enables Huge to deliver value to its other stakeholders.

Value created by Huge

Huge successfully retained its customer real estate during challenging economic circumstances.

Future outlook

While Huge had hoped to grow its customer real estate more significantly in the short to medium term, the ability to retain customer real estate in a challenging economic climate is indicative of the sustainability of Huge over the long-term.

Growing Huge Strategy

Create a platform for Growth | **Grow the Group** | **Elevate the Huge Brand**

Service Providers

Capitals impacted

Intellectual Capital

Manufactured Capital

Huge Topics effected

Sustainable Supply

Service Intensity, Efficiency and Innovation

Distribution and Customer Reach

Value created for Huge

Huge provides good quality products and services to its customer real estate, in partnership with its service providers.

Value created by Huge

During FY2021, Huge spent R154 million with its service providers, securing a sustainable supply to its customer real estate.

Future outlook

Huge continues to work with its service providers in delivering cost effective and efficient solutions to its customer real estate.

Growing Huge Strategy

Create a platform for Growth | **Grow the Group**

Business Partners

Capitals impacted

Human Capital

Social and Relationship Capital

Huge Topics effected

Service Intensity, Efficiency and Innovation

Distribution and Customer Reach

Value created for Huge

Huge's business model of relying largely on an indirect distribution channel has facilitated the incubation and growth of many Business Partners.

Value created by Huge

During FY2021, Huge's network of active Business Partners were paid R26.8 million in the form of fees.

Future outlook

Huge continues to build its' indirect distribution channel, which in turn creates the potential for substantial employment and value creation.

Growing Huge Strategy

Create a platform for Growth	Grow the Group	Elevate the Huge Brand

Professional Advisors

Capitals impacted

Intellectual Capital

Manufactured Capital

Huge Topics effected

Mergers and Acquisitions

Value created for Huge

Huge relies on suitably experienced and expert professional advisors to ensure that it structures transactions and commercial arrangements in a manner which best protects value for its stakeholders.

Value created by Huge

During FY2021, Huge paid R6.5 million in fees to professional advisors.

Future outlook

Reliance on professional advisors who support the delivery of its strategic objectives remains a key component of the combined assurance model and the Group's approach to risk management.

Growing Huge Strategy

Create capacity	Grow the Group

Managing Risks and Opportunities

COVID-19 Risk

Following the onset of COVID-19 and the declaration of a national state of disaster during March 2020, the Board tasked the executive management team with developing and implementing specific risk responses to the impact of COVID-19 on the Group. Accordingly, the Group adopted a three-phased approach to identifying and addressing these risks:

Emergency phase

April 2020 to June 2020

Ensure risk controls are suitable and responsive.

Daily monitoring

Recessionary phase

July 2020 to December 2020

Embed new controls and continue to identify and assess new risks.

Weekly monitoring

Recovery phase

January 2021 to December 2022

Focus on harnessing opportunities for long-term benefit.

Monthly monitoring

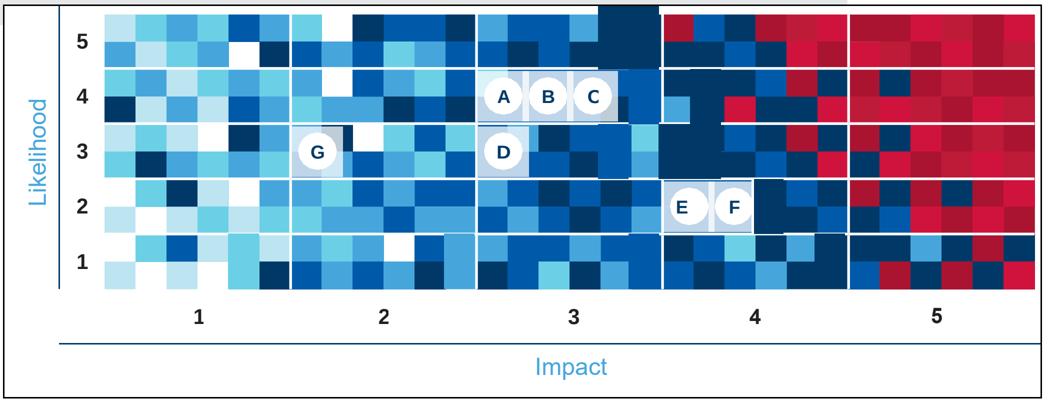
COVID-19 Mitigating Response

The Board identified the following factors which mitigate the risks relating to COVID-19 and which are inherent in the Group's various business models. It is expected that these factors will assist the Group in remaining resilient to the impact of COVID-19:

1. Decentralised, asset-light business models across all of the operating companies.
2. Products and services classified as essential services.
3. Annuity, compounding nature of the businesses and their revenues provide greater security of revenue streams and customer retention.
4. Low concentration of the vast majority of the operating companies' customer spend offsets the risks relating to some of the Group's larger customers.
5. Diversified, third party sales channels continue to provide access to markets in a quick, efficient and cost effective manner.
6. Flexible and agile management structures mean the Group is able to be very responsive to challenges.
7. Previous challenges have directed the Group to focus on sustainability and risk management.
8. Challenging economic environment in recent years has enabled the operating companies to strengthen internal processes and procedures to address risks relating to a declining customer base.
9. Cohesive teams with low employee turnover promote resilience in human capital.
10. Mature and experienced executive and senior management teams at Board and operating company level.

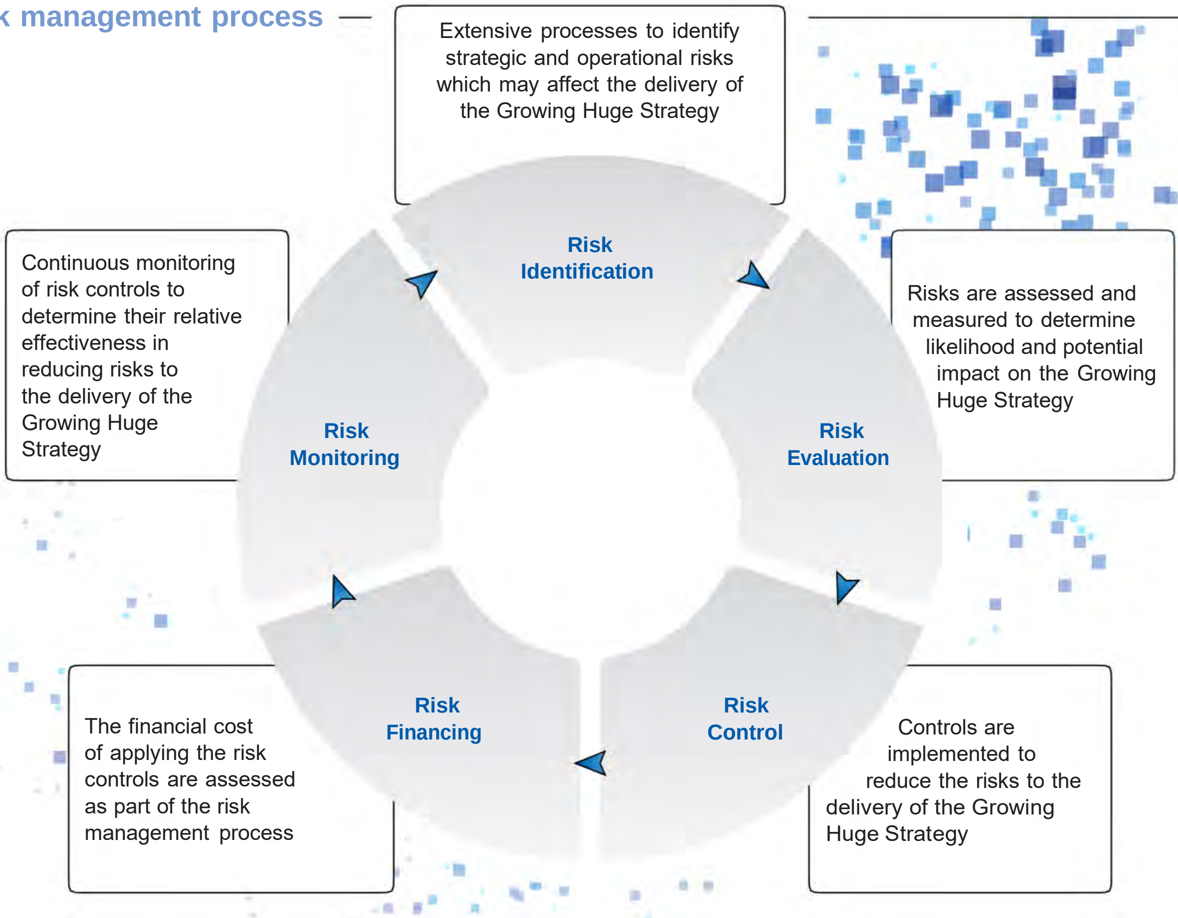
COVID-19 Risk Response

Short, medium and long-term risk registers have been developed in order to assist management in limiting the impact of COVID-19 on the Group. The most significant risks to the Group, in terms of short term risks, measured on a residual risk basis, are reflected accordingly:



COVID-19 Risk	COVID-19 Mitigating Response
A Declining orderbook	2 4 5 7
B Credit risk	2 3 4 6
C Sustainability of customers and Business Partners	2 5 8 7
D Human capital – psychosocial consequences to employees	6 7 8 9 10
E Human capital – securing physical health and safety of employees	1 2 5 6 9
F Capacity to deliver	1 2 5 10
G Declining customer base	2 3 5 6 8

Risk management process

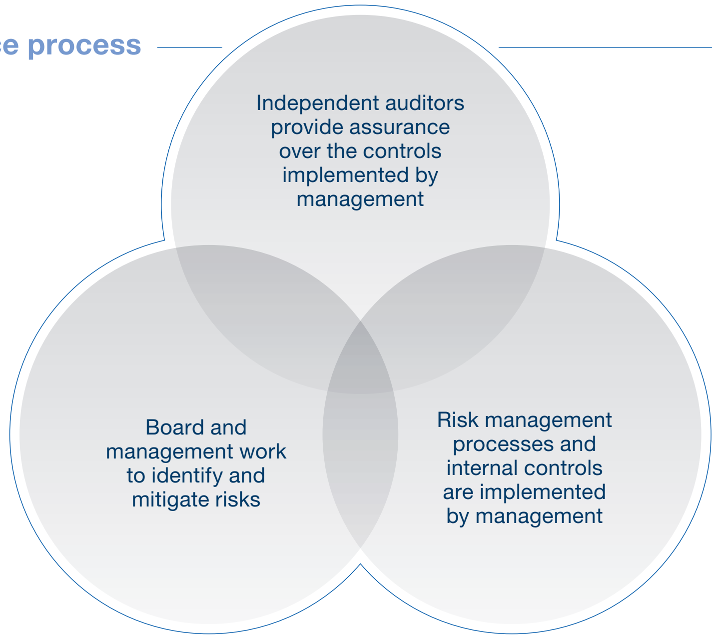


The Board considers risk management as an integral component of its decision-making processes. Through the Risk Committee, it has delegated to management the responsibility for implementing and executing effective risk management.

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

- the risks and the opportunities arising from the environment in which the Group and its operating companies function
- the potential upside or opportunities presented by risks
- the Group's dependence on resources and relationships
- the design and implementation of appropriate risk responses
- the establishment and implementation of business continuity arrangements which allow the Group to continue operating in instances of business disruption
- the integration and embedding of risk management in business activities and in the culture of the Group

Combined assurance process



The Group utilises the five lines of assurance to mitigate risks, reduce errors and identify areas of weakness in its internal controls. Improvements in its assurance mechanisms continue to develop in line with the objectives of the Growing Huge Strategy.

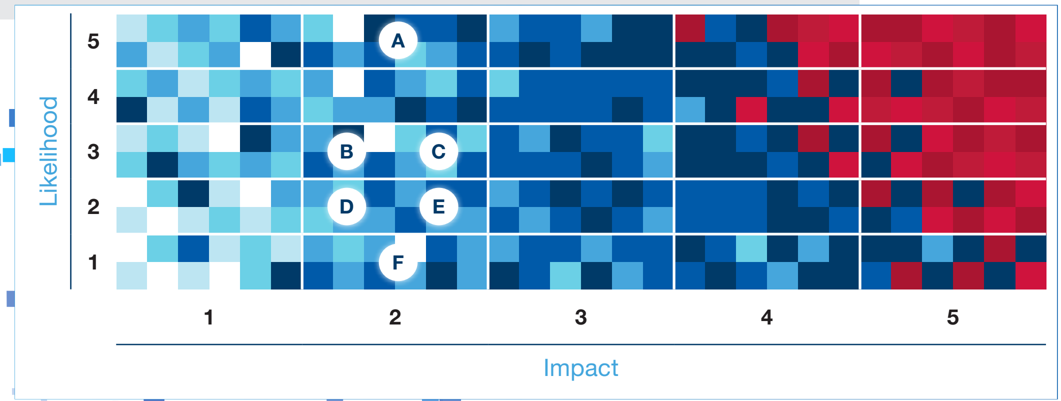
	Area of responsibility	Assurance processes
First line:	Line management, including sales managers and customer service managers	Applying internal control policies and procedures which limit the Group's exposure to risk, while also exploring opportunities identified by the second line of assurance.
Second line:	Managing Directors, Financial Directors, internal risk functions, Group risk functions	Identifying risks and potential opportunities in operating companies and implementing necessary internal control policies and procedures to limit risks and maximise the benefit of opportunities.
Third line:	External legal advisors, regulatory compliance advisors, investment consultants, financial accounting specialists	Providing guidance to the Board and the executive management team so that they can identify areas of risk and take suitable actions which can mitigate these risks.
Fourth line:	Independent auditor	Reviewing the risk management and internal control processes throughout the Group and its operating companies and identifying areas of weakness which require improvement.
Fifth line:	Risk Committee and Audit Committee	Advising the Board on and making recommendations in respect of the efficacy of the Group's risk management processes and its ability to leverage opportunities.

Strategic Risk

Strategic risks which have been identified and which impact the delivery of the Growing Huge Strategy:

The Board is cognisant that risk management is integral to the Group's pursuit of its strategic objectives. Risk management is an ongoing exercise conducted across the Group and impacts daily decision-making in all operational areas. It also impacts on the broader, strategic objectives which are reviewed formally by the Risk Committee at the financial year-end and interim reporting periods.

The most significant risks to the Growing Huge Strategy, measured on a residual risk basis, are reflected accordingly:



Risk	Risk Reduction
A Political, economic and social risks	50% reduction
B Regulatory risks	60% reduction
C Transformation and human capital risks	70% reduction
D Market risks	70% reduction
E Technology risks: cybersecurity	75% reduction
F Technology risks: lack of digital transformation in response to digital evolution	75% reduction

A Political, economic and social risks

Description

Deterioration of general economic conditions as a consequence of political, social, macro-economic and pandemic risks may significantly reduce Huge's operating earnings.

Mitigating response

Responsive action plans to mitigate risks and maintain operational activities, specifically those impacted by COVID-19 (through the COVID-19 Mitigating Response), government policy and regulation, equity markets and social behaviour.

Opportunities

Optimise business models to address changing market conditions and leverage opportunities arising from the size of the customer real estate.

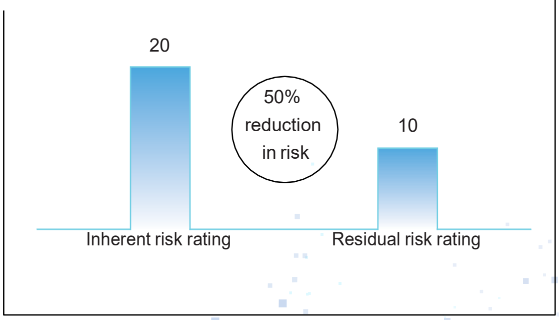
Capitals affected

Financial Capital

Social and Relationship Capital

Human Capital

Impact: inherent and residual



Links to Huge Topic

- Human Capital and Rewards
- Debt Capital Market Appetite
- Equity Capital Market Appetite
- Customer Acquisition and Customer Real Estate

B Regulatory risks

Description

Changes in regulation require a change to the Group's business models or result in increased expenditure to ensure compliance, which may adversely impact the Group's future operating earnings.

Mitigating response

Active monitoring of and engagement with regulatory bodies to ensure timeous identification and comprehensive understanding of these risks; pursuing investment opportunities which improve compliance and which transform the Group.

Opportunities

Adopting a proactive rather than a reactive response to regulatory changes and creating a competitive advantage because of this approach.

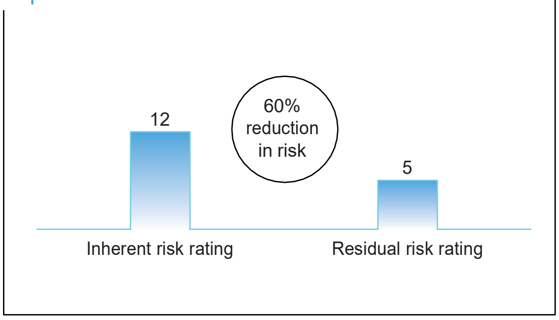
Capitals affected

Intellectual Capital

Social and Relationship Capital

Human Capital

Impact: inherent and residual



Link to Huge Topic

- Service Intensity, Efficiency and Innovation
- Transformation
- Mergers and Acquisitions

C Transformation and human capital risks

Description

Directors, executive management team and senior management do not reflect transformation or a diverse demographic, which may have a negative impact on growth potential and future operating earnings.

Mitigating response

Promoting diversity through filling existing vacancies.

Opportunities

Improving strategic and operational input through diversity of skills, experience, age, gender and race.

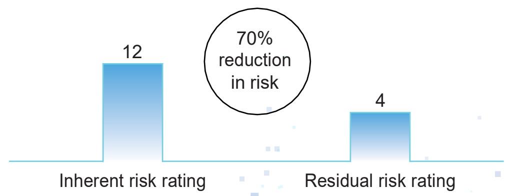
Capitals affected

Social and Relationship Capital

Financial Capital

Human Capital

Impact: inherent and residual



Link to Huge Topic

- Mergers and Acquisitions
- Transformation
- Human Capital and Rewards

D Market risks

Description

Competition to Huge's operating business models which may impede organic growth.

Mitigating response

Continuing to differentiate while investigating new markets for entry; introducing value-added services that create 'stickiness' in retaining customers.

Opportunities

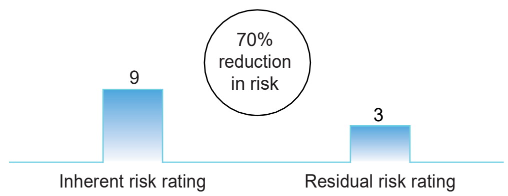
Creating partnerships which expand offerings and exposure to other markets.

Capitals affected

Financial Capital

Social and Relationship Capital

Impact: inherent and residual



Link to Huge Topic

- Equity Capital Market Appetite
- Debt Capital Market Appetite
- Mergers and Acquisitions

E Technology risks: cybersecurity

Description

Increased risk of cyberattacks arising from external threats which advance at a rapid pace.

Mitigating response

Understanding and identifying new threats, improving the Group's ability to test for security breaches and upgrade defensive actions where required; investment in online security enhancements and allocation of suitable capital expenditure; improvements in governance of information and technology risk.

Opportunities

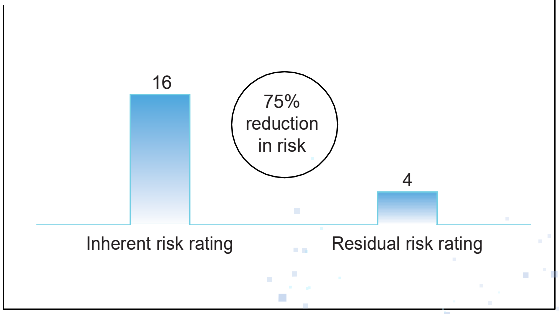
Providing cybersecurity services to Huge's customer real estate.

Capitals affected

Intellectual Capital

Manufactured Capital

Impact: inherent and residual



Link to Huge Topic

- Sustainable Supply
- Customer Acquisition and Customer Real Estate
- Service Intensity, Efficiency and Innovation

F Technology risks: lack of digital transformation in response to digital evolution

Description

Changes in technology and the increased move towards automation and digitisation require continuing changes to the Group's business models.

Mitigating response

Broadening the diversity of business models; digitally transforming the Huge business models; managing and controlling greater parts of the value chain; exploiting opportunities to increase mobility and remote working capacity.

Opportunities

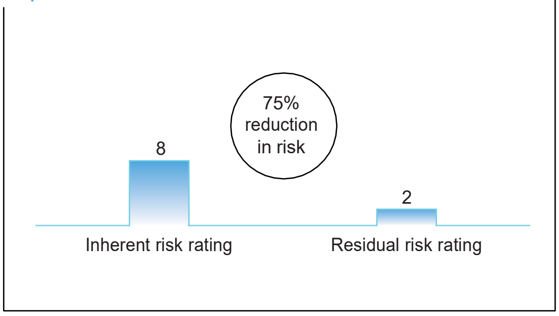
Improving operational processes and business models in such a way that they become resilient to change; aggregating the value chain and increasing purchasing power.

Capitals affected

Intellectual Capital

Manufactured Capital

Impact: inherent and residual



Link to Huge Topic

- Human Capital and Rewards
- Service Intensity, Efficiency and Innovation
- Sustainable Supply

Board of Directors

Duarte da Silva 56

Non-Executive Chairman

PhD (Eng); BSc (Mech Eng)

Chairman: Remuneration Committee and Investment Committee

Appointed

1 March 2016

Previous experience

- Regional Head of African Operations, Macquarie
- Chief Executive Officer, Macquarie First South
- Deputy Chairman, McCarthy Bank
- Executive director, Merrill Lynch South Africa
- Top rated technology analyst

Steve Tredoux 61

Lead Independent Director

Chairman: Social and Ethics Committee

Member: Audit, Risk and Nomination Committees

Appointed 26 March 2008

Resigned 23 September 2020

Previous experience

- Chairman, Huge Group
- Various directorships, Huge Group and Huge Telecom
- Group Executive - Sales and Retail Marketing, MTN Group
- Various senior management and accounting positions at National Data Systems, Copyreel Production, AVVID and TL Electronics

James Herbst 50

Chief Executive Officer

BCom, BAcc, CFA, CA(SA)

Member: Investment and Risk Committees

Appointed

1 September 2006

Previous experience

- Chief Financial Officer, Huge Group
- Managing Director, Huge Telecom
- Chief Financial Officer, DataPro Group (now Vox Telecom)
- Private client portfolio manager, Fleming Martin Private Asset Management and BoE

Andy Openshaw 57

Chief Operating Officer

BPharm

Member: Investment, Risk and Social and Ethics Committees

Appointed

1 March 2019

Previous experience

- Chief Executive Officer, Reunert Communication Cluster
- Chief Executive Officer, ECN
- Various senior sales and marketing positions, Glaxo Pharmaceuticals
- Founding partner, Professional Pet Products (Vets Choice)

Samantha Sequeira 32

Chief Financial Officer

CA(SA)

Member: Investment, Risk and Social and Ethics Committees

Appointed

25 March 2019

Previous experience

- Financial Director, Virgin Mobile South Africa
- Practice manager, ARC Inc
- Audit manager, ARC Inc
- Financial Manager, Propertuity Management
- Financial Manager, Sandbox Holdings

Brian Armstrong 60

Independent Non-Executive Director

BSc (Eng), MSc (Eng), PhD

Member: Audit, Investment, Risk and Remuneration Committees

Appointed

1 September 2017

Previous experience

- Group Chief Operating Officer and Group Chief Commercial Officer, Telkom SA
- Vice President for Middle East and Africa, BT Group Plc
- Director of the Division for Information and Communications Technology, CSIR
- Managing Director, AST Networks (now Gijima)

Dennis Gammie 67

Independent Non-Executive Director

CA(SA)

Chairman: Audit, Risk and Nomination Committees
Member: Remuneration Committee

Appointed

29 June 2012

Previous experience

- Chief Financial Officer, Aveng Group
- Financial Director, Murray & Roberts Materials
- Financial Director, Imperial Group subsidiary
- Acting Managing Director, various Aveng Group subsidiaries

Craig Lyons 51

Independent Non-Executive Director

BCom, D.Soc (Economics)

Member: Audit, Risk, Chairman: Social and Ethics and Investment Committees

Appointed

3 July 2017

Previous experience

- Chief Executive Officer, Mvelaphanda Strategic Investments
- Extensive strategic, management and finance experience in various industries
- Co-founded, lead and managed two South African investment companies

Vincent Mokholo 47

Non-Executive Director

BSc (Unv. Limpopo), Telecom MBA (Informa Academy UK)

Member: Remuneration, Nomination and Social and Ethics Committees

Appointed

2 July 2007

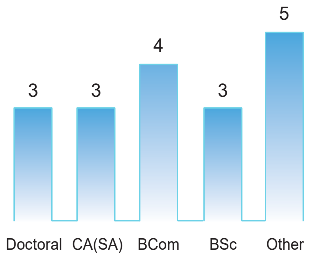
Previous experience

- Chairman, Huge Group
- Deputy Managing Director, Huge Telecom
- Client Services Director, TelePassport
- Director, Ambient Mobile

Present appointments and responsibilities external to Huge

Duarte da Silva	Andy Openshaw	Steve Tredoux	Brian Armstrong	Craig Lyons	Vincent Mokholo
Consultant, Casa Da Luz	Chairman, Radford Dale	Council, Audit Committee and Finance and General Projects Committee, Rhodes University	Professor of Digital Business, Wits Business School, Independent non-executive director, Old Mutual Inc	Non-executive director, various boards, committees and investment funds	Director, Windfall Operations Director, Mano Coal

Qualifications



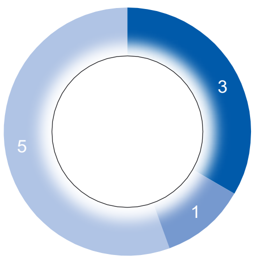
Board experience

69 Combined years on the board of Huge

223 Combined years of industry experience

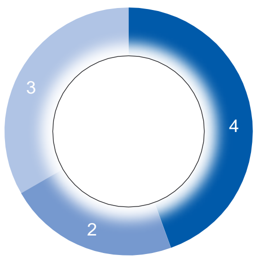
53 Average age

Board composition



- Executives
- Non-executives
- Independent non-executives

Tenure



- 0 - 3 years
- 4 – 9 years
- 10 – 14 years

Governance Report

Overview

Huge and its operating companies value the principles of sound corporate governance as a means to ensuring that the Group delivers sustainable value to its stakeholders.

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 directors.

BOARD OF DIRECTORS

Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee	Investment Committee	Social and Ethics Committee
Audit and appointment of independent auditor	Risk management plan	Review performance of senior managers	Board, Committee and member evaluations	Material investment activities	Statutory compliance
Financial controls and risks	Risk registers	Remuneration Policy	Board skills and diversity	Investor relations	B-BBEE and transformation
Internal controls	IT risks	Remuneration Implementation Plan	Board education and training	Appointment of professional advisors	Ethics management
Financial disclosures	Legal register	Reporting to and engaging with shareholders	Succession planning		Internal culture
IT infrastructure and budget	Compliance register				Stakeholder engagement

EXECUTIVE MANAGEMENT TEAM:

Chief Executive Officer

Chief Operating Officer

Chief Financial Officer

EXECUTIVE COMMITTEES – OPERATING COMPANIES

King IV

During the period under review, the Board continued to implement governance procedures to align with the recommended practices of King IV. While the Group has commenced the process of applying King IV, certain recommended practices still require development.

Governance requirements

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

- Vision and mission
- Companies Act
- JSE Listings Requirements
- A2X Market Listing Requirements
- King IV
- 10 Principles of the United Nationals Global Compact
- Regulatory licence terms and conditions
- Code of Ethics

The board of directors

The Board is the highest governance authority in the Group and remains responsible for the Group's adherence to principles of good governance, ensuring that decisions taken are made with reasonable care, skill and diligence.

The MOI of Huge requires the Board to have a minimum of five directors. The Board currently comprises eight members, of whom three are executive directors, five are non-executive directors, of whom four are independent, 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 is overseen by the Nomination Committee. Directors are required to dedicate sufficient time to meeting the Board's requirements. Each director contributes a high degree of knowledge, skill and experience to the Group as a whole.

The role of the Chairman and the Chief Executive Officer are separate.

The Board views the role of its non-executive directors as essential to protecting shareholders' interests, including those of minority shareholders. Members of the Board remain up to date with Group activities and developments through regular interaction with the executive directors and senior management. Directors are entitled to receive independent professional advice at the expense of the Company and have unrestricted access to management, the independent auditor and the Company Secretary.

The Board composition is set out on pages 38 to 39 of this Report, including a brief CV of each director. The categorisation of directors is made in line with the Companies Act, King IV and the Listings Requirements. The Board Charter places specific responsibilities on the Chairman, the Chief Executive Officer and Company Secretary in respect of overseeing the implementation of sound corporate governance practices.

The Chairman is required, *inter alia*, to set the ethical tone for the Board and the Company, provide overall leadership to the Board, ensure that conflicts of interest are managed appropriately and ensure that members of the Board play a full and constructive role in the affairs of the Company. A Lead Independent Director is required, *inter alia*, to fulfil the functions of the Chairman whenever the Chairman is absent or conflicted, serve as a sounding board for the Chairman and act as an intermediary between members of the Board and the Chairman. The Chief Executive Officer is required, *inter alia*, to oversee the implementation of the Board approved strategy and supporting policies. The key responsibilities of the Board are set out in further detail in the Board Charter and Committee Charters, which are available at http://hugegroup.com/huge-group-unlocking-business-opportunity-governance-charters/.

Chief Financial Officer

Samantha Sequeira was appointed as the Chief Financial Officer on 25 March 2019. The Audit Committee has evaluated the expertise and performance of Mrs Sequeira over the past financial year and is satisfied that she has the appropriate knowledge, skills and experience to perform the functions required by her position. The Audit Committee is also satisfied that Mrs Sequeira is supported by adequate and competent staff.

Company Secretary

The Company Secretary is required, *inter alia*, to oversee Board governance and guide the directors collectively and individually on their duties, responsibilities and powers. All members of the Board have unrestricted access to the Company Secretary, who provides guidance on the duties and responsibilities of the directors. Mrs Karen Robinson fulfilled the role of Company Secretary until her resignation on 30 September 2020 whereafter Mrs Rokeya Hansa assumed responsibility for the role of Company Secretary in the interim period.

Having considered the performance of both Mrs Robinson and Mrs Hansa respectively during the reporting period, the Board is satisfied that both Mrs Robinson and Mrs Hansa were/are competent, suitably qualified and have the necessary knowledge, skills and experience to adequately perform the functions required by the position. Neither Mrs Robinson nor Mrs Hansa were/are directors of the Company or any subsidiary company thereof and have had an arm's length relationship with the Board.

Board appointments and rotation

The Nomination Committee oversees the formal process for appointing and evaluating directors. The Company's MOI requires that at least one third of non-executive directors must retire at the Company's AGMs on an annual basis. These retiring members of the Board may be re-elected. The Board, through the Nomination Committee, recommends directors for re-election, taking into account their past performance and contribution to the Board.

Accordingly, the Board recommends that Dennis Gammie and Vincent Mokholo, who are standing for re-election at the AGM, be duly re-elected to the Board by shareholders.

Diversity Policy

The Board recognises the value of diversity to the quality of its decision-making processes, as well as a positive contribution to transformation. Improving the Group's B-BBEE profile is a key strategic objective of the Growing Huge Strategy. The Board continuously seeks to improve upon its current level of diversity and is supported in this process by its Diversity Policy, as well as the functions of the Nomination Committee and the Social and Ethics Committee.

Succession planning

The Board, through the Nomination Committee, undertakes a comprehensive review of executive and senior management positions on an annual basis. Key individuals have been identified who could fulfil short-term appointments on an emergency basis, as well as individuals who could provide long-term succession to these positions. Personal development plans for these individuals remain ongoing in order to ensure that they are adequately prepared to assume responsibility for the relevant positions.

Directors' dealings in Huge Shares

Closed periods and prohibited periods are imposed by the Company in line with the Listings Requirements. Notifications of these periods are distributed to the Board, the directors of 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 to the Company by way of a monthly retainer and an attendance fee. Where required, reasonable travel expenses are paid by the Company. Shareholders approve non-executive director fees on an annual basis at the AGM. Further information on the non-executive director fees are set out in the Remuneration Report on pages 47 to 51.

Attendance at Board Meetings and Board Committee meetings

Directors	Board meetings	Special Board meetings	Audit Committee	Special Audit Committee	Risk Committee	Investment Committee	Social and Ethics Committee	Remuneration Committee	Special Remuneration Committee	Nomination Committee
No. of meetings held during FY2021	**5**	**2**	**4**	**1**	**2**	**2**	**3**	**3**	**-**	**4**
DF da Silva	5	2	-	-	2	2	-	3	-	-
SP Tredoux[1]	4	1	3	-	2	-	2	-	-	3
JC Herbst	5	2	-	-	-	2	-	-	-	-
AP Openshaw[2]	5	2	-	-	-	2	1	-	-	-
SL Sequeira[3]	5	2	-	-	-	2	1	-	-	-
BC Armstrong[4]	5	2	2	1	2	2	-	3	-	-
DR Gammie	5	2	4	1	2	-	-	3	-	4
CWJ Lyons[5]	5	2	4	1	-	2	3	-	-	1
VM Mokholo	5	2	-	-	2	-	3	3	-	4
KE Robinson[6]	-	-	-	-	-	-	2	-	-	-

1 *SP Tredoux resigned as non-executive director with effect from 23 September 2020.*
2 *AP Openshaw became a member of the Social and Ethics Committee with effect from 29 July 2020.*
3 *SL Sequeira became a member of the Social and Ethics Committee with effect from 29 July 2020.*
4 *BC Armstrong became a member of the Audit Committee and the Investment Committee with effect from 29 July 2020.*
5 *CWJ Lyons became a member of the Nomination Committee with effect from 21 October 2020.*
6 *KE Robinson resigned as Company Secretary with effect from 23 September 2020.*

Committee Reports

Delivery of objectives

Audit Committee

Mandate

Assisting the Board by reviewing and advising on the financial reporting, oversight of governance, financial risk management processes and internal financial and non-financial controls, independent audit functions and statutory and regulatory compliance.

Responsibilities

Reviewing the Consolidated and Separate Annual Financial Statements prior to approval, both with the executive directors and in a separate forum with the independent auditor.

Reviewing the appropriateness of the accounting policies and ensuring that the Consolidated and Separate Annual Financial Statements fairly present the financial performance, financial position and going concern status of the Company and the Group as at 28 February 2021.

Reviewing and addressing any concerns or complaints relating to the accounting policies, internal controls, internal financial controls or auditing of the Consolidated and Separate Annual Financial Statements.

Making submissions to the Board on any matter related to the Group's accounting policies, financial controls, records and reporting procedures.

Key focus areas for FY2021

Reviewed the independence and terms of engagement of Moore Johannesburg Inc and recommended their re-appointment.

Assessed the possible impairment of goodwill.

Considered the impact of the Executive Option Agreements and IFRS2 Share-based payment expense as well as the presentation of normalised performance.

Considered the impact of the change in estimate on the telephone line network asset register.

Considered the existence of inventory and particularly the accumulation of work-in-progress because of a lack of sales throughput, which has fallen because of the restrictions on supply resulting from the dispute with Cell C SPC, and considered the extent of an appropriate impairment.

Considered the impact of a waiver of loans on financial performance.

Reviewed the adequacy and effectiveness of internal controls in respect of financial reporting.

Key focus areas for FY2022

Taking into account operational risks relating to the macro-economic climate and the impact of COVID-19 on the Huge business model, the Committee will give particular focus to:

- Monitoring actual performance against budgeted performance.
- Key financial risk indicators across the Group.
- Liquidity and working capital requirements.
- Initiatives which strengthen the balance sheet and reduce levels of debt.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2021, it intends to continue enhancing its efficiencies in reviewing internal controls.

No. of meetings held during the year:	5	Attendance:	100%

Audit Committee's Report to Shareholders on page 84 to 85

Risk Committee

Mandate

Assisting the Board in managing any unexpected risks which may have a significant impact on business continuity and the achievement of the Growing Huge Strategy.

Assisting the Board in reviewing both opportunities and risks which may affect the Company.

Responsibilities

Ensuring that effective risk management policies and strategies are in place and are recommended to the Board for approval.

Ensuring that material risks are identified and that appropriate risk responses are implemented.

Reviewing the Group's sustainability risk on a regular basis.

Ensuring that appropriate resources are directed towards areas of high risk.

Reviewing the Group's insurance arrangements and considering whether appropriate coverage is in place.

Key focus areas for FY2021

Monitored the effective implementation of risk management policies and strategies by management.

Reviewed and approved risk registers for the Group and its operating companies, ensuring that the risks were identified on a quantitative and qualitative basis, according to probability and impact.

Reviewed the Group's risk appetite and risk tolerance levels, relative to reward or opportunity.

Key focus areas for FY2022

Monitoring the implementation of the Group's COVID-19 Risk Register and ensuring that the Group's risk responses remain effective in minimising the impact of the pandemic on operations.

Ensuring that risks relative to the ongoing implementation of the Growing Huge Strategy are managed appropriately.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2021, it intends to continue enhancing its assessment of the Group's risk appetite, risk tolerance and sustainability risk.

No. of meetings held during the year:	2	Attendance:	100%

Risk Report to Shareholders pages 30 to 37

Social and Ethics Committee

Mandate

Assisting the Board in monitoring compliance with legislative, regulatory requirements and codes of best practice in respect of social and economic development, corporate citizenship, transformation, environmental matters, health and public safety, stakeholder relationships and labour and employment.

Responsibilities

Monitoring compliance with the Revised B-BBEE Codes and the ICT Sector Charter.

Ensuring that the Group is, and is seen to be, a good corporate citizen.

Ensuring that the Group complies with the relevant labour and employment legislation.

Ensuring that the Group complies with the relevant consumer protection legislation.

Considering the impact of the Group's operations on the environment, and the health and safety of its employees.

Overseeing policy implementation which supports ethical behaviour.

Key focus areas for FY2021

Approved the Group's Whistleblower Policy.

Monitored the implementation of B-BBEE compliance plans.

Reviewed the Group's environmental and safety reports.

Key focus areas for FY2022

Reviewing the Group's social and ethical responsibilities as a participant in the national economy impacted by COVID-19.

Monitoring the implementation of B-BBEE compliance plans across the Group.

Overseeing the implementation of the Code of Ethics, which entrenches an ethical value system across the Group.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2021, it intends to continue enhancing its assessment of the Group's policies and practices which support the strengthening of an ethical culture and good corporate citizenship. The improvement of the Group's B-BBEE profile remains a key strategic focus for the Committee.

No. of meetings held during the year:	3	Attendance:	100%

Social and Ethics Committee's Report to Shareholders page 52

Investment Committee

Mandate

Assisting the Board in deliberating any strategic investment opportunity and interactions with the investment community.

Responsibilities

Considering potential acquisition opportunities and making representations to the Board.

Monitoring compliance with the Investor Relations Policy.

Reviewing activities relating to investor relations and communications.

Reviewing and recommending the appointment of service providers in respect of the Company's investment activities.

Key focus areas for FY2021

Considered acquisitions undertaken during FY2021, potential acquisition opportunities and due diligences undertaken in respect thereof and made recommendations to the Board.

Key focus areas for FY2022

Continue to identify investment opportunities which align with the delivery of the Growing Huge Strategy.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2021 and particularly its objectives relating to continuing education, the Committee recognises the importance of lifelong learning and will strive to always improve on this objective by expanding and broadening the subject matter and body of knowledge to which its members are exposed.

No. of meetings held during the year:	2	Attendance:	100%

Investment Case page 8

Remuneration Committee

Mandate

Ensuring the consistent application of the Group's Remuneration Policy and Remuneration Implementation Plan.

Assisting the Board in ensuring that the disclosure of remuneration matters is accurate, complete and transparent.

Responsibilities

Reviewing the outcomes of the Remuneration Implementation Plan and determining whether the Remuneration Policy is achieving its intended objectives.

Reviewing the annual remuneration trends of the Group and noting any significant changes in remuneration and/or employee benefit structures and policies.

Overseeing the implementation of remuneration practices with a view to supporting the achievement and ongoing delivery of the Growing Huge Strategy.

Advising the Board on the remuneration of the non-executive directors, having given due consideration to recommendations by the executive directors, independent research and market related practices.

Reviewing the terms and conditions of the employment contracts of the executive directors.

Considering whether benefits, including any retirement benefits and other financial arrangements, were appropriately administered and valued.

Key focus areas for FY2021

Monitored the application of the Remuneration Policy and its role in the delivery of the Growing Huge Strategy.

Approved a general increase of 5% for Huge employee remuneration for FY2022.

Key focus areas for FY2022

Continue to oversee the implementation of the performance measurement targets and appropriate incentive scheme for executive directors, senior management and employees.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2021, it intends to continue enhancing its efficiencies in reviewing remuneration practices and the evaluation of performance targets for executive directors.

No. of meetings held during the year:	3	Attendance:	100%

Remuneration Report on pages 47 to 51

Nomination Committee

Mandate

Assisting the Board in applying processes for nominating, electing and appointing members to the Board and its committees, succession planning and evaluation processes.

Responsibilities

Overseeing succession planning for the Board, committees, executive directors and senior management and ensuring that suitable processes are implemented.

Considering the rotation of directors and making recommendations to the Board in respect of directors retiring by rotation and standing for re-election at the AGM.

Considering the members of the Audit Committee and making recommendations to the Board in respect of the re-election at the AGM of shareholders, after assessing the credentials and fitness for office of each member.

Developing criteria for the selection of candidates to serve on the Board.

Reviewing the structure and composition of the Board committees.

Evaluating the effectiveness of the committees and reporting its findings to the Board.

Making recommendations to the Board for participation in continued professional development.

Reviewing the adequacy of the directors' and officers' liability insurance coverage.

Reviewing and monitoring the Company's application of the Board's Diversity Policy.

Key focus areas for FY2021

Focused on areas for improving the Company's diversity.

Monitored succession planning and skills development initiatives to support growth of Human Capital.

Key focus areas for FY2022

Monitoring the implementation of the succession planning processes for executive directors and senior management.

Monitoring arrangements in respect of continued professional development for directors and senior management.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2021, it intends to continue enhancing its focus on succession planning in the operating companies as well as enhancing the Board's access to relevant and timely industry-related information.

No. of meetings held during the year: **4**

Attendance: **100%**

Governance Report pages 40 to 42

	Audit	Risk	Social and Ethics	Investment	Remuneration	Nomination
Membership						
Number of members	3	6	4	4	3	4
Majority non-executive	✓	✓	✓	✓	✓	✓
Independent chairman	✓	✓	✓	✓	✗	✓
All members of the Board attend by invitation	✓	✓	✓	✓	✓	✓
Legislative and regulatory compliance:						
Formal charter adopted	✓	✓	✓	✓	✓	✓
Charter objectives achieved	✓	✓	✓	✓	✓	✓
Compliance with Companies Act	✓	✓	✓	✓	✓	✓
Compliance with JSE Listings Requirements	✓	✓	✓	✓	✓	✓
Improvements made in implementing King IV recommended practices	✓	✓	✓	✓	✓	✓

Remuneration Report

Dear Shareholder,

Notwithstanding challenging economic circumstances, the Group has maintained its promise to deliver earnings growth and generate cash flow. The Group's Remuneration Policy, which was implemented in support of the Growing Huge Strategy, ensures that the Group continues to remunerate fairly and reasonably, while also creating value for shareholders.

Following the onset of COVID-19, a key objective of the Board has been to preserve its full complement of employees, without compromising their remuneration. The Remuneration Committee will focus on ensuring that the objectives of the Remuneration Policy remain an important part of the Group's operational activities.

During FY2021, the Group continued to develop strategic initiatives aimed at creating incentives for employees. The Board believes that this is necessary for the delivery of the Growing Huge Strategy. The Board recognises that incentives are very important, both at executive and at an operational level.

The Executive Option Agreements, which were approved by shareholders at a special general meeting held on 26 February 2020, granted the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer options to acquire shares in the Company.

In proposing the Executive Option Agreements to shareholders, the Board was cognisant of the importance of aligning the objectives of the executive directors with those of shareholders. The Board also deliberated the recommendations of King IV in respect of performance hurdles relative to the Group's strategic objectives. The Board's rationale for proposing the Executive Option Agreements was the retention of key skills and creating a mechanism which will reward the executive directors only if the Group grows earnings and cash flows and only if the market rewards this growth in higher valuations. There is no better performance hurdle than meeting the expectations of the market when it comes to growing earnings and generating cash flows. However, if the executive directors grow the earnings and cash flows of the Group the possibility does exist that they may not be rewarded for their achievements – this would be the case if the market lowers its valuation, even in the face of rising earnings and cash flows.

During FY2021, the executive directors also engaged in developing performance measures and suitable incentive schemes for application in the operating companies. Presently, the scale and turnover variation of the operating companies limits the scope for implementing general incentives on a consistent, groupwide basis. Accordingly, incentives will be created for management in each operating company based on performance measures that are relevant and specific to these companies' strategic objectives. As the Growing Huge Strategy continues to be implemented, it is anticipated that the increased scale of the Group and its operating companies will provide a more suitable basis for the development of a groupwide incentive scheme.

In accordance with the Remuneration Policy, the Board approved a general increase of 5% for all operating companies in the Group, which is in line with the average inflation rate for FY2021 (FY2020: 5%). While the Board approved the overall percentage, the managing directors of each operating company had the latitude to apply increases per employee in a manner they deemed most prudent and efficient for achieving the objectives of the Growing Huge Strategy. Generally, a higher percentage increase was applied to employees at lower levels of remuneration. This has been a regular practice by the Group, with a view to ensuring that it remunerates fairly while also reducing remuneration inequality.

The Board remains confident that the Remuneration Policy, a summary of which is included in this Report, is well aligned with the delivery of the Growing Huge Strategy. The Remuneration Policy will be presented to shareholders for approval by means of a non-binding advisory vote at the AGM scheduled for 31 August 2021.

At the Company's last AGM held on 8 October 2020, 98.07% of the votes cast by shareholders supported the Remuneration Policy and 99.83% of the votes cast by shareholders supported the Remuneration Implementation Report. Non-executive director fees received the support of 100% of the votes cast.

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, 14th Edition*
- *Executive Directors: Practices and Remuneration Trends Report, PWC, 12th Edition*

The Remuneration Committee is of the view that it has achieved the stated objectives of its charter. The Committee will continue to focus on the implementation of the Remuneration Policy in support of the sustainable delivery of the Growing Huge Strategy.

Duarte da Silva
Chairman
Remuneration Committee

REMUNERATION POLICY

Governance of remuneration

The Remuneration Committee assists the Board in discharging its responsibilities relating to the remuneration of its executive directors, managing directors and senior managers, monitoring the application of Huge's Remuneration Policy and ensuring that disclosures related to remuneration matters are accurate, complete and transparent.

The Remuneration Committee met three times during the reporting period. The full report of its activities can be found on page 45.

The executive directors and the balance of the members of the Board attend the Remuneration Committee meetings by invitation. Executive directors do not participate in deliberations relating to their own remuneration.

Key principles of the Remuneration Policy

The Remuneration Policy sets out the Group's remuneration philosophy, which is focused on delivering the Growing Huge Strategy. In doing so, it considers the creation of incentives that will retain the skills needed to deliver growth, both organically and acquisitively, to promote and entrench a culture of service delivery excellence and improve diversity and transformation.

In determining remuneration, the Company considers the scarcity of the skills required, whether a position is critical to its operations and the extent to which an employee is considered "top talent".

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

Overview of the Remuneration Policy

Remuneration elements and design principles for executive directors and employees

Huge remunerates its employees on the following basis:

- Salaries are calculated on a total cost to company (**TCTC**) basis
- Salaries are reviewed annually during February and increases are implemented with effect from 1 March
- In benchmarking salaries, comparisons are made against market related industry salaries in the median quartile
- Executive director remuneration is benchmarked against available peer group comparatives and relevant remuneration surveys

Various benefits are available to employees, as part of their TCTC. These benefits depend upon the operating company concerned. Benefits include:

- membership of a provident fund
- membership of 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 a director's failure to perform his or her agreed duties.

Executive directors' employment contracts provide for a restraint of trade, alternatively for compensation related to a restraint of trade. Executive directors' contracts also provide for differentiated notice periods based on the reason for termination and the possibility of certain payments being made to the executive director in the event of termination for change of control.

The Board is cognisant of the recommended practice of King IV in respect of which the Chairman of the Board should not be the Chairman of the Remuneration Committee and the Chairman of the Remuneration Committee should be independent.

Dr da Silva is the Chairman of the Board and the Chairman of the Remuneration Committee. Until May 2020, Dr da Silva was associated with a consultant to Huge, which resulted in him not being considered independent. Dr da Silva has substantial experience in respect of remuneration structures, particularly with regard to aligning remuneration structures to the delivery of an organisation's strategic objectives. During FY2020, the Remuneration Committee appointed Dr Armstrong as its fourth member and accordingly membership comprised two non-executive directors and two independent non-executive directors. The Nomination Committee has since re-assessed Dr da Silva's independence following the completion of the aforementioned consulting contract and has come to the conclusion that Dr da Silva's status has changed from non-executive director to independent non-executive director with effect from 29 July 2020.

Framework and performance measures used to assess strategic objectives and positive outcomes

Executive directors' employment contracts provide for the award of performance-based incentives on a discretionary basis, after the publication of the annual financial statements of the Group and following a performance appraisal. The amount of this incentive is determined by the Board, acting on the recommendation of the Remuneration Committee, with reference to the outcome of the director's performance appraisal and the Company's performance in the prior financial year. In determining criteria for performance appraisals, consideration is given to both financial and non-financial indicators.

Addressing fair and reasonable remuneration of executive directors in the context of overall employee remuneration

The Remuneration Committee is of the view that Huge has a responsibility to narrow the earnings gap between employees in the lowest remuneration levels and those in the highest. This practice continues to be implemented incrementally throughout the Group, predominantly through the process of awarding annual increases.

Application and justification of remuneration benchmarks

In considering executive director remuneration, reference was made to *PWC's Executive Directors: Practices and Remuneration Trends Report* and in particular, small capitalisation companies in the telecommunications services sector, with appropriate adjustments made to align with the relevant reporting period.

The application of these remuneration benchmarks is illustrated in the Remuneration Implementation Report.

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 meetings, committee meetings and special Board meetings. Members who tender apologies for meetings do not receive the relevant meeting attendance fee. The Remuneration Committee believes that this structure is the most appropriate for remunerating non-executive directors, particularly given their availability to the executive directors for ongoing strategic matters.

In considering fees for non-executive directors, reference was made to *PWC's Non-Executive Directors: Practices and Remuneration Trends Report* and in particular, small capitalisation companies in the telecommunications services sector, with appropriate adjustments made to align with the reporting period.

The application of these remuneration benchmarks is illustrated in the Remuneration Implementation Report.

The full Remuneration Policy is available at http://hugegroup.com/wp-content/uploads/2019/08/2019-04- 04-HGRO-Remuneration-Committee.-Remuneration-Policy.pdf

REMUNERATION IMPLEMENTATION REPORT

Summary of remuneration activities and decisions taken

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

- Approved an annual budget increase of 5% to the remuneration of Huge and its operating company employees
- Mandated the executive management team to develop performance criteria for senior management, which process is currently under way

Executive director remuneration

Fixed remuneration

During the reporting period, the executive directors of Huge consisted of Mr Herbst, the Chief Executive Officer, Mr Openshaw, the Chief Operating Officer and Mrs Sequeira, the Chief Financial Officer. In reviewing the annual increase to the remuneration of each executive, the Remuneration Committee considered the responsibilities of executive directors for the delivery of the Growing Huge Strategy.

In benchmarking executive remuneration to that of similar companies in the small capitalisation telecommunications sector, the Remuneration Committee noted that Mr Herbst and Mrs Sequeira are remunerated below the sector average. There was no appropriate benchmark against which to compare Mr Openshaw.

Total remuneration outcomes for executive directors and prescribed officers

Director	Annual remuneration	Risk, retirement and medical contributions	Total remuneration	Incentives	TCTC
JC Herbst	R3 759 981	R498 555	R4 258 536		R4 258 536
AP Openshaw	R2 942 610	R85 959	R3 028 569	–	R3 028 569
SL Sequeira	R1 358 499	–	R1 358 499		R1 358 499
Prescribed officers:					
RR Burger[1]	R2 163 586	R377 340	R2 540 926	–	R2 540 926
SJ Morony[2]	R1 378 364	R149 817	R1 528 181		R1 528 181
A Lessing	R787 888	R208 808	R996 696	–	R996 696
K Sinclair[3]	R2 208 551	R65 128	R2 273 679	–	R2 273 679
SM Oberholzer[4]	R2 238 065	R58 440	R2 296 505	–	R2 296 505
MW Granville[5]	R422 167	–	R422 167	–	R422 167
L Fourie[6]	R1 806 282	–	R1 806 282	–	R1 806 282

Note: the annual remuneration includes UIF and skills development levies.

1 *RR Burger, in his capacity as Managing Director of Huge Telecom, is a prescribed officer of the Company.*
2 *SJ Morony was appointed on 8 June 2020 as Commercial Director of Huge Telecom and is a prescribed officer of the Company.*
3 *K Sinclair, in his capacity as Managing Director of Huge Connect, is a prescribed officer of the Company. K Sinclair took over this position from A Lessing who held this position until 31 October 2019.*
4 *SM Oberholzer, in his capacity as Managing Director of Huge Networks, is a prescribed officer of the Company.*
5 *M Granville, in his capacity as Managing Director of Huge Software, is a prescribed officer of the Company. M Granville took over this position from CWE Rowan who held this position until 17 February 2020.*
6 *L Fourie, in his capacity as Managing Director of Huge Distribution, was a prescribed officer of the Company, L Fourie was the Managing Director of Huge distribution (formerly Pansmart) as date of acquisition, being 12 May 2019, and remained Managing Director post acquisition. He resigned on 25 March 2021.*

Variable remuneration

Following the onset of COVID-19 and the resultant national lockdown, the performance appraisals of executive directors was postponed and will take place at an appropriate time in FY2021. Based on the outcomes of these performance appraisals, an assessment of the financial performance of the Group and prevailing risks related to COVID-19, the Remuneration Committee will make a recommendation to the Board in respect of the payment of incentives to executive directors.

Executive Option Agreements

On 26 February 2020, shareholders approved the implementation of Executive Option Agreements for the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The Executive Option Agreements granted the executive directors the option to acquire shares in the Company at a set strike price, in three annual tranches, with each tranche having a five-year vesting period.

Information relating to the financial consequences of the Executive Option Agreements can be found in note 21 in the annual financial statements. During the 2021 reporting period the executives did not elect to exercise their options.

Ex gratia payments to executive directors

No *ex-gratia* payments were made to directors during FY2021.

Non-executive director remuneration

During the reporting period, the following remuneration was paid to non-executive directors in accordance with the approval by shareholders of the special resolution tabled at the AGM held on 8 October 2020:

Director	Total annual retainer paid during FY2021	Total annual attendance fees paid during FY2021	Total fees paid for attendance at special Board meetings[1]	Total
DF da Silva	R660 000	R72 000	R12 000	R744 000
SP Tredoux[2]	R210 000	R36 000	-	R246 000
VM Mokholo	R326 333	R66 000	R6 000	R398 333
DR Gammie	R481 000	R72 000	R6 000	R559 000
CWJ Lyons	R361 000	R72 000	R6 000	R439 000
BC Armstrong	R341 000	R72 000	R12 000	R425 000

Note: These figures exclude VAT, where applicable.

1 *Two special board meeting were held during FY2021.*

2 *Huge announced on 23 September 2020 that Steve Tredoux, an independent non-executive director, resigned from the Board. The Board wishes to extend its gratitude to Mr Tredoux for his significant contribution to the Company over twelve years and wishes him all the best for his future endeavours.*

Increase in remuneration payable to non-executive directors

The determination of the fees payable to the Chairman and the non-executive directors takes into account any increase in risk and responsibility that the non-executive directors are required to assume, the annual increase applied to employee remuneration and the outcomes of a benchmarking exercise.

The Remuneration Committee has carried out a benchmarking exercise in respect of the non-executive directors' fees, with reference to the small capitalisation telecommunications sector. The Chairman's fees are lower than the average for this sector, while the non-executive directors' fees are in line with the lower quartile of this sector.

The non-executive director remuneration will be tabled at the AGM for the approval of shareholders.

NON-BINDING ADVISORY VOTE

The Remuneration Policy (summarised in this Remuneration Report) and the Remuneration Implementation Report will be presented to shareholders for separate, non-binding advisory votes at the AGM. Should shareholders vote against the Remuneration Policy and the Remuneration Implementation Report by more than 25%, the Remuneration Committee will engage with shareholders. Such engagement with shareholders will be communicated in the voting results announcement of the annual general meeting.

Subsequent to any shareholder engagement, the Group will include the following detail in its next Remuneration Report:

- The number of votes against the Remuneration Policy and Remuneration Implementation Report
- The subsequent engagement process undertaken with shareholders
- The manner of the engagement process
- Reasonable and material issues raised by shareholders
- Actions implemented by the Company to address the issues raised by shareholders

Interests of directors and prescribed officers

Details of directors' and prescribed officers' contractual interests in Huge are set out on pages 151 to 153 of the AFS.

Details of directors' and prescribed officers' interests in the share capital of Huge are set out on pages 76 to 78 of the Directors' Report.

Social and Ethics

Committee Report to Shareholders

Health

The health of Huge's employees is paramount to the Board and management. COVID-19 has required a focused effort on ensuring that employees remain healthy and are not unnecessarily exposed to risk.

Whilst Huge's operating companies are classified as essential service providers, the Group continues to ensure that employees operating in public are limited and that strict processes and procedures are maintained.

The work-from-home practice or rotation of employees required on premise also ensures that the risk of infection by employees is mitigated and/or remains low.

The Board and management continue to monitor the implications of COVID-19 on the health of employees and will take the required action to ensure employees remain safe and healthy.

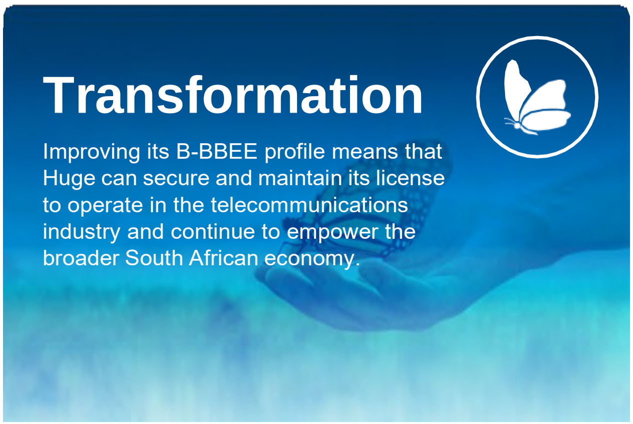
Ethics Policy and Code of Conduct

During FY2021, the Board adopted the revised the Group's Ethics Policy and Code of Conduct to continue to promote ethical and effective governance.

Transformation

Huge Connect's transformation initiatives in FY2020, comprising Windfall's acquisition of a 16.29% shareholding, resulted in Huge Connect achieving a Level 7 BBBEE status for FY2021. Windfall is a 100% black empowered company of which 60% is held by a black woman.

Huge Telecom continues to investigate transformation initiatives that will advance the objectives of the Growing Huge Strategy.



Huge remains committed to:

- Conducting our business with respect and care for people and the environment
- Responsible utilisation of natural resources
- Continually improving our safety, health and environment performance
- Complying, as a minimum, with all applicable legal and other agreed requirements
- Promoting dialogue with stakeholders about safety, health and environment performance

The Social and Ethics committee is of the view that it has met its stated objectives of its charter and will focus on assessing the Group's policies and practices and the implementation thereof.

Craig Lyons
Chairman
Social and Ethics Committee

Application to King IV

Application of King IV and Section 3.84 of the JSE Listings Requirements in respect of board governance

King IV Principle and/or recommended principle (RP)	JSE Listings Requirements	Principle	Huge Application	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 will continue to monitor this requirement and ensure that it remains upheld.
Principle 7 **RP31 to 34**	**3.84(b)**	The Company must have appointed 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.	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 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 member for this role.	The Committee will continue to monitor the implementation of performance measurements and give 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 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 AGM.	This has been included on pages 38 to 39 of this Integrated Report.	–
Principle 7 **RP7(b)** **RP27** **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 in accordance with the requirements of the Companies Act and King IV.	The Board will continue to consider the balance of executive, non-executive and independent directors.

King IV Principle and/or recommended principle (RP)	JSE Listings Requirements	Principle	Huge Application	Actions or enhancements for the future
Principle 8 **RP59(f)**	**3.84(f) and (g) (i) and (ii)**	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 work plan require the Committee to make the requisite assessments on an annual basis.	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 8 **RP59(a)**	**3.84(g)(iii)**	The Company must satisfy itself that the auditor is independent of the Company and must request confirmation of independence from the auditor upon appointment and annually thereafter for every re-appointment.	The Audit Committee Charter requires the Audit Committee to review the independence of the auditor on appointment and on an annual basis, when recommending the re-appointment of the auditor to shareholders.	The Audit Committee will continue to assess Moore Johannesburg Incorporated.
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.	The Board will continue to assess the performance of the Company Secretary on an annual basis.
Principle 7 **RP10** **RP11** **RP30(b)**	**3.84(i)**	The Board must consider and explain how it has applied the diversity policy on race, gender, culture, age, field of knowledge and skills and experience in the nomination and appointment of directors and report on progress thereof on agreed voluntary targets.	The Board Charter requires the Board to consider the broader diversity criteria in making appointments. In addition, the ICT Sector Charter makes certain compliance requirements in this regard.	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.	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 Implementation Report must be tabled for separate, non-binding advisory votes by shareholders at the AGM.	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 Report receives less than 75% approval.	The Remuneration Committee will consider any feedback received in respect of the Remuneration Policy and the Remuneration Implementation Report.

A comprehensive list of the Board's approach to adopting the principles and recommendations of King IV can found on www.hugegroup.com/huge-group-unlocking-business-opportunity-governance-charters/

Considering the challenging trading conditions characterised by a poor local macroeconomic environment, the fact that the economy has faltered and suitable opportunities for growth have become more challenging, Huge has continued to **deliver satisfactory earnings**.

Annual Financial Statements

Shareholder information

CFO Report

Key Performance Highlights

Fixed Annuity Revenue makes up **73%** of total revenue	Net Tangible Asset Value per Share has increased by **35%** from 152 cents to 205 cents
No staff retrenchments or salary cuts as a result of COVID-19	Net Asset Value per Share has increased by **12%** from 533 cents to 595 cents

"Change is not a threat, it's an opportunity. Survival is not the goal, transformative success is."
– Seth Godin

Samantha Sequeira
Chief Financial Officer

CFO REPORT (continued)

Operational overview

Huge had a challenging start to its 2021 financial year. The pandemic created considerable uncertainty and significantly impacted our first quarter's financial performance – so much so that the balance of the financial year was reduced to catching up. Our associate company's dispute with Cell C Service Provider Company and the successful migration by Huge Telecom of all its customers from Cell C's mobile telephone network to MTN's mobile telephone network certainly exacerbated the challenges we faced. However, the Group companies proved resilient, and the negative impact was minimised. The Group is better placed – now more than ever – to grow in 2021/2022 and to fulfil the objectives of the Growing Huge Strategy.

Huge spent a considerable amount of time in 2020/2021 identifying the market segments in which it wishes to be invested and so its focus in the future will be growing and acquiring businesses in the converging connectivity, cloud, software and x-tech markets. Huge's interest in Adapt IT Holdings is evidence of this focus.

Despite the challenges faced, a highlight for Huge over the past year was successfully reducing its operating costs and increasing productivity across its operations, which is evidenced by the reduction in selling and administration expenses by 30%.

Fintech Grouping

The Fintech Grouping comprises of Huge Connect and Huge Payments.

The Fintech Grouping's revenue was flat in comparison to the prior year. However, this performance, given the backdrop of COVID-19, demonstrates resilience.

Management elected to impair an inventory of high-end devices that were linked to a fraud in the previous reporting period. R8.4 million, included in cost of sales was impaired. Removing this once-off impairment, a GP% of 58%, which is repeatable, was achieved in the current reporting period.

Huge Connect increased the number of point-of-sale (**POS**) devices by 13% and is steadily growing its fixed annuity revenue. Its current reported revenue is R167 million, 92% of which is fixed in nature.

The awarding by, The Standard Bank of South Africa Limited, of a contract for the provision of payment connectivity services was implemented and is expected to continue to contribute meaningfully to revenue growth in the future, which will help achieve the objectives of the Growing Huge Strategy.

Telecom Grouping

The Telecom Grouping comprises of Huge Telecom, Huge Networks, Huge Distribution (formerly Pansmart), Huge Media, Huge Messaging, Huge Technologies and Huge Services.

The lockdown had little to no impact on the Telecom Grouping's fixed annuity of line rentals, but it did have a short-term impact on the variable minute revenue. Revenue for the year decreased by 8% due to the Lockdown as a result of COVID-19. A significant number of SME's closed their doors either temporarily, moved to a work-from-home operating environment or closed permanently due to extended financial pressure. The initial Lockdown resulted in a substantial reduction in voice traffic revenue from April 2020 to June 2020.

The fixed annuity-based revenue (which constitutes 62% of total revenue) was only down 1% when compared to the prior year. This can be celebrated because it has been a time of unprecedented uncertainty, exacerbated by the challenges experienced with FST and the Cell C SPC Dispute.

Voice traffic revenue has shown a significant improvement in the months following June 2020 and is almost back to "pre-COVID-19" levels.

The prior period's gross margin of 61% benefited from once-off credits to cost of sales. This period's gross margin of 51% was negatively impacted by the impairment of work-in-progress. Refer to note 17 (inventories). On removing this once-off item, the gross profit margin prints at 58%, which we believe is repeatable.

CFO REPORT (continued)

On 30 August 2020, Huge Telecom commenced the migration of its entire customer base to MTN's mobile telephone network. This was achieved by 25 November 2020. The size, scope and complexity of this migration, under such tight timelines, was a significant achievement for the Group and is testimony to the quality of this company.

Corporate Office Grouping

The Corporate Office Grouping comprises Huge itself, Huge Management, Huge Software and The ConnectNet Incentive Trust.

The Corporate Office Grouping supports the Growing Huge Strategy. It absorbs the costs of consulting and professional services and bears the Group's insurance costs, statutory and listing costs, a proportionate share of audit fees and all Group legal fees.

The Corporate Office Grouping also funds all corporate action events. Ultimately, it is intended that the Corporate Office Grouping be self-funding by fees generated through mergers and acquisitions and the oversight of the Group's operating companies.

Selling and administration expenses for the financial period were 36% lower than the selling and administration expenses for the prior financial period, primarily as a result of a cost reduction drive by the executive.

In the prior year, shareholders of Huge approved the granting of options to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. IFRS requires Huge to create a share-based payment equity reserve equal to the independent calculation of the value of the options and to do so by making non-cash charges in the statement of profit or loss and other comprehensive income of R 34.6 million in the current reporting period, an additional R7.4 million in FY2022 and a marginal amount in FY2023. These charges are non-cash charges that have no effect on the operating performance of our underlying companies. To deal with similar accounting transactions like this share-based payment expense, Huge has introduced, and will continue to use, additional measures of EPS and HEPS which better reflect normalised profit for a period based on operating performance. The normalised statement of profit or loss and other comprehensive income as well as the normalised earnings and headline earnings can be found on pages 166 to 169 of this report.

Performance measurements

When compared to the previous reporting period, normalised EPS was down 23% and normalised HEPS was down 15%. This was mainly as a result of the impairment of work-in-progress in the Telecom Grouping and the impairment of inventories in the Fintech Grouping. Gross margins declined in most part due to declines in revenue, of 5%, and once off impairments of work-in-progress and inventories. This was offset by repeatable cost savings and a once-off waiver of loan claims by fellow shareholders. FY2020's higher credit loss allowance, the result of the fraud previously reported, has decreased in FY2021.

Capital Structure

As at 28 February 2021, the Group's net debt position, in relation to interest bearing borrowings, is R135 million. Huge has already repaid Futuregrowth R80 million. At 28 February 2021, the Group's Debt to EBITDA ratio is 1.46. In terms of the ZAR200 Million Facility, the Group's Debt to EBITDA ratio may not exceed 2.5 times. Huge is entitled to make distributions provided that, after taking into account the intended distributions, the Group's Debt to EBITDA ratio is less than 2.5 times.

On 15 January 2021, Huge and Futuregrowth concluded a fourth addendum to the ZAR200 Million Term Facility Agreement. In terms of the fourth Addendum, Huge is required to only service the interest on the next four payment dates of 31 March, 30 June, 30 September and 31 December 2021. Thereafter, Huge will continue to service both capital and interest.

The Group continues to enjoy the support of Futuregrowth.

The ZAR200 Million Facility has provided the Group with access to cash resources at improved interest rates. With R17 million cash reserves and possible access to additional funding, the Group is in a favourable position to fuel its growth into new services and product offerings.

On 15 January 2020, the Company announced that it has repurchased 3 869 966 Huge Shares at a cost of R18 million at an average price of 455 cents per share under an approved share repurchase programme.

CFO Report (continued)

Cash flow and cash generation

Huge Group generated R57 million in cash from operating activities, utilised R33 million in investing activities (mainly as a result of the investment into the telephone line network asset) and utilised R46 million in financing activities (mainly as a result of the above-mentioned share repurchases).

Future prospects

Huge's investment strategy is to focus on opportunities that can leverage its customer real estate. There must be tangible proof that an opportunity is sustainable and, crucially, that the opportunity can successfully be made commercial for it to be pursued. Huge's earnings and cash focus means it actively avoids investment opportunities that are dilutive, that might negatively impact earnings or that might impose excessive capital commitments. The Board believes that Huge's investment strategy will maximise value for all its stakeholders.

Adapt IT Offer

Shareholders are referred to the publication of the Category 1 Circular on 14 June 2021, incorporating an offer to Adapt IT Shareholders. The Category 1 Circular details the proposed acquisition of up to 100% of the issued share capital of Adapt IT for an offer consideration of 1.37 Huge Shares for every 1 Adapt IT Share held by an Adapt IT Shareholder.

COVID-19

The Board has assessed the potential impact of the pandemic on Huge's performance and liquidity in the short to medium term. The going concern assumption, as adopted in the preparation of the provisional financial statements, remains applicable. The Board will continue to monitor this position as more data becomes available and as circumstances change.

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:

ABSA	ABSA Bank Limited, registration number 1986/003934/06
A2X Markets	A2X Proprietary Limited, a stock exchange licensed in terms of the Financial Markets Act 19 of 2012, on which the Company has a secondary listing
the Act	the Companies Act 71 of 2008 (as amended)
Adapt IT	Adapt IT Holdings Limited, registration number 1998/017276/06, a public company duly incorporated in accordance with the laws of South Africa
Adapt IT Shareholder	The shareholders of Adapt IT from time to time
Adapt IT Share	An Adapt IT ordinary share with no par value
AFS	Consolidated Annual Financial Statements in the case of the Group, and Separate Annual Financial Statements in the case of the Company
AGM	the annual general meeting of the Company
AltX	the Alternative Exchange of the JSE
B-BBEE	Broad-Based Black Economic Empowerment
the Board	the board of directors of the Company as constituted from time to time
Business Combination	A transaction or other event in which Huge obtains control of one or more businesses as defined in IFRS3.
Cell C Service Provider Company	Cell C Service Provider Company Proprietary Limited, registration number 2001/008017/07, a supplier of services to Huge Cellular, referred to as Cell C SPC.
Cell C SPC Dispute	the ongoing legal proceedings between Huge Cellular and Cell C Service Provider Company on the matter of the written agreement between the parties
COVID-19	an infectious disease caused by a newly discovered coronavirus and which has been declared a pandemic by the World Health Organisation
CGU	cash generating unit
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 83.71% held subsidiary of Huge
ConnectNet Broadband Wireless Group	ConnectNet Broadband Wireless Proprietary Limited and Sainet Internet Proprietary Limited collectively, prior to the acquisition by Huge with effect from 30 March 2017
Devices	High-end mobile phones
The CI Trust	The ConnectNet Incentive Trust, registration number IT000255/2017(D), the beneficiaries of which are certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group. An entity controlled by Huge
Directors	the board of directors of Huge
DRBs	Discretionary Renewal Bonuses
EBITDA	earnings before interest, taxation, depreciation and amortisation
EPS	earnings per share
Executive Committee	refers to Mr Herbst, Mr Openshaw and Mrs Sequeira
Executive Share Option Agreements	The Company concluded Executive Share Option Agreements (the Option Agreements) with JC Herbst (the Chief Executive Officer), AP Openshaw (the Chief Operating Officer) and SL Sequeira (the Chief Financial Officer) on 29 August 2019 (the Effective Date) and the Option Agreements were approved by the Shareholders of Huge on 26 February 2020 (the Grant Date)
Executive Options	Share options awarded to the Executive in accordance with the Executive Share Option Agreements

DEFINITIONS (continued)

Financial Growth Plan	the financial forecast prepared by the Group reflecting the profit or loss expectations for FY2022
FirstRand Bank	FirstRand Bank Limited, registration number 1929/001225/06
Functional currency	South African Rands
Futuregrowth	Futuregrowth Asset Management Proprietary Limited, registration number 1996/018222/07, financing agent of Huge
FST	Full Suite Telephony
FY2020	the financial year commencing 1 March 2019 and ending on 29 February 2020
FY2021	the financial year commencing 1 March 2020 and ending on 28 February 2021
FY2022	the financial year commencing 1 March 2021 and ending on 28 February 2022
FY2023	the financial year commencing 1 March 2022 and ending on 28 February 2023
Gonondo	Gonondo Telecom Proprietary Limited (now Huge Services Proprietary Limited), registration number 2006/027671/07, previously a 50% held joint venture company, of which 50% was held by Huge Telecom and which became a wholly owned subsidiary company of Huge Telecom during FY2020
Goodwill	the goodwill acquired by Huge on the acquisition of Huge Software, Huge Connect, Huge Networks, Huge Services, Huge Payments, Huge Telecom, Otel and Huge Distribution
Group	Huge and its subsidiary companies
Growing Huge Strategy	A board approved comprehensive strategy to ensure that Huge continues to grow, both organically and by way of acquisition, in the short, medium and long-term
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 Capital	Huge Capital Proprietary Limited, registration number 2018/636769/07 and a wholly owned subsidiary company of Huge
Huge Cellular	Huge Cellular Proprietary Limited, registration number 2008/004068/07, a 49% held associate company of Huge Telecom, 51% of the shares having been acquired by the company's B-BBEE partner, Windfall, during FY2019. Prior to the transaction, Huge Cellular was a wholly owned subsidiary company of Huge Telecom
Huge Connect	Huge Connect Proprietary Limited (formerly ConnectNet Broadband Wireless Proprietary Limited), registration number 2004/005721/07, a subsidiary company of Huge, of which 16.29% was acquired by Windfall in a B-BBEE transaction during FY2020. Prior to the transaction, Huge Connect was a wholly owned subsidiary company of Huge
Huge Distribution	Huge Distribution Proprietary Limited (formerly Pansmart Proprietary Limited), registration number 2015/142454/07, a 75.13% company of Huge, following the conclusion of a Sale of Shares Agreement acquiring an additional 24.88% during FY2021. 24.87 % of the remaining shares are held by The MIA Family Trust.
Huge Management	Huge Management Company Proprietary Limited (formerly Huge Mobile Proprietary Limited), registration number 2007/033510/07 and a wholly owned subsidiary company of Huge
Huge Media	Huge Media Proprietary Limited (formerly Eyeballs Mobile Advertising Proprietary Limited), registration number 2007/004818/07, a 96% owned subsidiary company of Huge
Huge Messaging	Huge Messaging Proprietary Limited (formerly Ambient Mobile Proprietary Limited), registration number 2008/001288/07, a wholly owned subsidiary company of Huge
Huge Mobile	Huge Mobile Proprietary Limited (now Huge Management Company Proprietary Limited), registration number 2007/033510/07 and a wholly owned subsidiary company of Huge
Huge Networks	Huge Networks Proprietary Limited (formerly Sainet Internet Proprietary Limited), registration number 2014/009214/07, a 50.03% owned subsidiary company of Huge Telecom, 49.97% of the shares being held by Otel Communications following the conclusion of the Otel Transaction in FY2019. Prior to the transaction, Huge Networks was a wholly owned subsidiary company of Huge Telecom
Huge Payments	Huge Payments Proprietary Limited (formerly IntelPay Proprietary Limited), registration number 2014/112952/07, a wholly-owned subsidiary company of Huge, acquired during FY2020
Huge Services	Huge Services Proprietary Limited (formerly Gonondo Telecom Proprietary Limited), registration number 2006/027671/07, previously a 50% held joint venture company, of which 50% was held by Huge Telecom and which became a wholly-owned subsidiary company of Huge Telecom during FY2020
Huge Soho	Huge Soho Proprietary Limited, registration number 2002/022642/07, a 49% held associate company of Huge, 51% of the shares having been acquired by the company's B-BBEE partner, Windfall, during FY2019. Prior to the transaction, Huge Soho was a wholly owned subsidiary company of Huge

DEFINITIONS (continued)

Huge Software	Huge Software Proprietary Limited (formerly Acknowledge Systems Proprietary Limited), registration number 2005/042514/07, a 75% subsidiary company of Huge
Huge Technologies	Huge Technologies Proprietary Limited (formerly 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
IFRS	International Financial Reporting Standards
JSE	the JSE Limited, a stock exchange licenced in terms of the Financial Markets Act 19 of 2012, on which the company has its primary listing
King IV	King IV Report on Corporate Governance for South Africa, 2016
Listings Requirements	the Listings Requirements of the JSE
Lockdown	the restriction of movement of persons defined by section 8 of Amended Regulations issued in terms of the Disaster Management Act 57 of 2002 and with reference to the definition of Alert Levels contained in Regulation 480 thereof
The Mia Family Trust	Means the trustees for the time being of The Mia Family Trust, Masters reference No. IT 4648/99, a trust duly registered in accordance with the laws of the Republic of South Africa, which holds 28.47% of the shares in Huge Distribution
Mia Loan	Means loans that existed on acquisition of Pansmart (now Huge Distribution) on 13 May 2019
Mia Telecomms	Means Mia Telecomms Proprietary Limited, registration number 1998/024633/07, a private company duly incorporated in accordance with the laws of South Africa
MNOs	Mobile Network Operators
MOI	Memorandum of Incorporation
Moore Johannesburg	Moore Johannesburg Incorporated (formerly Moore Stephens MWM Incorporated), the independent auditor of the Group from 18 March 2019
MTN	Mobile Telephone Networks Proprietary Limited, registration number 1993/001436/07, an MTN Group Limited company and supplier of services to Huge Cellular
NCIB	Nedbank Corporate Investment Bank, a division of Nedbank and the sponsors of Huge
Nedbank	Nedbank Limited, registration number 1951/000009/06
Normalised profit	is profit that excludes non-cash charges that have no effect on operating performance of the underlying companies within the Group
Otel	Otel Business and Otel Communications, collectively
Otel Business	Otel Business Proprietary Limited, registration number 2008/006890/07
Otel Communications	Otel Communications Proprietary Limited, registration number 2015/034240/07
Otel Transaction	the acquisition by Huge Networks of the businesses of Otel
PPE	Property, plant and equipment
Report	The Integrated Report including the AFS
Repurchase Programme	a Share Repurchase Programme announced by the Company on 15 January 2020, in terms of which the Company and/or its subsidiaries may repurchase up to 4 million Shares, representing 2.3% of the Company's issued share capital, for an aggregate consideration not exceeding R20 million, pursuant to and in accordance with the authority granted by Shareholders at the Company's annual general meeting held 29 August 2020
RMB	Rand Merchant Bank, registration number 1929/001225/06, and the bankers to Huge
SAICA	South African Institute of Chartered Accountants
Sainet Internet	Sainet Internet Proprietary Limited (now Huge Networks Proprietary Limited), registration number 2014/009214/07, a 50.03% owned subsidiary company of Huge Telecom, 49.97% of the shares being held by Otel Communications following the conclusion of the Otel Transaction in FY2019. Prior to the transaction, Huge Networks was a wholly owned subsidiary company of Huge Telecom
SENS	Stock Exchange News Service
Shares	ordinary par value Shares of R0.0001 each
Telemasters	Telemasters Holdings Limited, registration number 2006/015734/06
Telkom	Telkom SA SOC Limited, registration number 1991/005476/30

DEFINITIONS (continued)

Transactions with non controlling interests	Once control has been achieved and acquisition accounting applied, any subsequent transactions in subsidiary equity interests between the parent and non-controlling interests (both acquisitions and disposals that do not result in a loss of control) are accounted for as equity transactions. Consequently, additional goodwill does not arise on any increase in parent interest, there is no remeasurement of net assets to fair value, and no gain or loss is recognised on any decrease in parent interest
VAT	Value Added Tax
Volaris	Volaris Group Incorporated, corporation number 0002277095
Windfall	Windfall 111 Properties Proprietary Limited, registration number 2013/169340/07, a company controlled by Mr V Mokholo (a related party to Huge given that V Mokholo is a non-executive director of the Company)
ZAR200 Million Facility	Means the lending agreement as concluded between Futuregrowth and the Company on 16 December 2018 and as amended by the First Addendum, Second Addendum, Third Addendum and Fourth Addendum.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2021

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 independent 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 sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties in order to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise risk 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, are satisfied that the Group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The Group's independent auditor is responsible for independently auditing and reporting on the Group's AFS. The AFS have been examined by the Group's independent auditor and the Independent Auditor's Report is presented on pages 80 to 82.

The directors further confirm that the Group is operating in compliance with the provisions of the Companies Act, specifically relating it its incorporation and in conformity with its MOI.

The AFS set out on pages 85 to 169, which have been prepared on a going concern basis, were approved by the Board on 14 July 2021 and were signed on its behalf by:

Duarte da Silva
Chairman

James Herbst
Chief Executive Officer

Samantha Sequeira
Chief Financial Officer

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

In line with paragraph 3.84(k) of the JSE Limited Listings Requirements, the Chief Executive Officer (CEO) and Chief financial officer (CFO) hereby confirm that:

- the annual financial statements set out on pages 85 to 169, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer.
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance TM for South Africa, 2016. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

James Herbst

Chief Executive Officer

14 July 2021

Samantha Sequeira
Chief Financial Officer

14 July 2021

CERTIFICATE BY PREPARER OF THE FINANCIAL STATEMENTS

These Consolidated and Separate Annual Financial Statements were compiled internally under the ultimate supervision of Samantha Sequeira CA(SA).

Samantha Sequeira
Chief Financial Officer

14 July 2021

CERTIFICATE BY COMPANY SECRETARY

I certify that, to the best of my knowledge and belief, Huge Group Limited has filed all its returns and notices with the Registrar of Companies and Intellectual Property Commission for the year ended 28 February 2021, as required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended, and that such returns and notices are true, correct and up to date.

Rokeya Hansa

Company Secretary

14 July 2021

DIRECTORS' REPORT

The directors submit their report for the year-ended 28 February 2021.

1. Nature of business

Huge Group owns and acquires meaningful interests in businesses in the converging connectivity, cloud, software and x-tech markets.

We:

- Focus on the strategic management of our existing businesses and expanding our portfolio through acquisition;
- Amplify value by leveraging our customer 'real estate' and the scale of the broader Huge ecosystem;
- Empower and support our partners who lead the businesses;
- Facilitate collaboration between our entities.

Huge has the right people to make this happen.

The Company maintains a listing on the Main Board of the JSE and a secondary listing on A2X Markets. The Company conducts its business principally within South Africa but also has a presence in sub-Saharan Africa.

Huge has five principal subsidiary companies:

- Huge Telecom
- Huge Connect
- Huge Networks
- Huge Distribution
- Huge Software

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

Huge Connect is a connectivity services company with a focus on growing its payment facilitation services. It was established in 2004 and provides connectivity to the card payment terminals of merchants, payment service providers and the commercial banks in South Africa by making use of secure, managed, dual SIM connectivity over GSM data networks. The company has also expanded into other markets, including connectivity for ATMs, integrated points of sale (215 000 currently in the market), medical/script verifications, telemetry applications (The Internet of Things (**IoT**)), micro-lending applications and cash vaults.

Huge Networks is a network service provider and data communications company that markets and sells a variety of products and services, including internet data services, managed network services, branch connectivity, hosting services and website and system development.

Huge Distribution is a provider of NEC, Yealink and Yeastar PABXs to the South African market.

Huge Software develops, maintains and supplies the WebAccounting software suite as well as mobile application, Webatar. The software is developed locally and was released to the market in 2005. WebAccounting is multi-lingual and sold internationally. WebAccounting incorporates both online, cloud-hosted and individual company intranet installation options. The software can be accessed from anywhere in the world without having to have the software loaded onto a client's server.

The remaining subsidiary companies are:

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

Huge Cellular is a 49% held associate company of Huge Telecom. Huge Cellular is engaged in the procurement and supply of voice connectivity.

Huge Management is the treasury company of the Group.

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

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

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

Huge Services is a cloud telecommunications intelligence and management solutions provider which supplies telecommunications management services to customers throughout South Africa.

Huge Soho is a 49% held associate company of Huge Telecom. Huge Soho is engaged in managed telecommunication services.

Huge Technologies develops billing software and also acquires, develops and manufactures connections for its own use and for sale to third parties. It owns proprietary billing and rating software, known as the Huge Integrated Value Engine (the **HIVE).**

DIRECTORS' REPORT (continued)

2. Directorate

2.1. Composition of the Board

The Board consists of thee following members:

- JC Herbst, Chief Executive Officer (Executive director)
- AP Openshaw, Chief Operating Officer (Executive director)
- SL Sequeira, Chief Financial Officer (Executive director)
- DF da Silva, Chairman (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)

Huge announced on 23 September 2020 that Steve Tredoux, an independent non-executive director, resigned from the Board. The Board wishes to extend its gratitude to Mr Tredoux for his significant contribution to the Company over twelve years and wishes him all the best for his future endeavours.

2.2. Rotation of directors

Directors retiring in terms of the Company's MOI, all of whom are eligible and offer themselves for re-election, are DR Gammie and VM Mokholo.

3. Financial results

The AFS have been prepared in accordance with IFRS 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 AFS.

4. COVID-19 Assessment

The Board has assessed the impact of COVID-19 and the Lockdown on the historical performance of the individual subsidiary companies in the Group. The impact was largely limited to the months of April 2020 to June 2020, whereafter improvements were seen. The Group has retained and is likely to retain a high level of resilience to the economic consequences of COVID-19 in comparison to other companies in other industries.

A large component of Huge's revenue generating capacity is annuity in nature and it has increased significantly over the past few years. This investment in growing annuity revenue provides a source of stability going forward, particularly as the impact of COVID-19 continues to affect the local and global economy.

Huge has leveraged its improved scale in recent years to strengthen its balance sheet. This will provide the Group with the ability to weather trading volatility and the impact of an economic downturn. As part of its formal risk management processes, the Board identified the following factors which mitigate the risks relating to COVID-19 and which are inherent in the Group's various business models. It is expected that these factors will assist the Group in remaining resilient to the impact of COVID-19:

- Decentralised, asset-light business models across all of the operating companies;
- Products and services classified as essential services;
- Annuity, compounding nature of the businesses and their revenues provide greater security of revenue streams and customer retention;
- Low concentration of the vast majority of the operating companies' customer spend offsets the risks relating to some of the Group's larger customers;
- Diversified, third party sales channels continue to provide access to markets in a quick, efficient and cost-effective manner;
- Flexible and agile management structures means the Group is able to be very responsive to challenges;
- Cohesive teams with low employee turnover promote resilience;
- Mature and experienced executive and senior management teams at Board and operating company level.

Trends have revealed a minimal impact on cash flows and credit losses in conjunction with COVID-19 which are continuously monitored by the Group.

DIRECTORS' REPORT (continued)

5. Going concern

The Board has undertaken a detailed review of the going concern capability of the Company (and all subsidiary companies of the Company that form the Group) with reference to certain assumptions and plans underlying various cash flow forecasts. In addition, the Board has performed a detailed assessment of the impact of COVID-19 on the going concern ability of the Company and its underlying subsidiary companies. Telecommunication services were recognised as an essential service during the pandemic, which allowed Huge's businesses to continue to operate. As countries attempted to contain the spread of the virus, various forms of restrictions on movement resulted in the closure of a significant number of SME businesses between April 2020 and June 2020 which resulted in a decline in voice traffic minute usage for the Group. The strength of Huge's financial position will continue to allow it to lead its business through this volatile period. Huge continually evaluates the impact of the pandemic on its business over the short to medium term. The assessments include the impact on customer spend, liquidity of customers, cash requirements as well as initiatives to contain cost.

As detailed above, the Board is satisfied that the Group is reasonably able to mitigate the downside risk of the impact of COVID-19 on its going concern ability. The Board does not foresee a risk to the Group's going concern ability.

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.

The Board is of the opinion that the business of the Company and the Group will continue to operate as a going concern in the twelve-month period following the date of the approval of these AFS (the **Forecast Period**). 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 Financial Growth Plan for the year that will end on 28 February 2022, which Financial Growth Plan was approved by the Board during February 2021;
- COVID-19 implications on the Group and its subsidiary companies including the impact on going concern.

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.

6. Empowerment

A key focus of the Growing Huge Strategy is improving the operating companies as well as the Group's empowerment and diversity credentials ensuring that the companies remain solid corporate citizens and do all they can to ensure fair participation for all South Africans. Strides were made in these areas, but market conditions and deal flow did not allow us to deliver all that we would have liked to have delivered. We expected to achieve a lot more success with our transformation agenda, and this will remain a focus for FY2022 and the next three-year cycle of the Growing Huge Strategy.

7. 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.

DIRECTORS' REPORT (continued)

8. Interest in subsidiary companies and associate companies

The attributable interest of the Company in the net profit (losses) after taxation of each subsidiary company and associate company, which includes intercompany management fees, was:

Name of subsidiary and associate	Shareholding %	2021	2020
Huge Cellular[1]	49.00%	751 234	(30 259 255)
Huge Connect	84.71%	6 903 401	45 895 267
Huge Management Company	100.00%	(6 132 707)	64 605
Huge Distribution[2]	75.13%	11 523 457	1 413 067
Huge Media	96.00%	533 745	4 237 051
Huge Messaging	100.00%	202 251	1 189 145
Huge Networks	50.03%	2 420 770	1 849 881
Huge Payments	100.00%	2 653 299	37 456
Huge Services[3]	100.00%	(87 203)	65 972
Huge Software	75.00%	2 985 507	(759 641)
Huge Soho[1]	49.00%	(15 174 590)	51 043
Huge Technologies[4]	100.00%	34 717 347	16 305 213
Huge Telecom[5]	100.00%	(8 816 449)	31 595 808
The CI Trust	100.00%	(2 920 895)	(6 225 504)

1 *Huge Cellular and Huge Soho are associate companies of the Group.*

2 *Huge Group increased its investment in Huge Distribution (formerly known as Pansmart Proprietary Limited) from 50.25% to 75.13% during the current reporting period.*

3 *Huge Services became a wholly-owned subsidiary company of the Group during FY2020.*

4 *Huge Technologies' total comprehensive income for the year amounts to R56 580 003 which includes the revaluation of property, plant and equipment recognised in OCI.*

5 *Huge Telecoms' total comprehensive income for the year amounts to R6 529 882 (FY2020 R8 763 463) which includes the revaluation of available for sale financial assets recognised in OCI.*

9. Goodwill

Goodwill is tested annually for impairment and has an indefinite useful life.

During the current and prior reporting periods, the Group assessed the recoverable amount of Goodwill and in each year determined that no impairment was required. The Group undertook an analysis on the possible COVID-19 impact relating to the current reporting period and periods subsequent to the reporting period in reference to the possibility of Goodwill impairment, and through these sensitivity analysis and discussions and professional assessments it was 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.

Refer to note 6 in the AFS for further detail relating to Goodwill.

DIRECTORS' REPORT (continued)

10. Authorised and issued share capital

10.1. Authorised share capital

The authorised share capital of the Company as at 28 February 2021 is 1 000 000 000 Shares.

10.2. Listed share capital

The Company listed 100 000 000 Shares on its initial listing on the AltX of the JSE on 7 August 2007.

The listing of the Company was moved to the Main Board of the JSE on 1 March 2016.

The Company listed on A2X Markets on 10 April 2018.

The number of Shares in issue at 28 February 2021 and listed on the JSE is 173 663 766 (2020: 175 627 077).

10.3. Issue of share capital

Shortly after its listing, the Company issued 11 760 000 Shares.

During September 2014, the Company undertook a renounceable rights offer of 20 000 000 Shares. This was followed by an issue of 1 000 000 Shares for cash in terms of a general authority to issue shares for cash.

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 for no more than R300 million in terms of a specific authority to issue Shares for cash.

During 2017, 14 650 000 Shares were issued at 615 cents per Share, in terms of the specific issue of Shares for cash approved by shareholders on 20 December 2016. The proceeds of this issue amounted to R90 097 500. Non-public shareholders to whom Shares were issued were Praesidium SA Hedge Fund and Peregrine Equities Proprietary Limited.

During 2018, 24 373 551 Shares were issued at a price of 615 cents per Share, in terms of the specific issue of Shares for cash approved by shareholders on 20 December 2016. The proceeds of this issue amounted to R149 897 339 and issue expenses of R5 624 208 were deducted. Non-public shareholders to whom Shares were issued were Praesidium SA Hedge Fund, Peregrine Equities Proprietary Limited, K2017082648 South Africa Proprietary Limited, K2017038068 South Africa Proprietary Limited, K2017038099 South Africa Proprietary Limited, K2017038086 South Africa Proprietary Limited, DM Holdco Proprietary Limited, RF Mushonga and CNet Empowerment Trust.

A total of 25 208 333 Shares, issued in terms of renounceable letters of allotment, were delivered to ConnectNet Broadband Wireless on 30 March 2017. These Shares 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 a general authority to allot and issue Shares for cash granted by shareholders at the AGM held on 31 August 2017.

On 21 September 2018, the Company issued 25 000 Shares to EM Kerby in terms of an acquisition issue, in respect of the acquisition by Huge Telecom of minority shares in Huge Messaging. These Shares were issued at a price of 900 cents per Share, amounting to R225 000.

10.4. Repurchases and acquisitions of share capital

Since incorporation and up until 29 February 2020, the Company, and its subsidiary company, Huge Telecom, repurchased and acquired 31 517 983 Shares, including 12 500 Shares repurchased by the Company during February 2020. The 12 500 Shares were repurchased following an announcement of a Repurchase Programme on 15 January 2020 and were delisted on 20 April 2020.

At the AGM of the Company held on 29 August 2019 and at the AGM of the Company held on 8 October 2020, 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.

At the next AGM of the Company, which is scheduled to be held on 31 August 2021 shareholders will be requested to consider a special resolution to review the last general authority to repurchase or acquire the Shares of Huge.

During FY2021, the Company repurchased the following Shares, which were delisted on the following dates:

- 20 April 2020 — 7 500
- 9 September 2020 — 1 806 543
- 21 September 2020 — 136 768
- 4 March 2021 — 1 919 155

The Repurchase Programme announced by the Board on 15 January 2020 was implemented by the Board under the general authority to repurchase or acquire Shares of Huge granted by the shareholders of the Company at the AGM held on 29 August 2019 and continued under the general authority granted on 8 October 2020. The Repurchase Programme was implemented at the request of two of Huge's major shareholders, which underwent extensive deliberation by the Board, and in this regard the Board undertook to repurchase or acquire up to 4 million Shares for an aggregate consideration not exceeding R20 million.

DIRECTORS' REPORT (continued)

Authorised and issued share capital (continued)

Repurchases and acquisitions of share capital (continued)

During FY2021, the Company repurchased 3 869 966 Shares (FY2020: 12 500) amounting to R17 607 820 (FY2020: R62 500), at an average price of 455 cents (FY2020: 500).

From 1 March 2021 until date of this Report, the Company has acquired another 143 300 Shares at an average price of 630 cents.

10.5. Treasury shares

As at 28 February 2021, the Company had 173 663 766 ordinary Shares in issue, 1 919 155 Shares acquired during FY2021 and 143 300 Shares acquired during FY2022 are pending removal from the Company's share register and are pending delisting.

As at the date of this Report the Company has 171 611 311 Shares in issue.

As at 28 February 2021, 9 646 926 Shares are held by Huge Telecom as treasury Shares.

During FY2020, 737 989 Shares held by The CI Trust were classified as treasury shares because The CI Trust was classified in terms of IFRS10 as an entity controlled by Huge Connect and therefore by Huge. As a result of the consolidation of The CI Trust, the investment in Huge Shares was reclassified as treasury Shares. This is set out in note 20 of the AFS. Accordingly, 11 578 651 (FY2020: 10 384 915) of the issued Share capital of the Company were classified as treasury Shares. This constituted 7.1% (FY2020: 5.9%) of Huge's total issued share capital. Shares repurchased by the Company are recognised as treasury shares until such time as they have been delisted. Accordingly, 1 919 155 Shares relating to the Repurchase Programme are regarded as treasury shares on 28 February 2021.

11. Directors' interests in the share capital of the Company

As at 28 February 2021, the following directors held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2021 – Number of Shares held				
JC Herbst[1]	268 370	24 466 458	24 734 828	14.402
CWJ Lyons[2]	–	200 000	200 000	0.116
AP Openshaw	50 000	–	50 000	0.029
	318 370	**24 666 458**	**24 984 828**	**14.547**
2020 – Number of Shares held				
JC Herbst[1]	268 370	24 504 958	24 773 328	14.106
CWJ Lyons[2]	–	200 000	200 000	0.113
AP Openshaw	50 000	–	50 000	0.029
	318 370	**24 704 958**	**25 023 328**	**14.248**

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 3 Proprietary Limited.*

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

DIRECTORS' REPORT (continued)

Directors' interests in the share capital of the Company (continued)

As at 28 February 2021, the following directors of major subsidiary companies held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2021 Number of Shares held				
SM Oberholzer[3]	–	5 448 907	5 448 907	3.173
K Schmulian[4]	48 755	1 065 688	1 114 443	0.649
KB Sinclair [5]	–	4 049 613	4 049 613	2.358
E van Heerden[6]	2 058	–	2 058	0.001
	50 813	**10 564 208**	**10 615 021**	**6.181**

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

4 *The indirect shareholding of K Schmulian, a director of Huge Connect, is held by K2017038099 South Africa Proprietary Limited. In August 2020, Mr Schmulian was awarded 18 713 Shares (August 2019: 15 021) by The CI Trust.*

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

6 *E van Heerden is a director of Huge Connect. In August 2020, Mrs Van Heerden was awarded 47 847 (August 2019: 38 408) Shares by The CI Trust. She subsequently sold 48 000 Shares in August 2020 (August 2019: 38 000).*

As at 28 February 2020, the following directors of major subsidiary companies held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2020 Number of Shares held				
A Lessing[7]	–	4 719 139	4 719 139	2.687
DD Meintjes[8]	–	1 751 434	1 751 434	0.997
SM Oberholzer	–	5 448 907	5 448 907	3.103
K Schmulian	30 042	1 065 688	1 095 730	0.624
KB Sinclair	–	4 049 613	4 049 613	2.306
E van Heerden	2 211	–	2 211	0.002
	32 253	**17 034 781**	**17 067 034**	**9.719**

7 *An indirect shareholding of A Lessing, a director of Huge Connect, amounting to 4 689 025 (FY2019: 4 678 987) Shares is held by K2017038068 South Africa Proprietary Limited, while 30 114 (FY2020: 30 114) Shares are held by an associate, CJ Lessing.*

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

None of the shareholdings cited above are subject to any pledge or encumbrance.

Between the 28 February 2021 and the date of approval of the AFS there were no changes in the director's shareholding.

12. Dealings in securities

On 1 July 2020, 560 089 Shares were allocated to, and vested in, share beneficiaries of The CI Trust. The price per Share was R4.38 and the market value of the transaction amounted to R2 458 175. Clearance to deal was obtained.

DIRECTORS' REPORT (continued)

13. Restricted Shares

Shareholder	Subject to 24-month lock-in[9]	The CI Trust[10]	Total
2021 – Number of Shares held			
K2017038068 South Africa Proprietary Limited – A Lessing	4 689 025	–	4 689 025
DM Holdco Proprietary Limited – DD Meintjes	1 751 434	–	1 751 434
K2017082648 South Africa Proprietary Limited – SM Oberholzer	5 448 907	–	5 448 907
K2017038099 South Africa Proprietary Limited – K Schmulian	1 065 688	–	1 065 688
K2017038086 South Africa Proprietary Limited – KB Sinclair	4 049 613	–	4 049 613
	17 004 667	–	**17 004 667**
Datawireless Proprietary Limited	602 344	–	602 344
K2017038129 South Africa Proprietary Limited	2 770 788	–	2 770 788
K2017038154 South Africa Proprietary Limited	639 413	–	639 413
CNet Empowerment Proprietary Limited	2 724 454	–	2 724 454
The CI Trust – Initial transfer	–	1 466 667	1 466 667
	6 736 999	**1 466 667**	**8 203 666**
The CI Trust – 2018 allocation to Share beneficiaries	–	(129 415)	(129 415)
The CI Trust – 2019 allocation to Share beneficiaries	–	(131 226)	(131 226)
The CI Trust – 2020 allocation to Share beneficiaries	–	(468 038)	(468 038)
The CI Trust – 2021 allocation to Share beneficiaries	–	(560 089)	(560 089)
The CI Trust – 2021 sale of Shares	–	(177 899)	(177 899)
	–	**(1 466 667)**	**(1 466 667)**
TOTAL	**23 741 666**	**–**	**23 741 666**

9 *In terms of a subscription and repurchase agreement, 10 335 518 Shares issued to the relevant shareholders were the subject of a 24-month lock-in undertaking, which expired on 29 March 2019. Subsequent to the closing of the subscription and repurchase agreement, the relevant shareholders, of their own volition, created a trust to be known as The CI Trust and decided to donate 1 466 667 Shares and R1.2 million in cash to The CI Trust. The donation was not part of the subscription and repurchase agreement and was in no way linked to the subscription and repurchase agreement. However, the Shares that were the subject of the donation were part of the 10 335 518 Shares that were subject to the 24-month lock-in undertaking. The CI Trust was established by the relevant shareholders for the benefit of certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group to inter alia assist the relevant shareholders in making sure that the ConnectNet Broadband Wireless Group achieved the targets for a profit warranty. On 8 July 2019 the Group published an announcement on SENS that the vendors involved in the above-mentioned transaction agreed to extend their lock-in for another two years. In return, the Group waived the profit warranties it held against the relevant shareholders.*

10 *During August 2020, 560 089 Shares (2020: 468 038) were transferred by The CI Trust share beneficiaries, being certain existing employees, directors and/or consultants to the ConnectNet Broadband Wireless Group. The remaining 177 899 Shares were ceded for a loan between The CI Trust and Huge and were sold during the current reporting period for R818 340. All Shares have been distributed at the end of the current reporting period. Shares that have been allocated to share beneficiaries were not restricted. Refer to note 21 of the AFS for additional information.*

DIRECTORS' REPORT (continued)

14. 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.

15. Litigation

Litigation occurs 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

The Board is cognisant that these are very uncertain times. The Board requires more time to determine whether or not there might be circumstances that may have a negative impact on the businesses within the Group and its cashflows which could negatively impact the Company's decision to declare and pay dividends. The Board is of the view that it is prudent to wait for some time to elapse before making any final decision regarding a dividend declaration for the year ended 28 February 2021.

During FY2020, the Company declared a dividend of 12.5 cents per Share on 31 May 2020 and a dividend of 6.25 cents per Share as an interim dividend, which was paid out of retained earnings of the Company.

17. Offer to the Shareholders of Adapt IT

Shareholders are referred to:

- The announcements released by Huge on SENS on 27 January 2021 and 5 February 2021, advising that Huge had given notice to the board of directors of Adapt IT that Huge had made a general offer as contemplated in section 117(c)(v) of the Companies Act to Adapt IT shareholders to acquire up to 100% of their Adapt IT shares.
- The offeror circular posted to shareholders of Adapt IT dated 16 April 2021.
- The announcement released by Huge on SENS on 28 May 2021 advising that Huge had given notice to the board of directors of Adapt IT that Huge was increasing the offer consideration from 0.9 Huge Shares for each Adapt IT share to 1.37 Huge Shares for each Adapt IT share.
- The announcement released by Huge on SENS on 14 June 2021 advising shareholders of the posting of the category 1 circular requesting Huge shareholders to approve the issue of the Huge consideration shares to Adapt IT shareholders that accept the offer made by Huge.

18. FSCA and TRP enquiries

On 17 March 2021 and 31 March 2021, the Company released announcements on SENS that set out:

- the details of various share transactions undertaken by Huge pursuant to, and in accordance with, general authorities granted by shareholders of the Company to repurchase Shares;
- Share repurchases undertaken by the Company during FY2020 and FY2021;
- the notice the Company had received from the Financial Sector Conduct Authority (FSCA) that the FSCA would be investigating transactions by Huge in its own securities during the period from 1 August 2020 to 15 March 2021 to determine whether or not these transactions constituted "Prohibited Trading Practices" as defined in section 80 of the Financial Markets Act, No. 19 of 2012.

On 15 April 2021, the Company advised shareholders in a SENS that the FSCA had concluded its investigation and had found that there was insufficient evidence that the transactions by Huge during the investigation period constituted Prohibited Trading Practices as defined in Section 80 of the Financial Markets Act No 19 of 2012.

During April 2021 the Company published audio-visual material related to its offer to Adapt IT Shareholders. The Company was notified by the Takeover Regulation Panel (TRP) that the audio-visual materials constituted "announcements", in respect of which approval from the TRP ought to have been sought prior to publication. The Company released a SENS announcement on 22 April 2021 confirming that it had removed the audio-visual material content from its website.

Adapt IT made allegations that the audio-visual material contained false and misleading statements and lodged complaints against Huge with the TRP and the FSCA. The TRP has closed its investigation. The Company has responded to the allegations and the complaints lodged with the FSCA and is awaiting the FSCA's findings.

19. Specific repurchases

On or about 25 February 2021, the Board approved the execution of repurchase agreements, which the Company had concluded with CNET Empowerment Proprietary Limited, DM Holdco Proprietary and Praesidium Capital Management Limited to acquire an aggregate of 5 587 000 (five million five hundred and eighty seven thousand) Shares at a price of 450 cents per Share. The total aggregate repurchase consideration amounts to R25 141 500 (twenty five million one hundred and forty one thousand five hundred Rand). The Board has requested shareholders to approve the repurchase agreements at the general meeting of the Company to be held on 13 July 2021.

DIRECTORS' REPORT (continued)

20. Futuregrowth ZAR200 Million Facility

On 15 January 2021, Huge and Futuregrowth concluded a fourth addendum to the ZAR200 Million Term Facility Agreement. In terms of the Fourth Addendum, Huge is required to only service the interest on the next four payment dates of 31 March, 30 June, 30 September and 31 December 2021. Thereafter, Huge will continue to service both capital and interest.

21. London Listing

On 25 January 2021 the Company announced that the Board had resolved to make an application for the admission of the Company's shares to trading on the Alternative Investment Market (AIM) of the London Stock Exchange. The application is intended to be made for admission as a secondary listing and for the Company to retain the primary listing of its shares on the Johannesburg Stock Exchange and also its listing on the A2X stock exchange. Whilst the Company commenced the process of appointing advisors to effect the application, to date no appointments have yet been made. The Company will issue further announcements to keep shareholders informed on the progress of the application.

22. Company Secretary and administration

Mrs Karen Robinson fulfilled the role of Company Secretary until her resignation on 30 September 2020 whereafter Mrs Rokeya Hansa assumed responsibility for the role of Company Secretary in the interim period.

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 the inside back cover of this Report.

23. 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 on pages 83 to 84 of this Report.

24. Auditors

The Audit Committee appointed Moore Johannesburg as its independent auditor for FY2021 and has recommended that Moore Johannesburg remain in office in accordance with section 90(1) of the Companies Act.

25. Events after the reporting period

25.1. Share repurchase programme

The Company has repurchased 143 300 Shares amounting to R903 422 at an average price of 630 cents per Share. The Shares will be delisted during FY2022.

25.2. Charges relating to the Executive Share Option Agreements

In the prior year, shareholders of Huge approved the granting of options to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. IFRS requires Huge to create a share-based payment equity reserve equal to the independent calculation of the value of the options and to do so by making non-cash charges in the statement of profit or loss and other comprehensive income of R 34.6 million in the current reporting period, an additional R7.4 million in FY2022 and a marginal amount in FY2023. These charges are non-cash charges that have no effect on the operating performance of our underlying companies. To deal with similar accounting transactions like this share-based payment expense, Huge has introduced, and will continue to use, additional measures of EPS and HEPS which better reflect normalised profit for a period based on operating performance. The normalised statement of profit or loss and other comprehensive income as well as the normalised EPS and HEPS can be found in note 42 (supplementary information). Normalised profit amounts to R77.0 million.

25.3. COVID-19:

The Board has assessed the potential impact of the pandemic on Huge's performance and liquidity in the short to medium term. The going concern assumption, as adopted in the preparation of the interim financial statements, remains applicable. The Board will continue to monitor this position as more data becomes available and if circumstances change.

25.4. Other matters

The directors are not aware of any other significant matters or circumstances arising after the end of the reporting period, which are or will not otherwise be dealt with in the AFS and which affect the financial position of the Group or the results of its operations up to the date of this Report.

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 85 to 165, which comprise the statement of financial position as at 28 February 2021, the statement of profit or loss and other 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, including 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 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company 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 of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Audit response
Assessment of goodwill impairment and the related impairment of the investment in subsidiaries (refer to note 6)	
Refer to the following notes to the consolidated financial statements: • Accounting policies: Critical accounting judgements, estimates and assumptions. • Note 6: Goodwill. Judgement applied regarding the impairment of goodwill. Due to the number of business combinations that the Group has historically concluded, the Group's net assets include a significant amount of goodwill at the reporting date. The goodwill relates to cash generating units that are significant to the group's Statement of Financial Position as a whole and subject to potentially sensitive assumptions that could result in an impairment of a relevant cash generating unit. As required by IAS 36: Impairment of Assets (IAS 36), the directors conducted an annual impairment test on the goodwill balances to assess the recoverability of the carrying value of this goodwill. There is a potential risk that the businesses included in each cash generating unit may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to the businesses in each cash generating unit. There are several key assumptions made in determining the inputs into the valuation models which include: future cash flow forecasts specifically for conflict markets where reliable economic data is not available, expense growth rates, operating margins, terminal value growth rates and discount rates (weighted average cost of capital). As a result of the significant judgements the valuation of goodwill is considered to be a key audit matter.	We focused our testing relating to the impairment of goodwill on the key assumptions made by management and the consultant. Our audit procedures included, amongst others: • Confirmed the independence of the consultant. • Critically evaluated whether the model used by the consultant in calculating the value in use of the cash generating units complied with IAS 36 Impairment of Assets. • Validated the assumptions used to calculate the discount rates and long-term growth rates. • Analysed the future projected cash flows, including the capital expenditure, EBITDA and working capital flows used in the valuation models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of each cash generating unit. • Compared the growth rates used to historical data regarding economic growth rates included in the relevant cash-generating units. • Tested the inputs into the cash flow forecast against historical performance and compared these to the directors' strategic plans in respect of each cash generating unit. • Performed a sensitivity analysis on the key assumptions. Compared the projected cash flows, including the assumptions relating to revenue growth rates, operating margins and commodity prices against historical performance in order to test the accuracy of management's projections. • Assessed the related disclosure requirements relating to the calculation around the impairment of goodwill in terms of the IFRS.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	Audit response
Valuation of the Telephone Line network and change in accounting policy (refer to note 4 and accounting policy 5.2)	
Refer to note 4 (property, plant and equipment) and accounting policy 5.2 (change in accounting policy) of the consolidated financial statements for the selected disclosure applicable to the matter. Included in the property, plant and equipment balance is the Telephone Line Network carried at fair value through other comprehensive income, which is classified as level 3 in the fair value hierarchy defined by IFRS 13 Fair Value Measurement. In the previous reporting periods, the Telephone Line Network was accounted for using the cost model. However, due to more reliable and relevant information becoming available, a change in accounting policy was implemented to account for the Telephone Line Networks using the revaluation model as per IAS 16. Non-financial assets that are classified as level 3 in the fair value hierarchy will have a significant element of estimation uncertainty inherent in their value, which by its nature is unobservable. The level of estimation uncertainty has increased in the last two financial periods as a result of the impact of COVID-19 on market conditions, including the lack of liquidity for certain asset classes. As the determination of the fair value of level 3 non-financial assets is a key source of estimation uncertainty, is subject to significant judgements and represents a material balance which required significant auditor effort, this matter was considered to be a key audit matter in our audit of the consolidated financial statements.	Our response to the key audit matter is listed below: • The valuation of the Telephone Line Network was assessed to ensure that this provides more relevant and reliable information and is a valid change in accounting policy as per IAS 8. • Critically evaluated whether the model used by management in calculating the fair value of the Telephone Line Network was appropriate. • Validated the assumptions used to calculate the discount rates and long-term growth rates. • Analysed the future projected cash flows used in the valuation models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of each cash generating unit. • Compared the growth rates used to historical data regarding economic growth rates. • Tested the inputs into the cash flow forecast against historical performance and in comparing these to the directors' strategic plans. • Assessed the related disclosure requirements relating to the calculation in terms of the IAS 16 Property, Plant and Equipment, IAS 8 Accounting Policies, changes in accounting estimates and errors and IFRS 13 Fair value measurements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Huge Group Limited Annual Financial Statements for the year ended 28 February 2021" which includes the CFO Report, Directors' Report, Audit Committee Report to Shareholders, the Certificate by the Company Secretary and the supplementary information as required by the Companies Act of South Africa, and the document titled "Huge Group Limited Integrated Report for the year ended 28 February 2021", which includes the sections "Our Huge Story", "Strategic Performance", "Shareholder information", and "Governance" which we have obtained prior to the date of this auditors' report. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008, and for such internal controls as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements which 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 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 or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR’S REPORT (continued)

Auditor's responsibilities for the audit of the 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 material 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to these 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, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal controls 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 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 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 or company to cease to continue as a going-concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have compiled with relevant ethical requirements regarding independence and we 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 laws 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 Moore Johannesburg Inc. has been the auditor of Huge Group Limited for three years.

Moore Johannesburg Inc

Per: CA Whitefield CA(SA)
Partner

Registered Auditor

14 July 2021

Johannesburg
50 Oxford Road
Parktown
Johannesburg
2193

AUDIT COMMITTEE REPORT

REPORT TO THE SHAREHOLDERS ON THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE REPORTING PERIOD ENDED 28 FEBRUARY 2021

The Audit Committee has specific statutory responsibilities to shareholders in terms of the Companies Act. In addition to those responsibilities, 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, independent 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 Moore Johannesburg and recommended the re-appointment of Moore Johannesburg as its independent auditor;
- nominated C Whitefield from Moore Johannesburg for re-appointment as the designated audit partner;
- confirmed its satisfaction that both Moore Johannesburg and Mrs Whitefield remain independent of the Company and meet the requirements of the Companies Act, the Listings Requirements and King IV; and
- is satisfied that while Moore Johannesburg has not performed any non-audit services for the Company, any proposed agreements of this nature require the pre-approval of the Audit Committee.

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

Delegated duties

- **Financial statements**

  The Audit Committee reviewed the Consolidated and Separate Annual Financial Statements, the Summarised Consolidated and Separate Annual Financial Statements, preliminary announcements, 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 Audit Committee reviewed the disclosure contained in the Integrated Report and the disclosures relating to sustainability. The Audit Committee is satisfied that the information contained in the Integrated Report is reliable and does not conflict with the financial information. The Audit Committee recommended the Integrated Report to the Board for approval.

- **Internal audit**

  Due to the historical nature of the Company's legal structure, assets, size and its stage of development, the Audit Committee is of the view that an internal audit function is presently not required. However, this requirement is monitored by the Audit 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 Audit Committee evaluated and reported on the independence of the independent auditor and reviewed the quality and efficacy of the independent audit process. Accordingly, the Audit Committee recommends to shareholders that Moore Johannesburg be reappointed as the Company's independent auditor and that Mrs Whitefield be reappointed as the designated audit partner.

  The Audit Committee has also determined the fees and terms of engagement of the independent auditor and is satisfied that it has complied with the Companies Act and other relevant legislation. Huge first appointed Moore Johannesburg as the Company's independent auditor on 18 March 2019. Mrs Whitefield was appointed as the designated audit partner with effect from 15 August 2019.

- **Chief Financial Officer**

  The Audit Committee has assessed and is satisfied with the appropriateness of the skills, experience and expertise of Mrs Sequeira as the Chief Financial Officer and confirms same to shareholders.

- **Financial function**

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

AUDIT COMMITTEE REPORT (continued)

- **Oversight of risk management**

  The Chairman of the Audit Committee also chairs the Risk Committee. Members of the Board attend the meetings of both the Audit Committee and the Risk Committee, by invitation. 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 Audit Committee has ensured that appropriate financial reporting procedures exist and are working, which included consideration of all entities forming part of the consolidated group financial statements and that it has access to all financial information of Huge to allow Huge to effectively prepare and report on the financial statements.

  The Audit Committee has reviewed the efficacy of the Company's system of internal financial controls, including assurance received from management and the independent auditor. The Audit Committee has reviewed the material issues raised during the independent audit process.

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

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

  The key audit matters from the year-end audit report are outlined on pages 80-81.

- **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.

  The Company has regard to the following five lines of assurance:

First line:	Line management is responsible for monitoring and managing risk and opportunity
Second line:	Risk management functions in each subsidiary company, including those at Group level, review and consider risk and opportunity
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 independent auditor considers and reviews risk management processes implemented by the Company and the Group and elevates 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 Audit Committee is responsible for ensuring that a suitable governance framework is in place to oversee and manage information and technology risks. The Audit Committee reviews the relevant policies which are implemented in the subsidiary companies, including the internal control frameworks adopted in this regard. The Board receives independent assurance on the effectiveness of the aforementioned matters from the Audit Committee and the independent auditor. The Audit Committee is cognisant of the ongoing increase in risks related to information and technology, as well as the announcement of the effective date of the Protection of Personal Information Act 4 of 2013. The Audit Committee will report on developments and improvements in the Group's IT governance processes going forward.

- **Regulatory compliance**

  The Audit Committee has complied with all its applicable legal and regulatory responsibilities. The Audit Committee has reviewed the AFS, prior to approval, both with management and in a separate forum with the independent auditor. The Audit 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 2021.

Dennis Gammie
Chairman of the Audit Committee

14 July 2021

STATEMENT OF FINANCIAL POSITION

as at 28 February 2021

		Group		Company	
Figures in Rand	Note(s)	**2021**	2020	**2021**	2020
Assets					
Non-current assets					
Property, plant and equipment	4	306 744 643	272 983 290	–	–
Right-of-use assets	5	12 013 523	16 830 373	3 151 144	4 201 525
Goodwill	6	607 694 289	607 694 289	–	–
Intangible assets	7	23 908 409	22 519 563	–	–
Investments in subsidiary companies	8	–	–	208 383 071	208 383 021
Investment in joint venture company	9	–	–	–	–
Investment in associate companies	10	–	25 011	–	29 911
Loans to associate companies	11	63 675 724	70 703 558	1 206 542	1 206 542
Loans to group companies	11	–	–	183 586 729	133 000 062
Loans receivable	12	633 073	335 848	–	–
Trade and other receivables[1]	13	20 561 176	–	26 507 500	–
Contract assets	14	2 664 496	4 901 206	–	–
Investments at fair value	15	420 465	403 640	457 495 465	457 478 640
Deferred tax	16	41 966 455	29 552 068	19 085 111	11 975 732
		1 080 282 253	**1 025 948 846**	**899 415 562**	**816 275 433**
Current assets					
Inventories	17	82 105 105	60 038 814	–	–
Loans to group companies	11	–	–	–	36 997 477
Loans receivable	12	438 784	204 483	–	–
Contract assets	14	1 622 782	2 168 408	–	–
Trade and other receivables	13	63 712 332	69 257 281	23 660 034	4 413 799
Current tax receivable	18	509 402	4 223 530	–	–
Cash and cash equivalents	19	29 462 197	40 152 606	1 669 758	19 550 522
		177 850 602	**176 045 122**	**25 329 792**	**60 961 798**
Total assets		**1 258 132 855**	**1 201 993 968**	**924 745 354**	**877 237 231**

1 *Non-current trade and other receivables relate to previous trade and other receivables that are no longer current in nature and have therefore been reclassified to non-current assets. Refer to note 13 (trade and other receivables) for further details.*

STATEMENT OF FINANCIAL POSITION (continued)

as at 28 February 2021

Figures in Rand	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Equity and Liabilities					
Equity					
Equity attributable to holders of parent					
Share capital	20	599 946 683	611 884 120	601 129 840	618 848 610
Share-based payment reserve[1]	21	34 609 702	3 905 915	34 609 702	–
Trust donation reserve[2]		–	–	(14 470 932)	(14 470 932)
Change in holding reserve[3]		52 474 210	52 474 210	–	–
Revaluation reserve[4]	33	21 862 656			
Accumulated profit (loss)		305 398 248	273 101 806	173 368 094	124 243 203
		1 014 291 499	**941 366 051**	**794 636 704**	**728 620 881**
Non-controlling interest	22	(49 970 594)	(60 253 065)	–	–
		964 320 905	**881 112 986**	**794 636 704**	**728 620 881**
Liabilities					
Non-current liabilities					
Interest-bearing liabilities	23	100 776 683	120 936 298	100 776 683	90 936 298
Loans payable[5]	12	–	18 258 204	–	–
Lease liabilities	5	10 968 782	14 509 005	2 617 746	3 649 698
Deferred tax	16	73 694 468	43 181 093	882 320	1 176 427
		185 439 933	**196 884 600**	**104 276 749**	**95 762 423**
Current liabilities					
Deferred income	24	34 434	6 092 003	–	–
Loans payable	12	300 000	600 000	–	–
Interest-bearing liabilities	23	51 263 351	51 583 574	20 672 162	51 583 574
Current tax payable	18	1 514 759	8 292 088	–	–
Lease liabilities	5	4 864 491	6 307 544	1 031 952	873 720
Trade and other payables	25	38 217 716	50 229 924	4 127 787	396 633
Bank overdraft	19	12 177 266	891 249	–	–
		108 372 017	**123 996 382**	**25 831 901**	**52 853 927**
Total liabilities		**293 811 950**	**320 880 982**	**130 108 650**	**148 616 350**
Total equity and liabilities		**1 258 132 855**	**1 201 993 968**	**924 745 354**	**877 237 231**

1 *The share-based payment reserve relates to the Executive Share Option Agreements. Refer to note 21 (share-based payment reserve) for further details.*

2 *The trust donation reserve relates to The CI Trust donation made in FY2018, which reduced the purchase consideration of Huge Connect and therefore the associated Goodwill. This reserve will be reversed against retained earnings once the CI Trust has been dissolved, which will be subsequent to the current reporting period. All remaining donations were distributed to the share beneficiaries during the current reporting period.*

3 *This change in holding reserve relates to transactions where there is a change in the holding i.e. there is a change in shareholding but control is not lost. Refer to note 36 (business combinations) under heading 'Changes in holding in existing subsidiary companies' for further details.*

4 *The revaluation reserve relates to the revaluation of property, plant and equipment in the current period. Refer to note 4 (property, plant and equipment) for further detail.*

5 *Huge Distribution concluded a waiver agreement with The MIA Family Trust, wherein The MIA Family Trust waived all and any claims against Huge Distribution. Refer to note 12 (loans receivable/ payable) for further details.*

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2021

		Group		Company	
Figures in Rand	Note(s)	**2021**	2020	**2021**	2020
Revenue	26	469 857 500	492 144 782	23 050 000	–
Cost of sales	27	(177 148 633)	(154 078 831)	–	–
Depreciation and amortisation[1]	27	(16 010 593)	(29 829 958)	–	–
Impairment of inventory[2]	27	(31 233 433)	–	–	–
Gross profit		**245 464 841**	**308 235 993**	**23 050 000**	**–**
Other income	28	6 719 184	10 418 252	480 910	379 389
Waiver of loans[3]		18 605 878	–	–	–
Decommissioning of telephone lines[4]	4	(11 529 788)	–	–	–
Selling and administration expenses		(44 925 864)	(63 824 045)	(583 931)	(526 367)
Depreciation on right-of-use assets	5	(5 626 563)	(6 865 550)	(1 050 381)	(1 050 381)
Employee costs		(93 469 081)	(96 061 016)	–	–
Executive share-based payment expense[5]	21	(34 609 702)	–	(34 609 702)	–
Movement in credit loss allowances[6]	39	(14 751 923)	(17 121 368)	–	–
Operating profit	29	**65 876 982**	**134 782 266**	**(12 713 104)**	**(1 197 359)**
Finance income	30	1 285 322	3 717 046	6 244 038	6 719 462
Dividends received	30	–	–	38 334 818	515 075 000
Profit/(loss) from equity accounted investments		(25 011)	20 111	(29 911)	29 911
Profit on sale of property, plant and equipment		1 938 751	1 575 202	–	–
Impairment of investment in subsidiary company[7]		–	–	–	(314 875 274)
Impairment of investment in joint venture company		–	(458 811)	–	–
Reversal of impairment provision on loans to subsidiary company[8]	11	–	–	21 238 535	–
Finance costs	31	(14 208 196)	(19 432 428)	(10 995 782)	(14 388 084)
Finance costs on lease liabilities	5&31	(1 477 930)	(2 140 617)	(357 189)	(427 976)
Profit before taxation		**53 389 918**	**118 062 769**	**41 721 405**	**190 935 680**
Income tax (expense)/income	32	(10 975 695)	(22 739 080)	7 403 486	7 351 365
Profit for the year		**42 414 223**	**95 323 689**	**49 124 891**	**198 287 045**
Attributable to:					
Owners of the parent		38 568 656	95 022 679	49 124 891	198 287 045
Non-controlling interest	22	3 845 567	301 010	–	–
		42 414 223	**95 323 689**	**49 124 891**	**198 287 045**
Other comprehensive income					
Items that will not be reclassified to profit and loss:					
Gain on revaluation of property, plant and equipment[9]	33	32 507 513	–	–	–
Decommissioning of telephone lines[10]		(2 142 700)	–	–	–
Income tax effect	33	(8 502 157)	–	–	–
		21 962 656	–	–	–
Total comprehensive income		**64 276 879**	**95 323 689**	**49 124 891**	**198 287 045**
Attributable to:					
Owners of the parent		60 431 312	95 022 679	49 124 891	198 287 045
Non-controlling interest		3 845 567	301 010	–	–
		64 276 879	**95 323 689**	**49 124 891**	**198 287 045**
Earnings per share information					
Basic earnings per share	34	**23.47**	57.58	–	–
Diluted earnings per share	34	**23.28**	57.42	–	–

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

for the year ended 28 February 2021

1 *During the current reporting period the Group conducted a residual value review of its telephone line network asset, which resulted in changes to the residual value of the telephone lines and thus a change in estimate. As a result, no depreciation has been raised in the current year, depreciation will only be raised on the telephone line asset register when its residual value subsequently decreases to an amount below the assets carrying amount. Refer to note 4 (property, plant and equipment) as well as accounting policy 5.3 (change in estimates and assumptions) for further details.*

2 *Refer to note 17 (inventories), note 27 (cost of sales) and accounting policies 1.3 (significant judgements and sources of estimation uncertainty) for further details.*

3 *Refer to note 12 (loans receivable/payable) for further details.*

4 *Decommissioning of telephone lines relates to the impairment of telephone lines owned by the Group, under the Telecom Grouping, as a result of customer contract cancellations during the reporting period. Refer to note 4 (property, plant and equipment) as well as accounting policy 5.3 (change in estimates and assumptions) for further details.*

5 *The statement of profit or loss and other comprehensive income includes the R34 609 702 IFRS2 share-based payment expense relating to the Executive Share Option Agreements. The Board is of the view that the expense is a non-cash IFRS charge unrelated to the actual operating performance of the Group and therefore the Normalised Performance presented on page 166 is a better representation of the Group's operating performance. Refer to note 21 (share-based payment reserve) for further detail.*

6 *Movement in credit loss allowances in the current and prior reporting period relate mainly to an employee fraud that took place at Huge Connect. Billings have ceased and full credit loss allowance provisions have been raised against the outstanding trade and other receivable balance. Further detail relating to the employee fraud can be found in the FY2020 Integrated Report.*

7 *The impairment of investment in subsidiary companies relates to the sale of 16.29% of Huge Connect to Windfall during the previous reporting period. Refer to note 36 (business combinations) for further details relating to the issue of preference shares, impairment of ordinary equity and change in control reserve adjustments relating to this transaction.*

8 *A provision for impairment of loans owing by Huge Media to the Company was raised in previous reporting periods. This loan was settled during the current reporting period and the provision for impairment was subsequently reversed.*

9 *The gain on revaluation of property, plant and equipment relates to the fair value adjustment on the telephone line network asset raised in the current period. Refer to note 4 (property, plant and equipment) and accounting policy 5.2 (change in accounting policy) for further details.*

10 *The revaluation adjustment is as a result of the decommissioning of telephone lines in the current period. The revaluation portion of decommissioned lines is reversed against other comprehensive income and property, plant and equipment. Refer to note 4 (property, plant and equipment) for further details.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2021

Figures in Rand	Share capital	Share premium	Total share capital	Share-based payment reserve	Change in holding reserve	Revaluation reserve[10]	Accumulated profit/(loss)	Equity attributable to holders of the parent	Non-controlling interest	Total equity
Group										
Balance at 1 March 2019	**16 477**	**608 772 651**	**608 789 128**	**4 141 848**	**(4 760 650)**	–	**209 003 529**	**817 173 855**	**5 666 888**	**822 840 743**
Total comprehensive income for the year	–	–	–	–	–	–	95 022 679	95 022 679	301 010	95 323 689
Profit for the year	–	–	–	–	–	–	95 022 679	95 022 679	301 010	95 323 689
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	–
Issue of shares	–	180 000	180 000	–	–	–	–	180 000	–	180 000
Share issue expenses	–	(720 000)	(720 000)	–	–	–	–	(720 000)	–	(720 000)
Share buy-back[1]	–	(62 500)	(62 500)	–	–	–	–	(62 500)	–	(62 500)
Share-based payments raised	–	–	–	3 461 559	–	–	–	3 461 559	–	3 461 559
Distribution of treasury shares previously held[2]	–	3 697 492	3 697 492	(3 697 492)	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	(30 924 402)	(30 924 402)	–	(30 924 402)
Change in holding[3]	–	–	–	–	57 234 860	–	–	57 234 860	(57 234 860)	–
Business Combinations[4]	–	–	–	–	–	–	–	–	(8 986 103)	(8 986 103)
Balance at 29 February 2020	**16 477**	**611 867 643**	**611 884 120**	**3 905 915**	**52 474 210**	–	**273 101 806**	**941 366 051**	**(60 253 065)**	**881 112 986**
Total comprehensive income for the year	–	–	–	–	–	21 862 656	38 568 656	60 431 312	3 845 567	64 276 879
Profit for the year[5]	–	–	–	–	–	–	38 568 656	38 568 656	3 845 567	42 414 223
Other comprehensive income for the year	–	–	–	–	–	21 862 656	–	21 862 656	–	21 862 656
Share issue expenses	–	(60 000)	(60 000)	–	–	–	–	(60 000)	–	(60 000)
Share buy-back[1]	(389)	(17 658 386)	(17 658 775)	–	–	–	–	(17 658 775)	–	(17 658 775)
Share-based payments raised	–	–	–	1 221 773	–	–	–	1 221 773	–	1 221 773
Executive share-based payments raised[6]	–	–	–	34 609 702	–	–	–	34 609 702	–	34 609 702
Distribution of treasury shares previously held[2]	103	2 458 072	2 458 175	(2 458 175)	–	–	–	–	–	–
Share-based payment reserve reclassification[7]	–	2 504 823	2 504 823	(2 669 513)	–	–	164 690	–	–	–
Sale of treasury shares previously held[8]	18	818 322	818 340	–	–	–	–	818 340	–	818 340
Transaction with non-controlling interest[9]	–	–	–	–	–	–	(6 436 904)	(6 436 904)	6 436 904	–
Balance at 28 February 2021	**16 209**	**599 930 474**	**599 946 683**	**34 609 702**	**52 474 210**	**21 862 656**	**305 398 248**	**1 014 291 499**	**(49 970 594)**	**964 320 905**
Note(s)			*20*	*21*	*36*	*33*			*22*	

STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 28 February 2021

1 *Following an announcement on SENS on 15 January 2020, the Company repurchased 3 869 966 Shares up to the end of the current reporting period (FY2020: 12 500) and this amounted to R17 658 775 (FY2020: R62 500) at an average price per Share of 456 cents (FY2020: 500 cents). 1 963 311 of these Shares were delisted during FY2021 and the remaining are to be delisted subsequent to 28 February 2021.*

2 *The distribution of treasury shares relates to 560 089 (FY2020: 468 038) Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during the current reporting period. A total of 1 288 768 Shares have been distributed by The CI Trust to its share beneficiaries up to 28 February 2021.*

3 *The movement in the change in holding reserve relates to a business transaction involving Huge, Huge Connect and Windfall and the change in holding of Huge's interest in Huge Connect in favour of Windfall. Windfall subscribed for new ordinary shares in Huge Connect and after its subscription, 16.296% of the ordinary Shares of Huge Connect in issue are held by it. The equity attributable to the holders of the parent has been adjusted for Windfall's non-controlling interest. Additional information on this transaction can be found in note 36 (business combinations).*

4 *The non-controlling interest in Huge Distribution (formerly Pansmart) was raised in a business transaction in which Huge subscribed for 101 new ordinary Shares in Huge Distribution for a purchase consideration of R100, such that after the subscription Huge became the holder of 50.3% of the ordinary Shares of Huge Distribution in issue (the Pansmart Business Combination). Additional information can be found in note 36 (business combinations).*

5 *Profit for the year takes into account the R34 609 702 IFRS2 Share-based payment expense relating to the Executive Share Option Agreements. Further detail relating to the Executive Share Option Agreements can be found in note 21 (share-based payment reserve). Normalised profit for the year amounts to R77 023 925 and the normalised total comprehensive income for the year amounts to R98 886 581. Refer to note 42 (supplementary information) on page 166 for further detail.*

6 *Further detail relating to the Executive Share Option Agreements can be found in note 21 (share-based payment reserve).*

7 *The share-based payment reserve reclassification entry arose as a result of The CI Trust fully distributing all the Shares to its share beneficiaries. No future IFRS2: Share-based payment expenses will be raised in this regard.*

8 *The sale of treasury shares previously held relates to 177 900 Shares which were held as an investment by The CI Trust, and which were ceded as security for a loan between Huge and The CI Trust. This loan was settled during the financial period with the funds received from the sale.*

9 *The adjustment to non-controlling interest relates to a change in proportion of equity held by non-controlling interest of Huge Distribution. On 15 February 2021, Huge acquired an additional 24.88% of Huge Distribution from the trustees for the time being of the MIA Family Trust for R50, thereby increasing its shareholding to 75.13%. This transaction with non-controlling interests became unconditional on the 15th of February 2021. No change in control of Huge Distribution took place because of this transaction with non-controlling interest. The increase in Huge's shareholding resulted in an equity transaction between non-controlling interest and retained earnings amounting to R6 436 904.*

10 *The revaluation reserve relates to the gain on revaluation raised in the current reporting period on the telephone line network asset held under property, plant and equipment. Refer to note 4 (property, plant and equipment), note 33 (revaluation reserve) and accounting policy 5.2 (change in accounting policy) for further details.*

STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 28 February 2021

Figures in Rand	Share capital	Share premium	Total share capital	Share-based payment reserve	Trust Donation reserve[4]	Accumulated profit/(loss)	Total equity
Company							
Balance at 28 February 2019	**17 563**	**619 613 547**	**619 631 110**	**–**	**(14 470 932)**	**(41 113 762)**	**564 046 416**
Profit for the year	–	–	–	–	–	198 287 045	198 287 045
Dividends	–	–	–	–	–	(32 930 080)	(32 930 080)
Share issue expenses	–	(720 000)	(720 000)	–	–	–	(720 000)
Share buy-back	–	(62 500)	(62 500)	–	–	–	(62 500)
Balance at 29 February 2020	**17 563**	**618 831 047**	**618 848 610**	**–**	**(14 470 932)**	**124 243 203**	**728 620 881**
Profit for the year[1]	–	–	–	–	–	49 124 891	49 124 891
Share issue expenses	–	(60 000)	(60 000)	–	–	–	(60 000)
Share buy-back[2]	(389)	(17 658 381)	(17 658 770)	–	–	–	(17 658 770)
Executive share-based payments raised[3]	–	–	–	34 609 702	–	–	34 609 702
Balance at 28 February 2021	**17 174**	**601 112 666**	**601 129 840**	**34 609 702**	**(14 470 932)**	**173 368 094**	**794 636 704**
Notes				*20*	*21*		

1. *Profit for the year takes into account the R34 609 702 IFRS2 Share-based payment expense relating to the Executive Share Option Agreements. Further detail relating to the Executive Share Option Agreements can be found in note 21 (share-based payment reserve). Normalised profit for the year amounts to R83 734 593 as referenced on page 166.*

2. *Following an announcement on SENS on 15 January 2020, the Company repurchased 3 869 966 Shares up to the end of the current reporting period (FY2020: 12 500) and this amounted to R17 658 775 (FY2020: R62 500) at an average price per share of 456 cents (FY2020: 500 cents). 1 963 311 of these shares were delisted during the FY2021 and the remaining are to be delisted subsequent to 28 February 2021.*

3. *Further detail relating to the Executive Share Option Agreements can be found in note 21 (share-based payment reserve).*

4. *On or about 17 March 2017, the relevant shareholders and ConnectNet Broadband Wireless concluded an incentive agreement (the Incentive Agreement). In terms of the Incentive Agreement, the parties made reference to the subscription and repurchase agreement (SRA) and the fact that the repurchase consideration (as that term is defined in the SRA) was subject to upward adjustment. The parties also made reference to a profit warranty made by the relevant shareholders to Huge. The parties acknowledged that it was necessary to provide certain employees, directors and or consultants of ConnectNet Broadband Wireless and its wholly-owned subsidiary company, Sainet Internet (the ConnectNet Broadband Wireless Group), with incentives in order for ConnectNet Broadband Wireless Group to achieve the profit warranty. The parties agreed to establish an incentive trust (The CI Trust) and the relevant shareholders agreed to donate cash of R1.2 million and 1 466 667 Huge Shares to The CI Trust. The total donation amounted to R14 470 932. Where the granting of shares arises from a business combination and the shares are recognised as a reduction of the transaction price in the business combination, a negative reserve (the **Trust Donation Reserve**) is established in equity and represents an accelerated reversal of the transfer which would take place from the share-based payment reserve when the shares in question have vested, Refer to note 39 (Outcome of the FRIP Process) in the FY2020 Integrated Report for additional information relating to the Trust Donation Reserve.*

STATEMENT OF CASH FLOWS

for the year ended 28 February 2021

		Group		Company	
Figures in Rand	Note(s)	**2021**	2020	**2021**	2020
Cash flows from operating activities					
Cash generated from operations	35	74 675 264	130 443 510	4 255 176	11 931 253
Finance income		430 223	3 717 046	227 434	1 757 969
Dividends received		–	–	15 000 000	58 000 000
Finance costs		(14 146 462)	(18 988 077)	(12 066 809)	(12 231 096)
Tax paid	18	(4 442 063)	(19 383 264)	–	–
Net cash from operating activities		**56 516 962**	**95 789 215**	**7 415 801**	**59 458 126**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(29 915 940)	(70 742 207)	–	(127 026)
Proceeds from disposal of property, plant and equipment		3 420 181	1 938 131	–	–
Purchase of intangible assets	7	(3 715 281)	(5 992 393)	–	–
Business Combinations	36	–	(12 340 043)	(50)	(100 100)
Loans to associate companies advanced		(5 039 923)	–	–	–
Loans to associate companies repaid		2 295 195	–	–	–
Loans advanced to group companies		–	–	(36 939 807)	(54 267 318)
Loans repaid by group companies		–	–	50 592 970	–
Withdrawal of investment		–	44 601 970	–	44 601 970
Repayment of loans receivable at amortised cost		320 093	–	–	6 065
Advances of loans receivable at amortised cost		–	(530 391)	–	–
Repayment of loans to shareholder		–	13 035	–	13 034
Net cash used in investing activities		**(32 635 675)**	**(43 051 898)**	**13 653 113**	**(9 873 375)**
Cash flows from financing activities					
Share issue expenses	21	(60 000)	(720 000)	(60 000)	(720 000)
Proceeds from interest-bearing liabilities		20 000 000	42 113 255	20 000 000	42 113 255
Repayment of interest-bearing liabilities		(40 000 000)	(40 000 000)	(40 000 000)	(40 000 000)
Dividends paid		–	(30 924 401)	–	(32 930 077)
Sale of treasury shares previously held	21	818 340	–	–	–
Share buy-back	20	(17 658 386)	(62 500)	(17 658 771)	(62 500)
Payment of lease liabilities		(8 148 330)	(6 146 765)	(1 230 907)	(728 488)
Funds received for vehicle finance		–	1 056 884	–	–
Loans receivable advanced[1]		(870 000)	–	–	–
Loans receivable repaid[1]		60 663	–	–	–
Net cash used in financing activities		**(45 857 713)**	**(34 683 527)**	**(38 949 678)**	**(32 327 810)**
Total cash movement for the year		**(21 976 426)**	**18 053 790**	**(17 880 764)**	**17 256 941**
Cash at the beginning of the year		39 261 357	21 207 567	19 550 522	2 293 581
Total cash at end of the year	19	**17 284 931**	**39 261 357**	**1 669 758**	**19 550 522**

1 *Loans receivable have been included under cash flows from financing activities as they relate to financial assistance granted to businesses referenced in note 12 (loans receivable/payable).*

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 Listings Requirements, the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council 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. A number of other new standards and/or interpretations are effective from 1 March 2020, but they have no material effect on the Group or Company's financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. 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.

3. Segment 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 Executive Committee, under the authority delegated by the Board (which 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 segment reporting has been set out in note 3.

4. Consolidation

4.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Huge Group Limited and all its subsidiary companies and controlled structured entities for the reporting date 28 February 2021 on the basis outlined below.

The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities.

These AFS incorporate the financial statements of the Company, all of its subsidiary companies and a joint venture company. The AFS represent 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.

4.2. Subsidiary companies

Subsidiary companies are entities controlled by the Company. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group (**acquisition date**) and are deconsolidated from the date that control ceases (**disposal date**).

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

Further details on Investments in subsidiary companies can be found in note 8.

4.3. Associate companies

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but where the Company is not able to control or share joint control of these policies.

The Group accounts for its interest in associate companies using the equity method of accounting, whereby the interests in the associate companies are recorded initially at the cost of the investment, including transaction costs, and are adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associate companies. The profit and loss reflects the Group's share of the results of operations of the associate companies.

Further details on investments in associate companies can be found in note 10.

4.4. Details of consolidations

A listing of the Company's principal subsidiary companies and associate companies are set out in notes 8, 9 and 10 of these AFS.

ACCOUNTING POLICIES (continued)

Consolidation (continued)

4.5. 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 gain on bargain purchase 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.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Further details on goodwill can be found in note 6.

4.6. Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

In terms of the guidance provided by IFRS 15 Revenue from Contracts with Customers, a payment received from the seller of a business in a business combination is recognised as a reduction of the transaction price and the investment, unless the payments received from the seller is in exchange for a distinct good or service that the seller receives from the Group, in a similar way in which the consideration payable to a customer is recognised as a reduction of the transaction price and revenue, unless the payment made to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains the same as those on their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values unless another measurement basis is required by an IFRS.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The change in the measurement of fair value is included in profit or loss for the year.

Further details on can be found in note 36 (business combinations).

ACCOUNTING POLICIES (continued)

5. Significant judgements and sources of estimation uncertainty

5.1. Introduction

In preparing the AFS, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the prior reporting period, with the exception of the judgements and estimates related to the residual value amendments on the telephone network asset as well as the impairment raised on work in progress, which are detailed below.

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 reporting period are discussed below.

5.2. Change in accounting policy

An entity is permitted to change an accounting policy only if the change:

- is required by a standard or interpretation;
- or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

Telephone Line Network Asset

The change in accounting policy in relation to the fair value measurement of property, plant and equipment, and in particular the telephone line network asset, will provide users of the AFS with more reliable and relevant information. New valuation techniques are able to provide reliable estimates of the telephone line network asset's fair value and its recoverability should the entity seek to sell the asset which it has developed over several years. The telephone line network asset consists of multiple telephone lines that allows a new entrant or existing entrant in the market to immediately access and provide connectivity services to over 16 000 customers. The Company elected to change the accounting policy from IAS16 cost model (in terms of which property, plant and equipment is carried at cost less accumulated depreciation and impairment) to the IAS16 revaluation model (in terms of which property, plant and equipment is carried at a revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses) on this class of asset so that users of the financial statements can assess the true potential and fair value of this asset that the Huge entity has developed. Should Huge consider selling the telephone line network asset in the future, the fair value provides a more accurate representation of the asset's value and it's future potential. It is for this reason that the change in accounting policy is justified. Refer to note 4 (property, plant and equipment).

5.3. Change in estimates and assumptions

Telephone Line Network Asset

In the current year Huge Telecom migrated its customers from the Cell C mobile telephone network to the MTN mobile telephone network. As a result of the migration information became available about a recoverable amount (residual value) of the telephone line network asset. The information was not available historically. This has resulted in a change in estimate of the residual values in the current year. The residual value was determined by assessing independent expert valuation estimates on the recoverability of the telephone line network should Huge elect to sell the telephone line network after its depreciable term.

In terms of IAS 16, paragraph 52, the residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

The revised residual value of the telephone line network asset was computed by management and verified by an independent expert. Based on the assessment performed, the telephone line network would be worth, at a minimum, one times the annual revenue generated from the telephone line network, an amount of R209 376 494 (considering the three-year historical average revenue). This value has then been adjusted for the future use of the telephone line network taking into account the useful life and condition of the asset, and results in a residual value of R180 237 851 as at 1 March 2020. The total residual value of the telephone line network at the end of the reporting period, post decommissioning of telephone lines, was R168 341 560. There was no further change to the residual values for the reporting period. Refer to note 39 (financial instruments and risk management, subsection fair value estimation) for further detail on the inputs utilised in the residual valuation computation.

As the carrying value of the telephone line network asset as at 1 March 2020 was R174 992 429 and the total residual value of the telephone line network asset was R180 237 851, no depreciation was raised in the current reporting period. The residual value exceeded the carrying value throughout the year. Refer to note 4 (property, plant and equipment).

Until such time as the carrying amount exceeds the residual value, no depreciation will be recorded. The computation of the impact of the change in estimate on future depreciation is not able to be reliably measured.

ACCOUNTING POLICIES (continued)

Significant judgements and sources of estimation uncertainty (continued)

5.4. Significant judgements

Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation officially declared the coronavirus, COVID-19, a pandemic. The South African market, along with the rest of the world, have taken extreme measures to reduce the spread of the virus by introducing social distancing and lock down restrictions. These measures impacted the financial position of individuals, small and medium-sized businesses, as well as corporates to varying degrees, thereby impacting the customer base of Huge.

With the uncertainties surrounding the continued impact of COVID-19 on the economy, the Group remains focused on preservation of cash and strengthening its operational and financial position, without ignoring opportunities that present themselves because of possible market changes. The Group has implemented cost control measures, focusing on critical expenses and enhanced oversight of expenditure that supports margin management and liquidity across the business.

The telecommunication sector was identified as an essential service which allowed the Group to continue operations during all phases of lockdown. The customers of Huge, being predominantly small to medium enterprises, were affected in varying degrees. The restrictions placed on movement resulted in people spending more time at home, resulting in Huge having to adapt to the changing circumstances and introduce work from home service offerings, which it successfully did. During the initial hard lockdown Huge saw an impact in voice call revenue for the months of April 2020 to July 2020, which recovered with work-from-home offerings as well as people returning to their offices over time. An assessment has shown that while customers were lost, during the period, mainly due to business closure or downsizing, there is clear trend of new customer acquisitions over the last few months which is evidence that the base will return to growth in the short term. Trends indicate that organisations are better managing their crises as a result of the necessity, in the initial lockdown, to evolve and restructure their businesses. Price and service delivery focus is key to ensure the businesses remain competitive. New product and solution offerings have been released to market and new channels of supply have been implemented to expand market penetration.

For the year ended 28 February 2021, there has been direct and indirect financial effects caused by the COVID-19 pandemic. We highlight the following:

- During the reporting period, the Group continued to provide telecommunication services across its customer base as an essential service. The Group's various revenue streams per operation are disclosed in the disaggregation of revenue. Refer to note 26 (revenue). There has been revenue growth in software license fees resulting from strong growth in online financial ERP software service requirements as well as an increase in communication equipment revenue arising from small to medium enterprises capacitating their businesses with fibre and communication equipment during the pandemic. Conversely, revenue from the sale of network devices and network services have slowed due to the economic strain placed on customers and the various lockdown stages. The resilience of the annuity revenue stream, generated from the essential requirement for connectivity services in both payment and telephony, placed the Group in a solid position to weather the COVID-19 storm.

- The Group's capital expenditure (capex) focus is to ensure the resilience and capacity of its network, including the telephone lines that service over 16 000 customers. Capex has been maintained despite disruptions relating to the litigation with Cell C SPC and the migration to MTN's mobile telephone network. As lockdown regulations in markets lifted towards the end of the year, and as restrictions on movement and logistical bottlenecks eased, the Group was able to resume a more regular rollout of network investment.

- Cash flow management remained a focus during the reporting period. As at 28 February 2021 the Group had repaid R40 million of its interest-bearing liabilities and negotiated a capital repayment moratorium with Futuregrowth. For FY2022, the Group will pay only interest due, reducing cash outflows. Huge has already repaid Futuregrowth R80 million under the ZAR200 Million Facility. Assessing available facilities and the relationship with Futuregrowth, the Group is in a positive position to continue to support the capex investment in its network and the drive for customer acquisition and revenue. This provides comfort that the Group is well positioned for further growth.

- The financial impact of the crisis has put pressure on certain small to medium entities which are customers to the Group. As the Group has over 40 000 customers, none of which individually contribute a material amount to the Group's revenue, the Group has mitigated its risk in relation to individual customer requests for a reduction in rate or hold on their account. An assessment was performed which indicated that the number of customers who approached the Group were minimal and the financial implication resulting from the negotiated rate or term of repayment being extended during March 2020 to July 2020, was quantitatively immaterial to the Group. The number of assistance requests has reduced significantly since July 2020, and the vast majority of customers are paying their accounts as they did pre-COVID. COVID-19 did not indicate that the portfolio of customers required rebalancing as the were no material changes to the credit characteristics of the customers.

- There have been no major impacts on leases and no related accounting impacts as a result of COVID-19. With telecommunications being treated as an essential service in most economies, our operations have continued to provide services to customers. The Group has not been granted rent concessions or COVID-19 related amendments to lease arrangements.

The Group is not only focused on managing the risks brought about by COVID-19, but also on the opportunities it creates in the accelerated digitalisation it has brought about. The Group is well positioned to benefit from this evolution, especially given its focus on connectivity, cloud, software and x-tech.

ACCOUNTING POLICIES (continued)

Significant judgements (continued)

Impairment of Inventory

Telecom Grouping

Work-in-progress (**WIP**), which is classified under inventory, represents costs of constructing, installing and implementing telephone lines which are sold to customers. WIP is capitalised to property, plant and equipment through the sale of telephone lines on a net growth basis. In other words, costs are only capitalised when there is a net increase in telephone lines. As a result of the dispute with Cell C SPC and the MTN migration, Huge Telecom was unable to grow its telephone lines at anticipated levels during the current year, which reduced its ability to reduce WIP. Management has decided to impair WIP in the amount of R22 801 756 in the current reporting period. The impairment is included in cost of sales. Refer to note 17 (inventories) and note 27 (cost of sales).

Figures in Rand	2021	2020
Carrying value of work-in-progress before impairment	**66 386 618**	**24 568 896**
Impairment of work-in-progress	(22 801 756)	-
Carrying value of work-in-progress after impairment	**43 584 862**	**24 568 896**

Fintech Grouping

Inventory represents high-end mobile devices (**Devices**) purchased by Huge Connect in prior reporting periods which were leased to a company which was going to use these Devices in Uber vehicles. During the previous reporting period it was identified that this customer order and contract was an elaborate fraud. In effect, the Devices were ultimately stolen. Immediately upon identifying the fraud, management implemented the necessary legal and assurance mechanisms to mitigate its losses. Management elected to impair this inventory balance by R8 431 677 in the current year to write it down to its net realisable value. The write-down has been included in cost of sales. The Board is confident that the remaining inventory balance is recoverable based on the actions of management. Post year end a number of devices have been recovered and progress has been made with the criminal case in relation to the fraud.

Figures in Rand	2021	2020
Carrying value of inventory (Devices) in the Fintech Grouping before impairment	**16 863 354**	**16 863 354**
Impairment of inventory	(8 431 677)	-
Carrying value of inventory (Devices) in the Fintech Grouping after impairment	**8 431 677**	**16 863 354**

Decommissioning of telephone lines

Decommissioning of telephone lines relates to the impairment of telephone lines owned by the Group, under the Telecom Grouping, as a result of customer contract cancellations during the reporting period. Telephone lines are decommissioned on a net customer churn basis i.e. where loss of customers exceeds addition of customers. As a result of the dispute with Cell C SPC and the MTN migration, Huge Telecom experienced a net churn in its customer base of 2 848 customer telephone lines. As the telephone line is measured on the fair value model, the average carrying value of the telephone lines decommissioned were written off during the current period. This amounted to R13 672 488. As a result of the decommissioned lines, the initial revaluation of the telephone line asset was impaired by R2 142 700. Refer to note 4 (property, plant and equipment) and note 33 (revaluation reserve) for further details.

Leases – Renewal and termination options

The Group applies judgement in determining the lease term by considering all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option and whether it is reasonably likely that options will be exercised by considering factors such as how far in the future an option occurs, the Group's business planning cycle and past history of terminating/not renewing leases. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The average lease term for recognised leases is 3 years. Refer to note 5 (right-of-use assets/lease liabilities) for further details.

ACCOUNTING POLICIES (continued)

Significant judgements (continued)

5.5. Estimates and assumptions

Trade receivables, loans, receivables and contract assets

Under IFRS 9 the Group calculates its allowance for credit losses as expected credit losses (**ECLs**) for financial assets measured at amortised cost and contract assets (Discretionary Renewal Bonuses). ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset. To calculate ECLs the Group segments its trade receivables by risk types i.e. active, disconnected, payment plan, handover pending and suspended. The Group applies the simplified approach to determine the ECL for trade receivables, loans receivable and contract assets. This results in calculating lifetime expected credit losses for trade receivables, loans receivable and contract assets. ECLs for trade receivables is calculated using a provision matrix. Refer to note 39 (financial instruments and risk management) for more detail about ECLs and how these are calculated.

Further details can be found in notes 11 (loans to associate/Group companies), 12 (loans receivable/payable), 13 (trade and other receivables) and 14 (contract assets).

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 tax assets to the extent that it is probable that temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred 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.

Future taxable profits are determined based on business plans for individual subsidiary companies in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Refer to notes 16 (deferred tax), note 18 (current tax receivable) and not 32 (Income tax expense).

Determination of possible impairment of goodwill

The Group determines annually whether goodwill has been impaired. 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 these cash flows. The Group assesses the above and uses an expert in these assessments. Goodwill impairments cannot be reversed. Based on the calculations performed, there are no indications that goodwill has been impaired at year-end. Refer to note 6 (goodwill).

Determination of impairment of intangible assets

Management is required to make judgements concerning the cause, timing and amount of the possible impairment of such assets. In the identification of impairment indicators, management considers the impact of changes in current market conditions, technological obsolescence, the cost of capital and other circumstances that could indicate that impairment exists. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell and value in use. Fair value less costs to sell is based on the best information available to management that reflects the amount that the Company could obtain, at the year-end, from the disposal of the asset in an arm's length transaction with a market participant in its principal market, after deducting the costs of disposal. Value in use is based on key assumptions on which management has based its determination, which include projected revenues, gross margins, capital expenditure, expected customer bases and market share.

Further details can be found in note 7 (intangible assets).

ACCOUNTING POLICIES (continued)

6. Revenue from contracts with customers

6.1. Introduction

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The Group principally generates revenue from the supply of fixed voice and data services to SME customers. The Group also sells fixed line customer premises equipment and services for both voice and data needs as well as software license offerings. The equipment and services are sold both on their own in separate identified contracts with customers and together as a bundled package of goods and/or services.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or services to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells devices and network services separately.

The main categories of revenue and the basis of recognition are as follows:

6.2. Network services

The Group provides telecommunication services, including fixed voice and data services. Network services (comprising data, voice and SMS) are considered to represent separate performance obligations as they are all are distinctly supplied within the customer contracts and charged accordingly. As Huge does not own its own network, voice, data and SMS are not seen as a simple digital signal on a network like it would be if one owned the network. The transmission of voice, data and SMS are billed separately and are considered separate performance obligations.

Customers pay monthly instalments over the contractual period.

The Group recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services provided during the reporting period. The customer receives and uses the benefits of these services simultaneously. Units of network services outside of fixed customer contracts are recognised as the service is provided.

6.3. Devices

The Group sells a range of network devices. The Group recognises revenue when customers obtain control of network devices, being when the customers, take possession of the devices. For network devices sold separately, including NEC, Yealink, Yeastar and Panasonic devices, customers' obligations arise in full at the time of sale.

6.4. Capitalisation and customer acquisition costs

With the adoption of IFRS 15 in the prior reporting period, Discretionary Renewal Bonuses (DRB's) paid to the Business Partners at the renewal date of revenue contracts (between Huge Telecom or Huge Connect and their customers where the duration and benefit of such contracts extend into future reporting periods), are now classified as contract assets. Refer to note 14 (contract assets) for further details. The Group expects that incremental customer acquisition costs for renewing contracts are recoverable. These costs include Business Partners' commission on fixed line network contracts. The Group has therefore capitalised these costs as contract costs. Capitalised contract costs are amortised on a systematic basis over the average customer contract term and are included in selling, distribution and marketing expenses in profit or loss. The average contract term is 27 months.

In terms of a practical expediency, the Group has elected to recognise the incremental costs of obtaining contracts as a selling, distribution and marketing expenses in profit or loss, when incurred, if the amortisation period of the assets that the Group otherwise would have recognised is 12 months or less.

Contract costs are assessed for impairment in terms of IAS 36 Impairment of Assets when there is an indication of impairment.

6.5. Management fees

The Company charges management fees to underlying operating entities within the Group. In return, the entities make use of the name 'Huge' and Huge Group's logo. The operating entity's profile is raised because Huge Group is a listed company, and they are part of a larger group with significantly more investment scale than on a stand-alone basis. Huge provides each entity in the Group with access to its relationships, including relationships with service providers and debt providers, and it also gives them access to legal advice, professional services, executive management and the Board. It is on this basis that Huge generates its revenue in the form of management fees. These management fees are services which are recognised over time when performance obligations are met.

6.6. Significant financing component:

The Group assesses customer contracts including devices to determine whether a significant financing component exists. The Group has elected to apply the practical expedient that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. For contracts containing significant financing components, the Group reduces device revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

Refer to note 26 (revenue) and note 30 (finance income) for further details.

ACCOUNTING POLICIES (continued)

7. Property, plant and equipment

7.1. Initial recognition

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.

7.2. Measurement – Cost model

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Average useful life
Customer premises equipment	Ten years
Telephone line network	Twenty years
Furniture and fixtures	Six years
Motor vehicles	Four years
Leasehold improvements	Lease period
Computer equipment	Three 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. Refer to note 4 (property, plant and equipment) for additional details.

7.3. Measurement – Revaluation model

The telephone line network asset, under property, plant and equipment, is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment.

Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

If an item is revalued, the entire class of assets to which that asset belongs should be revalued.

Revalued assets are depreciated in the same way as under the cost model (see above).

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised in profit or loss.

A decrease arising as a result of a revaluation should be recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.

When a revalued asset is sold any revaluation surplus is transferred directly to retained earnings. The transfer to retained earnings is not made through profit or loss.

Refer to paragraph 5.2 (change in accounting policy), paragraph 5.4 (significant judgements), paragraph 11.35 (fair value estimation) and note 4 (property, plant and equipment).

Item	Average useful life
Telephone line network asset	Twenty years

ACCOUNTING POLICIES (continued)

8. Intangible assets

8.1. Introduction

Intangible assets are 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.

8.2. 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.

Refer to note 7 (intangible assets) for additional details.

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; and
- 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.

8.3. 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.

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.

8.4. 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.

Software internally generated and/or purchased is carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for software is reviewed every period-end.

8.5. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values, which are reviewed on an annual basis, as follows:

Item	Useful life
Patents	Twenty years from date of first granting of patent
Router Development Technology	Ten years
Software, internally generated	Ten years
Software, purchased	Three years
Other intangible assets	Three years

ACCOUNTING POLICIES (continued)

9. Right-of-use assets / Lease liabilities

9.1. Introduction

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying asset and lease liabilities representing its obligation to make lease payments. In terms of IFRS 16, the Group recognises a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognises an operating lease expense. Cash generated from operations includes the interest portion of the lease liability payments and the capital portion of the lease liability repayments, included in cash used in financing activities.

9.2. Leasing activities and significant accounting policies

The Group's leases include network infrastructure (including towers/hi-sites), premises, office and IT equipment. Contracts are typically concluded for fixed periods varying between 2 to 5 years but may have renewal periods as described below.

From March 2020, for most leases the Group recognises right-of-use assets and lease liabilities at the lease commencement date. The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets (e.g. premises and IT equipment) and for short-term leases (e.g. leases that at the commencement date have lease terms of 12 months or less). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At the inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or may be implicit but should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has the substantive right to substitute the asset, then the asset is not an identified asset;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use;
- The Group has the right to direct the use of the asset, i.e. the Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. There are rare cases when the right may be pre-determined. The Group has the right to direct the use of the asset if either: the Group has the right to operate the asset or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

9.3. Initial measurement

The right-of-use asset is initially measured at cost, comprising the following**:**

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any incentives received;
- Any initial direct costs;
- Decommissioning costs.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate, being the rate that the lessee would have to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Group uses the incremental borrowing rate as the discount rate.

9.4. Treatment of lease payments

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any incentives receivable;
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability at each period. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

ACCOUNTING POLICIES (continued)

Right-of-use assets / Lease liabilities (continued)

9.5. Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle of three to five years and the past history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment and is within the control of the lessee.

A number of leases entitle both the Group and the lessor to terminate the lease without a termination penalty. In determining whether the Group has an economic incentive to not exercise the termination option, the Group considers the broader economics of the contract and not only contractual termination payments.

9.6. Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The Group has elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets.

10. Inventories

Inventories comprise stock held by Huge Connect, Huge Networks, Huge Telecom and Huge Distribution and consists of telephone line work-in-progress and equipment as well as 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 after the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense (under cost of sales) 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 (under cost of sales) 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 (under cost of sales) 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.

Refer to note 17 (inventories) for further detail.

11. Financial Instruments

11.1. Introduction

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets are measured at amortised cost, when the contractual terms of the instrument gives rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or Fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not recognised at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Financial liabilities include trade and other payables, loans payable, finance lease liabilities 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.

ACCOUNTING POLICIES (continued)

Financial instruments (continued)

11.2. Initial recognition and measurement

Trade and other receivables are initially recognised when they are originated.

All other financial assets and financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financial component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and financial instruments at amortised cost – The carrying value of current receivables and liabilities measured at amortised cost approximate their fair values. The fair values of the majority of the non-current receivables and liabilities measured at amortised cost are also not significantly different to their carrying values.

11.3. Derecognition

Derecognition of a financial asset 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 have expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

11.4. Subsequent measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

11.5. Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value.

Refer to note 39 (financial instruments and risk management) for further detail relating to the fair value techniques, methods, risks and assumptions.

11.6. Principal and interest assessment

For the purposes of this assessment, 'principal' is defined as the fair value of the financial instrument on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the financial instrument. This includes assessing whether the financial instrument contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows or obligations from specified assets, i.e., non-recourse features.

ACCOUNTING POLICIES (continued)

Financial instruments (continued)

11.7. Impairment

The Group recognises loss allowances for expected credit losses (**ECL's**) on its financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due; and

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Rating Agency Moody's Investors service or BBB- or higher per Rating Agency Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. 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.

11.8. Measurement of expected credit losses

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value ofall cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

ECLs are discounted at the effective interest rate of the financial asset.

11.9. Write-off policy

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of a write-off based on whether there is a reasonable expectation of recovery, or the Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Refer to note 39 (financial instruments and risk management) for further details on financial instruments and risk management.

11.10. Credit risk

Details of credit risk are included in note 13 (trade and other receivables) and note 39 (financial instruments and risk management).

11.10. Classification

Description of asset/liability	Classification
Loans to Group companies	Financial asset at amortised cost
Loans to associate companies	Financial asset at amortised cost
Loans receivable	Financial asset at amortised cost
Investments at fair value	Financial asset at fair value through profit or loss
Trade and other receivables	Financial asset at amortised cost
Cash and cash equivalents	Financial asset at amortised cost
Trade and other payables	Financial asset at amortised cost
Lease liabilities	Financial asset at amortised cost
Interest-bearing liabilities	Financial asset at amortised cost
Bank overdraft	Financial asset at amortised cost
Telephone line network	Non-financial asset at fair value through Other Comprehensive Income (OCI)

ACCOUNTING POLICIES (continued)

12. Tax

12.1. 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 at the reporting date.

Refer to note 18 (current tax receivable/payable) for further details.

12.2. 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.

Refer to note 16 (deferred tax) for further details.

13. 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.

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. This 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.

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 cannot 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.

14. 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.

Retained earnings include all current and prior period retained profits.

Refer to note 20 (share capital) for further detail.

14.1. Treasury shares

Shares in Huge held by a subsidiary company or Huge itself 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 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.

Refer to note 20 (share capital) for further detail.

ACCOUNTING POLICIES (continued)

15. Employee benefits

15.1. 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) are recognised in the period in which the service is rendered and are 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.

15.2. Share-based payment

Equity settled share-based payment transactions:

The cumulative expense recognised in terms of the Group's share-based payment schemes reflects the extent, in the opinion of management, to which the vesting period has expired and the number of rights to equity instruments granted that will ultimately vest. At the end of each reporting date the unvested rights are adjusted by the number forfeited during the period to reflect the actual number of instruments outstanding. Management is of the opinion that this represents the most accurate estimate of the number of instruments that will ultimately vest. The valuation of the Option was performed using the Binomial Option Pricing Model. Refer to note 21 (share-based payment reserve) in the AFS for details relating to the key value drivers (inputs for the Binomial Option Pricing Model) that were taken into account for the valuation.

The grant-date fair value of equity-settled share-based payment arrangements is generally recognized as an expense, with a corresponding increase in the share-based payment reserve in equity over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of shares for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

The fair value of shares granted by the Group to employees for no consideration is recognised as an expense over a relevant service period and vesting period. The fair value is measured at the grant date of the shares and is recognised in equity in a share-based payment reserve. Where the granting of shares arises from a business combination and the shares are recognised as a reduction of the transaction price in the business combination (please refer to note 6: goodwill) a negative reserve (the **trust donation reserve**) is established in equity and represents an accelerated reversal of the transfer which would take place from the share-based payment reserve when the shares in question have vested.

Refer to note 21 (share-based payment reserve) for details and note 6 (goodwill).

16. Earnings and headline earnings per share

The Group presents EPS and HEPS, diluted EPS and diluted 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 as well as remeasurements of assets and liabilities, 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 1 of 2021. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 34 (earnings and headline earnings per share).

17. Borrowing costs

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

Refer to note 31 (finance costs) for further detail.

18. Other income

Interest received is recognised, in profit or loss, using the effective interest rate method (note 30).

Dividends are recognised, in profit or loss, when the Company's right to receive payment has been established (note 30).

New Standards and Interpretations

Effective standards, interpretations and amendments to published standards applied for the first time during the current financial year:

Standard	Impact
Amendment to IFRS 3 Business Combinations – Definition of a business (effective 1 January 2020)	Low. There were no material business combinations that took place during the current reporting period.
Definition of material – Amendments to IAS 1 and IAS 8 (effective 1 January 2020)	Low. The definition of materiality as per IAS 1 – Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure and IFRS 16 Leases – Interest rate benchmark reform (IBOR)	Low. These amendments provide certain relief in connection with IBOR. The relief relates to hedge accounting which is not currently relevant to Huge.
IFRS 16 Leases COVID-19-related rent concessions amendment (effective 1 June 2020, early adoption is permitted)	Low. The group has assessed the impact of the amendments and as no COVID-19-related rent concessions have been received within the Group.

These amendments had no impact on the measurement of assets and liabilities at the previous year-end.

Comparatives are provided for new disclosures where required by the standards.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2021, or later periods, but which the Group has not early adopted.

Standard	Impact
Amendment to IAS 1 Presentation of Financial Statements on Classification of Liabilities as Current or Non-current (effective 1 January 2022)	The Group has not yet assessed the impact of the amendments.
Amendment to IFRS 3 Business Combinations (effective 1 January 2022)	The Group has not yet assessed the impact of the amendments.
Amendments to IAS 16 Property, Plant and Equipment on proceeds before intended use (effective 1 January 2022)	The Group has not yet assessed the impact of the amendments.
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets on onerous contracts – cost of fulfilling a contract (effective 1 January 2022)	The Group has not yet assessed the impact of the amendments.
Annual improvements cycle 2018 – 2020 (effective 1 January 2022)	The Group has not yet assessed the impact of the amendments.
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associates or joint venture	The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Segment reporting

The directors have considered IFRS 8 Operating Segments and are of the opinion, based on the information provided to the Executive Committee, being the Chief Operating Decision-Maker, under the authority delegated by the Board, 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 IFRS 8. The revenue generated from the products and services provided by the various Group companies to all customers is done so on a countrywide basis, with no geographical differentiation.

Operating segments

In terms of Huge's Segment Report, the **Telecom Grouping** comprises the following companies:

- 96% held Huge Media, the holding company of which is Huge;
- 100% held Huge Messaging, the holding company of which is Huge;
- 50.03% held Huge Networks, the holding company of which is Huge Telecom;
- 100% held Huge Services, the holding company of which is Huge Telecom;
- 100% held Huge Technologies, the holding company of which is Huge;
- 100% held Huge Telecom, the holding company of which is Huge;
- 75.13% held Huge Distribution (formerly Pansmart and held at 50.25%), the holding company of which is Huge (effective date of this transaction was 15 February 2021).

In terms of Huge's Segment Report, the **Fintech Grouping** comprises the following companies:

- 83.704% held Huge Connect, the holding company of which is Huge;
- 100% held Huge Payments, the holding company of which is Huge;
- 100% held Huge Capital, the holding company of which is Huge.

In terms of Huge's Segment Report, the **Corporate Office Grouping** comprises the following companies:

- Huge itself;
- 75% held Huge Software, the holding company of which is Huge;
- 100% held The CI Trust, the beneficiaries of which are certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group, which comprises Huge Connect and Huge Networks;
- 100% held Huge Management, the holding company of which is Huge.

Changes to the operating segments

There have been no changes to the operating segments and therefore no restatement of segment information is required.

Geographic areas

The Group has operations physically located in five local regions, which are Gauteng, Western Cape, Eastern Cape, North West and Free State. The Fintech and Telecom Groupings operate outside of South Africa in Botswana, Namibia, Zambia, Estwatini and Lesotho.

Services

The Group provides the following services: voice connectivity services, payment connectivity services, ISP services, software licensing, messaging services, telephone management services and supplies NEC, Yealink and Yeastar voice, video and CCTV products. Refer to note 26 (disaggregated revenue) for further details.

The total assets and liabilities of each reportable segment are not regularly provided to the Executive Committee, being the Chief Operating Decision-Maker, under the authority delegated by the Board. The Executive Committee 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.

Segment reporting (continued)

Segment Report

This segment report includes the R34 609 702 IFRS2 share-based payment expense relating to the Executive Share Option Agreements included in the Corporate Office Grouping. The Board is of the view that the expense is a non-cash IFRS charge unrelated to the actual performance of the Group and accordingly the Normalised Segment Performance, presented in note 42 (supplementary information) page 169, is a better representation of the segments' performance.

2021	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Revenue	469 857 500	294 988 231	167 424 099	7 445 170
Cost of sales	(177 148 633)	(121 228 387)	(55 514 111)	(406 135)
Depreciation and amortisation[1]	(16 010 593)	(1 893 715)	(14 116 878)	-
Impairment of inventory[2]	(31 233 433)	(22 801 756)	(8 431 677)	-
Gross profit	**245 464 841**	**149 064 373**	**89 361 433**	**7 039 035**
Other income	6 719 184	6 672 930	46 254	-
Waiver of loans[3]	18 605 878	18 605 878	-	-
Decommissioning of telephone lines[4]	(11 529 788)	(11 529 788)	-	-
Selling and administration expenses	(44 925 864)	(22 448 448)	(11 046 814)	(11 430 602)
Depreciation on right-of-use assets	(5 626 563)	(1 803 334)	(2 772 848)	(1 050 381)
Employee costs	(93 469 081)	(60 340 788)	(18 300 671)	(14 827 622)
Executive share-based payment expense[5]	(34 609 702)	-	-	(34 609 702)
Movement in credit loss allowances[6]	(14 751 923)	(5 057 506)	(9 536 017)	(158 400)
Operating profit/(loss)	**65 876 982**	**73 163 317**	**47 751 337**	**(55 037 672)**
Finance income	1 285 322	216 145	356 932	712 245
Loss from equity accounted investments	(25 011)	-	-	(25 011)
Profit on sale of property, plant and equipment	1 938 751	404 618	1 532 245	1 888
Finance costs	(14 208 196)	(3 205 156)	(7 257)	(10 995 783)
Finance costs on lease liabilities	(1 477 930)	(572 436)	(548 305)	(357 189)
Profit/(loss) before taxation	**53 389 918**	**70 006 488**	**49 084 952**	**(65 701 522)**

1 *During the current reporting period the Group conducted a residual value review of its telephone line network asset, which resulted in changes to the residual value of the telephone lines and thus a change in estimate. As a result, no depreciation has been raised in the current year, depreciation will only be raised on the telephone line network asset when its residual value subsequently decreases to an amount below the assets carrying amount. Refer to note 4 (property, plant and equipment) as well as accounting policy 5.3 (change in estimates and assumptions) for further details.*

2 *Refer to note 17 (inventories), note 27 (cost of sales) and accounting policy 5.2 (change in estimates and assumptions) for further details.*

3 *Refer to note 36 (business combinations) for further details.*

4 *Decommissioning of telephone lines relates to the impairment of telephone lines owned by the Group, under the Telecom Grouping, as a result of customer contract cancellations during the reporting period.*

5 *Refer to note 21 (share-based payment reserve) for further details relating to the Executive Share Option Agreements.*

6 *Movement in credit loss allowances in the current and prior reporting period relate mainly to an employee fraud that took place at Huge Connect. Billings have ceased and full credit loss allowance provisions have been raised against the outstanding trade and other receivable balance. Further detail relating to the employee fraud can be found in the FY2020 Integrated Report.*

Segment reporting (continued)

Assets and liabilities – 2021	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Non-current assets	1 080 282 253	325 675 813	127 686 274	626 920 166
Current assets	177 850 602	127 324 520	41 912 205	8 613 877
	1 258 132 855	**453 000 333**	**169 598 479**	**635 534 043**
Non-current liabilities	(185 439 933)	(45 663 104)	(34 429 224)	(105 347 605)
Current liabilities	(108 372 017)	(67 095 499)	(12 110 530)	(29 165 988)
	(293 811 950)	**(112 758 603)**	**(46 539 754)**	**(134 513 593)**

2020	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Revenue	492 144 782	321 930 272	167 651 793	2 562 717
Cost of sales	(183 908 789)	(126 224 294)	(57 100 868)	(583 627)
Gross profit	**308 235 993**	**195 705 978**	**110 550 925**	**1 979 090**
Other income	10 418 252	9 568 977	653 919	195 356
Selling and administration expenses	(63 824 045)	(31 971 399)	(12 032 381)	(19 820 265)
Depreciation on right-of-use assets	(6 865 550)	(2 857 318)	(2 957 851)	(1 050 381)
Employee costs	(96 061 016)	(54 677 036)	(20 922 576)	(20 461 404)
Movement in credit loss allowances[1]	(17 121 368)	(1 292 693)	(15 839 848)	11 173
Operating profit/(loss)	**134 782 266**	**114 476 509**	**59 452 188**	**(39 146 431)**
Investment income	3 717 046	892 644	1 017 784	1 806 618
Profit/(loss) from equity accounted investments	20 111	(4 900)	–	25 011
Profit on sale of property, plant and equipment	1 575 202	34 782	1 540 420	–
Impairment on investment in joint venture company	(458 811)	(458 811)	–	–
Finance costs	(19 432 428)	(4 942 216)	(102 054)	(14 388 158)
Finance costs on lease liabilities	(2 140 617)	(1 116 392)	(596 247)	(427 978)
Profit/(loss) before taxation	**118 062 769**	**108 881 616**	**61 312 091**	**(52 130 938)**

Assets and liabilities – 2020	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Non-current assets	1 025 948 846	303 554 423	115 007 422	607 387 001
Current assets	176 045 122	105 166 702	48 059 296	22 819 124
	1 201 993 968	**408 721 125**	**163 066 718**	**630 206 125**
Non-current liabilities	(196 884 600)	(82 109 666)	(30 948 834)	(83 826 100)
Current liabilities	(123 996 382)	(40 919 283)	(25 099 916)	(57 977 183)
	(320 880 982)	**(123 028 949)**	**(56 048 750)**	**(141 803 283)**

4. Property, plant and equipment

	2021			2020		
Group – cost model	**Cost**	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Telephone line network	-	-	-	183 067 740	(8 145 311)	174 922 429
Customer premises equipment[1]	166 908 518	(70 075 978)	96 832 540	152 010 106	(69 006 770)	83 003 336
Furniture and fixtures	4 119 459	(2 415 664)	1 703 795	6 696 476	(3 560 520)	3 135 956
Motor vehicles	9 266 348	(5 507 877)	3 758 471	9 530 229	(5 493 634)	4 036 595
Computer equipment	24 792 752	(14 100 369)	10 692 383	21 160 926	(13 275 952)	7 884 974
Leasehold improvements[2]	1 692 423	(1 692 423)	-	1 692 423	(1 692 423)	–
Total	**206 779 500**	**(93 792 311)**	**112 987 189**	**374 157 900**	**(101 174 610)**	**272 983 290**

1 *In FY2020 customer premises included the telephone line network asset. During FY2021, this class of asset was disaggregated because of the change in accounting policy relating to the telephone line network asset, which is now accounted for at fair value. Refer to paragraph 5.2 (change in accounting policy) and paragraph 5.4 (significant judgements) for further detail.*

2 *The residual value and useful life of the leasehold improvements have been considered and no material adjustments are required in the current reporting period.*

	2021				2020		
Group – revaluation model	**Cost**	**Accumulated depreciation**	**Revaluation**	**Fair value**	Cost	Accumulated depreciation	Fair value
Telephone line network[1]	168 827 740	(5 435 099)	30 364 813	193 757 454	-	-	-
Total	**168 827 740**	**(5 435 099)**	**30 364 813**	**193 757 454**	**-**	**-**	**-**

1 *In FY2020, the telephone line network asset was included under customer premises equipment and measured at amortised cost. In terms of the change in accounting policy referenced above this class of asset has been disaggregated and measured at fair value for the current reporting period. The fair value measurement was effective from 1 March 2020 because of the availability of new information on this date. Refer to paragraph 5.2 (change in accounting policy) and paragraph 5.4 (significant judgements) for further detail.*

	2021				2020		
	Cost	**Accumulated depreciation**	**Residual value**	**Fair value/ carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Total property, plant and equipment	**375 607 240**	**(99 227 410)**	**30 364 813**	**306 744 643**	**374 157 900**	**(101 174 610)**	**272 983 290**

Reconciliation of property, plant and equipment – Group – 2021 – cost model

	Opening balance	**Transfer to property, plant and equipment at fair value[1]**	**Transfer from right-of-use asset[2]**	**Additions**	**Re-classification3**	**Transfer to intangible assets4**	**Disposals**	**Depreciation5**	**Total**
Telephone line network	174 922 429	(174 922 429)	-	-	-	-	-	-	-
Customer premises equipment	83 003 336	-	-	26 035 766	-	-	(523 014)	(11 683 548)	96 832 540
Furniture and fixtures	3 135 956	-	-	365 489	(1 819 687)	(412 616)	(20 739)	455 392	1 703 795
Motor vehicles	4 036 595	-	885 702	-	-	-	(241 259)	(922 567)	3 758 471
Computer equipment	7 884 974	-	-	3 129 220	1 819 687	-	(699 498)	(1 442 000)	10 692 383
	272 983 290	**(174 922 429)**	**885 702**	**29 530 475**	**-**	**(412 616)**	**(1 484 510)**	**(13 592 723)**	**112 987 189**
Notes			*5*			*7*		*29*	

1 *As detailed above, the telephone line network is measured at fair value during the reporting period and has been reclassified to property, plant and equipment measured at fair value below.*

2 *The transfer of motor vehicles from right-of-use assets to property, plant and equipment is as a result of lease obligations being fully settled during the current reporting period and therefore the asset is the property of Huge.*

3 *An assessment of the nature of individual property, plant and equipment assets was undertaken during the reporting period. This identified the need to reclassify furniture and fittings and computer equipment. This resulted in the reclassification of R1 819 687. The net impact on property, plant and equipment is nil and therefore quantitatively immaterial. The disclosure adjustment has been assessed as qualitatively immaterial.*

4 *An assessment of the nature of individual property, plant and equipment assets was undertaken during the reporting period. This identified the need to reclassify property, plant and equipment and intangible assets. This resulted in the reclassification of R412 616. This reclassification has been assessed as qualitatively and quantitatively immaterial. Refer to note 7 (Intangible assets).*

5 *During the reporting period the Group performed a useful life assessment and residual value review of its assets including furniture and fixtures. A quantitatively immaterial adjustment was processed in the reporting period which resulted in a reduction in depreciation and thus reflecting the credit above of R455 392.*

Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Group – 2021 – revaluation model

	Transfer from property, plant and equipment at amortised cost[1]	Depreciation	Decommissioning[2]	Revaluation	De-recognition[3]	Total
Telephone line network	174 922 429	-	(11 529 788)	32 507 513	(2 142 700)	193 757 454
	174 922 429	**-**	**(11 529 788)**	**32 507 513**	**(2 142 700)**	**193 757 454**
Notes					33	

1 *During FY2020, the telephone line network asset was carried at amortised cost. During FY2021, the Group elected to measure this class of asset at fair value. Refer to paragraph 5.2 (change in accounting policy) and paragraph 5.4 (significant judgements) for further detail.*

2 *Decommissioning of telephone lines relates to the impairment of telephone lines owned by the Group which are held under property, plant and equipment, under the Telecom Grouping, as a result of customer contract cancellations during the reporting period which amounted to R11 529 788. Refer to accounting policy 5.2 (change in estimate and assumptions) for further detail.*

3 *The derecognition is as a result of the decommissioning of telephone lines in the current reporting period. The revaluation portion of decommissioned lines is reversed against other comprehensive income. The derecognition of the lines is recorded in note 33 (revaluation reserve).*

Reconciliation of property, plant and equipment – Group – 2020 – cost model

	Opening balance	Transfer to right-of-use asset at adoption of IFRS 16[1]	Additions	Additions from business combinations	Transfer from right-of-use assets[2]	Disposals	Depreciation	Total
Telephone line network	150 100 513	–	34 294 125	–	–	–	(9 472 209)	174 922 429
Customer premises equipment	65 847 583	(314 548)	28 269 885	–	314 548	(208 135)	(10 905 997)	83 003 336
Furniture and fixtures	1 625 234	–	2 398 052	148 261	–	–	(1 035 591)	3 135 956
Motor vehicles	5 239 454	(4 777 868)	931 363	–	3 818 680	–	(1 175 034)	4 036 595
Computer equipment	3 869 618	–	4 848 782	43 418	–	(154 793)	(722 051)	7 884 974
Leasehold improvements	–	–	–	74 028	–	–	(74 028)	–
	226 682 402	**(5 092 416)**	**70 742 207**	**265 707**	**4 133 228**	**(362 928)**	**(23 384 910)**	**272 983 290**
Notes				36	5		29	

1 *The transfer of motor vehicles and IT equipment was as a result of the adoption of IFRS 16 where assets held in plant, property and equipment with corresponding lease liabilities were reallocated to right-of-use assets linked to the lease liabilities at adoption date.*

2 *The transfer of motor vehicles from right-of-use assets to plant, property and equipment is as a result of lease obligations being fully settled during the reporting period and the asset being the property of Huge.*

Reconciliation of property, plant and equipment – Company – 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	-	-	-	-	-
	-	-	-	-	-

Reconciliation of property, plant and equipment – Company – 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	104 599	-	(104 599)	-	-
	104 599	**-**	**(104 599)**	**-**	**-**

Encumbered assets

Four (FY2020: four) light commercial vehicles with a carrying value of R437 429 (FY2020: R706 676) serve as security for instalment sale agreements concluded with Wesbank, a division of FirstRand Bank.

Seven (FY2020: Eleven) light commercial vehicles with a carrying value of R1 209 025 (FY2020: R1 452 821) served as security for the instalment sale agreements concluded with Merchant West Proprietary Limited.

5. Right-of-use assets/Lease liabilities

Right-of-use assets

Reconciliation of right-of-use asset – Group – 2021

	Opening balance	Remeasurement[1]	Additions	Transfer to plant and equipment[2]	Depreciation	Carrying value
Equipment	1 074 080	(2 123)	120 362	-	(390 167)	802 152
Premises	14 609 579	937 867	657 169	-	(5 180 770)	11 023 845
Network infrastructure	187 526	-	-	-	-	187 526
IT equipment	-	-	-	-	-	-
Motor vehicles	959 188	(17 860)	-	(885 702)	(55 626)	-
Total	**16 830 373**	**917 884**	**777 531**	**(885 702)**	**(5 626 563)**	**12 013 523**
Notes				*4*	*29*	

1 *A modification to the Huge Connect premises lease during the reporting period resulted in a remeasurement of R937 867 to the right-of-use asset and corresponding liability. The premises lease was renewed for a further 3 years and 6 months at reduced rates and reduced office space. This modification did not impact the statement of profit or loss and other comprehensive income.*

2 *The transfer of motor vehicles from right-of-use assets to property, plant and equipment is as a result of lease obligations being fully settled during the reporting period. The asset is now the property of Huge.*

Reconciliation of right-of-use asset – Company – 2021

	Opening balance	Depreciation	Carrying value
Premises	4 201 525	(1 050 381)	3 151 144
Total	**4 201 525**	**(1 050 381)**	**3 151 144**

Reconciliation of right-of-use asset – Group – 2020

	Opening balance	Additions through business combinations	Additions	Transfer to plant and equipment[1]	Depreciation	Carrying value
Equipment	1 388 005	-	72 746	-	(386 671)	1 074 080
Premises	7 567 996	1 767 834	11 064 241	-	(5 790 492)	14 609 579
Network infrastructure	400 962	-	-	-	(213 436)	187 526
IT equipment	314 548	-	-	(314 548)	-	-
Motor vehicles	5 252 819	-	-	(3 818 680)	(474 951)	959 188
Total	**14 924 330**	**1 767 834**	**11 136 987**	**(4 133 228)**	**(6 865 550)**	**16 830 373**
Notes				*4*	*29*	

1 *The transfer of IT equipment and motor vehicles from right-of-use assets to property, plant and equipment is as a result of lease obligations being fully settled during the previous reporting period. The asset is now the property of Huge.*

Reconciliation of right-of-use asset – Company – 2020

	Opening balance	Depreciation	Carrying value
Premises	5 251 906	(1 050 381)	4 201 525
Total	**5 251 906**	**(1 050 381)**	**4 201 525**
Notes		*29*	

Right-of-use assets/Lease liabilities (continued)

Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income – 2021

	Group	Company
Depreciation charge on right-of-use assets	**5 626 563**	**1 050 381**
Equipment	390 167	-
Premises	5 180 770	1 050 381
Motor vehicles	55 626	-
Interest expense (included in finance cost)	**1 477 930**	**357 189**
Expense relating to short-term leases (included under operating expenses)	**5 610 665**	**-**
	12 715 158	**1 407 570**

Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income – 2020

	Group	Company
Depreciation charge on right-of-use assets	**6 865 550**	**1 050 381**
Equipment	386 671	-
Premises	5 790 492	1 050 381
Network infrastructure	213 436	-
Motor vehicles	474 951	-
Interest expense (included in finance costs)	**2 140 617**	**427 976**
Expense relating to short-term leases (included under operating expenses)	**6 581 738**	**-**
	15 587 905	**1 478 357**

Lease liabilities

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Group	
	2021	2020
Short-term leases - Premises	5 497 418	5 076 473
Short-term leases - Equipment	113 247	1 505 265
	5 610 665	**6 581 738**

At 28 February 2021, the Company was committed to short-term leases and the total commitment at that date was R602 558 (FY2020: R537 459).
. .

	Group		Company	
Lease liability commitments	2021	2020	2021	2020
Minimum instalment payments due				
– within one year inclusive	6 024 383	8 790 676	1 304 763	1 230 908
– in second to fifth year inclusive	11 972 014	15 342 680	2 849 080	4 153 843
	17 996 397	**24 133 356**	**4 153 843**	**5 384 751**
Less: Future finance charges	(2 163 124)	(3 316 807)	(504 145)	(861 333)
Present value of minimum instalment payments	**15 833 273**	**20 816 549**	**3 649 698**	**4 523 418**
Present value of minimum instalment payments due				
– within one year	4 864 491	6 307 544	1 031 952	873 720
– in second to fifth year	10 968 782	14 509 005	2 617 746	3 649 698
	15 833 273	**20 816 549**	**3 649 698**	**4 523 418**
Non-current liabilities	10 968 782	14 509 005	2 617 746	3 649 698
Current liabilities	4 864 491	6 307 544	1 031 952	873 720
	15 833 273	**20 816 549**	**3 649 698**	**4 523 418**

6. Goodwill

Group	2021 Cost	2021 Accumulated impairment	2021 Carrying value	2020 Cost	2020 Accumulated impairment	2020 Carrying value
Goodwill	**607 792 063**	**(97 774)**	**607 694 289**	607 792 063	(97 774)	607 694 289

Reconciliation of goodwill – Group – 2021	Opening Balance	Additions through business combinations	Total
Goodwill	**607 694 289**	**-**	**607 694 289**
Note			

Reconciliation of goodwill – Group – 2020	Opening Balance	Additions through business combinations	Total
Goodwill	595 350 156	12 344 133	607 694 289
Note		*36*	

Goodwill	2021	2020
Consisting of:		
Huge Telecom	215 153 482	215 153 482
Huge Distribution	9 075 964	9 075 964
Huge Networks	30 196 325	30 196 325
Huge Telecom CGU	**254 425 771**	**254 425 771**
Huge Connect	345 537 298	345 537 298
Huge Payments	3 268 169	3 268 169
Huge Connect CGU	**348 805 467**	**348 805 467**
Huge Software	4 463 051	4 463 051
Huge Software CGU	**4 463 051**	**4 463 051**
Total Goodwill	**607 694 289**	**607 694 289**

Huge Telecom Cash Generating Unit

The goodwill balance of the Huge Telecom CGU as at 28 February 2021 amounted to R254 425 771. This goodwill balance is the sum of the goodwill of R215 153 482 that arose from the Huge Telecom acquisition on 9 July 2007 and the Huge Soho acquisition on 13 August 2007, the goodwill of R30 196 325 that arose from the Huge Networks acquisition on 30 March 2017 and the goodwill of R9 075 964 that arose from the Huge Distribution acquisition on 13 May 2019.

The goodwill that arose on the Huge Networks acquisition arose from two transaction involving Huge Networks, namely:

- the March 2017 intra-group acquisition of Sainet Internet by Huge Telecom. In terms of this agreement, Huge Networks became a wholly owned subsidiary company of Huge Telecom; and
- the acquisition by Huge Networks of the businesses of Otel Business and Otel Communications in February 2019 (the **Otel Transaction**). As a result of the Otel Transaction, Huge Telecom's shareholding in Huge Networks decreased from 100% to 50.03%.

On 28 February 2014, certain assets of Huge Telecom were transferred to Huge Technologies and accordingly Huge Technologies forms part of the Huge Telecom CGU for Goodwill Impairment Review purposes.

Up to 28 February 2018, the Huge Telecom CGU comprised of Huge Telecom, Huge Technologies, Huge Cellular and Huge Soho. On 27 February 2019, Huge concluded a B-BBEE transaction with Windfall, which resulted in its shareholding in both Huge Cellular and Huge Soho decreasing below 50%. Huge's shareholding in Huge Cellular and Huge Soho decreased from 100% to 49% and as such there was a loss of control. Subsequently, Huge Cellular and Huge Soho no longer form part of the Huge Telecom CGU. At 28 February 2019, the Huge Telecom CGU consisted of Huge Telecom and Huge Technologies.

During FY2020 Huge Telecom acquired the remaining 50% interest in Huge Services (formerly Gonondo and previously held as a joint venture). No goodwill arose on this transaction.

Huge also concluded various agreements which resulted in its acquisition of a controlling shareholding in Huge Distribution (formerly Pansmart). The agreements became unconditional on 13 May 2019. The purchase consideration for 50.25% of the ordinary shares of Huge Distribution was R100. Huge acquired 50% of the existing shareholder claims on loan account for an amount of R13 151 309. Goodwill of R9 075 964 arose on the acquisition of the controlling shareholding in Huge Distribution.

Goodwill (continued)

On 15 February 2021, Huge acquired an additional 24.88% of Huge Distribution from the trustees for the time being of the MIA Family Trust for R50, thereby increasing its shareholding to 75.13%. This transaction with non-controlling interests became unconditional on the 15 February 2021. No change in control of Huge Distribution took place because of this transaction with non-controlling interest and no goodwill arose on this transaction. The increase in Huge's shareholding resulted in an equity transaction between non-controlling interest and retained earnings amounting to R6 436 904. Huge Distribution supplies world-class products from leading global vendors, including NEC, Yeastar and Yealink.

At 28 February 2021, Huge Telecom, Huge Technologies, Huge Distribution and Huge Networks collectively form the Huge Telecom CGU. Huge Networks, previously a stand-alone CGU, has been incorporated into the Huge Telecom CGU. Huge Telecom has a 50,03% shareholding in Huge Networks.

The Group has assessed the recoverable amount of goodwill attributable to the Huge Telecom CGU and has determined that no impairment is required at the date of approval of these AFS.

The valuation of the goodwill attributable to the Huge Telecom CGU was undertaken by Managhan SA Proprietary Limited and calculated to be R959 540 427 (FY2020: R681 915 984 in respect of the Huge Telecom CGU). Huge's share of the goodwill attributable to the Huge Telecom CGU is R254 425 771 (FY2020: R254 425 771).

A goodwill impairment review was undertaken in accordance with IFRS 3 and IAS 36 by:

- assessing the recoverable amount by determining the value-in-use amount and comparing this to the carrying amount;
- assessing the reasonability of management's cash flow forecasts through discussions with management, including discussions about the processes undertaken to develop the budgets and the forecasts as well as the assumptions utilised in compiling the budgets and forecasts;
- determining the recoverable amount or value-in-use by discounting the future cash flows generated; and
- conducting a sensitivity analysis over the value-in-use calculations, by varying the assumptions used (the revenue growth rate, the sustainable gross profit margins, and the weighted average cost of capital) and assessing the sensitivity of the values to changes in these assumptions.

The assumptions used in computing the value-in-use are based on estimates provided by management. In particular, the estimates provided by the management of Huge Telecom which take into account Huge Telecom's migration of its customer base from a second-tier mobile network operator to a first-tier mobile network operator, being MTN, the enhanced functionality provided by MTN to Huge Telecom's product/service, the improved coverage linked to the MTN mobile telephone network and the better quality of service that MTN can guarantee on its network. In general, the estimates of management also take into account of future expectations related to changes in the market in which the businesses in the Huge Telecom CGU operate. 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 applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 11% for the budget year 28 February 2022 (FY2021: 22%) and an average growth rate of 28% for the forecast period beyond the budget year (FY2021: 8%);
- a gross profit margin of 40% for the years 28 February 2022 to 28 February 2026 (FY2020: 57% Huge Telecom CGU only);
- a WACC represented by a pre-tax discount rate of 17% (FY2020: 17%); and
- a terminal growth rate of 2% (FY2020: 2%).

The Huge Telecom CGU's strategy for the forecast period beyond the budget year is to grow its revenue through customer acquisitions and churn reduction strategies. This has a compounding effect on its subscription-based line rental income, which is annuity in nature, in the years following customer growth. A drive to increase Business Partner activations is a priority for the forecast period. These new line installations will generate higher annuity line rental income. The recently launched 'all inclusive' service package will be the primary service offering of Huge Telecom and will largely contribute to the average projected growth.

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;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

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

Goodwill arose on the acquisition of Huge Connect (formerly ConnectNet Broadband Wireless) and Huge Networks (formerly Sainet Internet) on 30 March 2017. At the time of the acquisition of Huge Connect and Huge Networks, Huge Networks was a wholly owned subsidiary company of Huge Connect. The goodwill that arose on the acquisition of Huge Connect and Huge Networks amounted to R359 355 790. The goodwill attributable to Huge Connect was R345 537 298 and the goodwill attributable to Huge Networks was R13 818 492.

On 30 March 2017, Huge Connect sold its shares in Huge Networks to Huge Telecom in terms of a sale of shares agreement.

Huge Connect and Huge Networks were measured and viewed as separate CGUs from 2019, with Huge Networks forming part of the Huge Telecom CGU and Huge Connect forming a separate CGU. Therefore, independent, separate assessments were concluded in respect of the recoverable amounts of the goodwill attributable to Huge Connect and Huge Networks.

Goodwill (continued)

Huge Connect Cash Generating Unit

During the previous reporting period, Huge Connect entered into an agreement with Windfall, an associate of VM Mokholo, who is a non-executive director of the Company and a related party to Huge. Various transaction agreements were concluded, including a preference share subscription agreement between Huge and Huge Connect, an ordinary share subscription agreement between Huge Connect and Windfall and a shareholders agreement between Huge, Windfall and Huge Connect.

Huge Connect declared an ordinary dividend of R457 075 000 to the holders of the ordinary shares in Huge Connect. In terms of the preference share subscription agreement, Huge subscribed for 1 000 preference shares in Huge Connect for a subscription price of R457 075 000. The obligation of the preference share subscription price was discharged *in toto* by set-off against the obligation of Huge Connect to effect payment of the ordinary dividend. Thereafter, in terms of the ordinary subscription agreement, Windfall subscribed for 36 ordinary no par value shares in the issued ordinary capital of Huge Connect, which resulted in Windfall owning 16.29% of the issued ordinary share capital of Huge Connect. The agreements became unconditional on 28 February 2020.

At the time that Huge acquired Huge Connect, the Huge Connect CGU comprised Huge Networks and Huge Payments (formerly IntelPay). Huge Connect did not own Huge Payments at the time but it did have the option to do so. On 5 April 2019 Huge acquired IntelPay and changed its name to Huge Payments. Huge Payments cannot operate without the development knowledge of Huge Connect, which created the coding and product, and therefore must form part of the Huge Connect CGU.

The goodwill related to the Huge Payments transaction amounted to R3 268 169. Following its acquisition by Huge, Huge Payments has been included as part of the Huge Connect CGU.

The total goodwill for the Huge Connect CGU at 28 February 2021 amounts to R348 805 467, of which R345 537 298 arose on the Huge Connect acquisition in March 2017 and R3 268 169 arose on the Huge Payments acquisition in May 2019.

During the current reporting period, Huge 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 Huge Connect CGU. The value of the goodwill attributable to the Huge Connect CGU, based on the valuation performed by Managhan SA Proprietary Limited, is R493 285 185 (FY2020: R473 228 465).

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 businesses in the Huge Connect CGU 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 applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 4% for the budget year to 28 February 2022 (FY2021: 13%), and an average projected growth rate of 10% for the forecast period beyond the budget year from 1 March 2023 to 28 February 2026 (FY2020: 10%);
- a gross profit margin of 64% for the forecast period from 1 March 2022 to 28 February 2026 (FY2020: 70%);
- a WACC represented by a pre-tax discount rate of 16% (FY2020: 17%); and
- a terminal growth rate of 2% (FY2020: 2%).

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;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

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.

Goodwill (continued)

Huge Software Cash Generating Unit

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

During the current reporting period, 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 only of Huge Software. The value of the goodwill of this CGU was based on a valuation performed by Managhan SA Proprietary Limited and amounts to R9 582 793 (FY2020: R7 185 965). Huge's 75% share in the goodwill of this CGU is R7 187 095 (FY2020: R5 389 473).

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 business of the Huge Software 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 applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 41% for the budget year to 28 February 2022 (FY2020: 4%), and an average projected growth rate of 15% for the forecast period beyond the budget year from 1 March 2023 to 28 February 2026 (FY2020: 21%);
- an average gross profit margin of 86% for the years 28 February 2023 to 28 February 2026 (FY2020: 88%);
- a WACC represented by a pre-tax discount rate of 19% (FY2020: 21%); and
- a terminal growth rate of 2% (FY2020: 2%).

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;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

The qualitative factors that were summarised in the Purchase Price Allocation Report were:

- This proprietary intellectual property is integrated with HIVE, Huge Telecom's billing and rating engine and is thus critical for Huge Telecom's back office operations;
- It was more cost effective to acquire a shareholding in Huge Software than acquiring and customising a third-party accounting software product;
- Huge Software has under invested in its software assets and requires funding to create an asset that is capable of market penetration. Huge acquired Huge Software for its potential and to increase its scale by providing funding assistance; and
- Huge will benefit from the improved operational performance of an integrated platform.
- The goodwill relating to the Huge Software CGU is the excess over the purchase price paid by Huge for its 75% shareholding. A review of the goodwill relating to Huge's acquisition of Huge Software was undertaken and it was determined that the goodwill was not required to be impaired because of the following factors:
  - The historical cash flows of Huge Software were limited as a result of the limited access to customers and the sub-scale size of Huge Software;
  - Huge Software was previously under-funded; and
  - The future cash flows of Huge Software are able to increase substantially because (i) Huge will ensure that other subsidiary companies and future companies that are acquired make use of the Huge Software accounting software product, WebAccounting.

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.

7. Intangible assets

Group	2021 Cost	2021 Accumulated amortisation and impairment losses	2021 Carrying value	2020 Cost	2020 Accumulated amortisation and impairment losses	2020 Carrying value
Router Development Technology	3 304 599	(1 100 438)	2 204 161	3 193 549	(729 442)	2 464 107
Software, internally generated	40 671 557	(21 328 720)	19 342 837	39 074 436	(20 513 642)	18 560 794
Software, purchased	4 820 309	(3 108 752)	1 711 557	3 174 448	(2 412 654)	761 794
Patents	808 571	(274 522)	534 049	808 571	(274 522)	534 049
Other intangible assets	285 075	(169 270)	115 805	285 076	(86 257)	198 819
Total	**49 890 111**	**(25 981 702)**	**23 908 409**	**46 536 080**	**(24 016 517)**	**22 519 563**

Reconciliation of intangible assets – Group – 2021

	Opening balance	Additions	Transfer from Plant and equipment[1]	Other[2]	Amortisation	Total
Router Development Technology	2 464 107	111 050	-	-	(370 996)	2 204 161
Software, internally generated	18 560 794	2 371 237	-	-	(1 589 194)	19 342 837
Software, purchased	761 794	1 232 994	412 616	67 413	(763 260)	1 711 557
Patents	534 049	-	-	-	-	534 049
Other intangible assets	198 819	-	-	-	(83 014)	115 805
Total	**22 519 563**	**3 715 281**	**412 616**	**67 413**	**(2 806 464)**	**23 908 409**
Note			*4*		*29*	

1 *An assessment of the nature of individual property, plant and equipment assets was undertaken during the reporting period. The requirement for a reclassification between property, plant and equipment and intangible assets in order to correctly disclose computer software previously held under furniture and fittings was identified. This resulted in the reclassification of R412 616. This reclassification has been assessed as qualitatively and quantitatively immaterial. Refer to note 4 (property, plant and equipment).*

2 *Other relates to adjustments made to purchased software during the reporting period due to the residual value and asset register assessment performed.*

Reconciliation of intangible assets – Group – 2020

	Opening balance	Additions	Additions from business combinations	Amortisation	Total
Router Development Technology	2 613 101	121 300	–	(270 294)	2 464 107
Software, internally generated	6 872 141	4 468 818	5 309 208	(1 564 448)	15 085 719
Software, purchased	3 653 125	876 102	–	(292 359)	4 236 868
Patents	292 952	241 097	–	–	534 049
Other intangible assets	–	285 076	–	(86 256)	198 820
Total	**13 431 319**	**5 992 393**	**5 309 208**	**(2 213 357)**	**22 519 563**
Note			*36*	*29*	

Router Development Technology

During prior reporting periods, Huge Technologies acquired certain intellectual property to facilitate the development of the Group's own router equipment. The development costs incurred during the year amount to R111 050 (FY2020: R121 300) and is included under additions.

8. Investments in subsidiary companies

Name of company	Held by	% holding 2021	% holding 2020	Carrying value 2021	Carrying amount 2020
Huge Software	Huge	75.00	75.00	3 750 000	3 750 000
Huge Management	Huge	100.00	100.00	10 151	10 151
Huge Messaging	Huge	100.00	100.00	2 525 499	2 525 499
Huge Media[1]	Huge	96.00	96.00	6 115 194	6 115 194
Huge Connect[2]	Huge	83.71	83.71	88 653 792	88 653 792
Huge Networks	Huge Telecom	50.03	50.03	–	–
Huge Technologies	Huge	100.00	100.00	100	100
Huge Services[3]	Huge Telecom	100.00	100.00	–	–
Huge Telecom	Huge	100.00	100.00	113 343 379	113 343 379
Huge Payments[4]	Huge	100.00	100.00	100 000	100 000
Huge Distribution[5]	Huge	75.13	50.25	150	100
The CI Trust[6]	Huge	100.00	100.00	–	–
				214 498 265	**214 498 215**
Provision for impairment of investment in Huge Media[1]				(6 115 194)	(6 115 194)
Net carrying amount				**208 383 071**	**208 383 021**

1 *The investment in Huge Media was impaired by R6 115 194 in the 2018 reporting period, as a result of the uncertainty of the recoverability of the carrying amount of this investment. No further impairment has been raised.*

2 *The investment in Huge Connect was impaired by R314 875 274 at the end of the previous reporting period as a result of the payment of ordinary dividends of R457 075 000 and the sale of 16.29% of Huge Connect to Windfall. Huge Connect issued 1 000 preference shares to Huge to the value of R457 075 000. The remaining investment in the ordinary shares of Huge Connect fairly valued equated to R88 653 792, resulting in the impairment of the ordinary shares (post the dividend received of R 457 075 000) of R314 875 274. Huge, the Company, holds a Preference Share Financial Asset of R457 075 000 measured in accordance with IFRS 9. The total investment (preference and ordinary) in Huge Connect amounts to R545 728 792. Refer to note 36 (business combinations) for additional information.*

3 *On 1 October 2019, Huge Telecom, which held 50% of Huge Services (formerly Gonondo) a jointly controlled entity of Huge Telecom, terminated the Joint Venture Agreement with Adapt IT Proprietary Limited and entered into a sale of shares agreement in terms of which it acquired the remaining 50% of Huge Services. Huge Services became a wholly-owned subsidiary company of Huge Telecom during the previous reporting period. Refer to note 36 (business combinations) for further detail.*

4 *On 27 March 2019, Huge entered into a sale of shares and claims agreement in terms of which it acquired 100% of the issued share capital and shareholder claims of Huge Payments (formerly IntelPay) for R100 000. Huge Payments became a wholly-owned subsidiary company of Huge in the previous reporting period. Refer to note 36 (business combinations) for further detail.*

5 *On 13 May 2019, Huge concluded agreements involving Huge Distribution (formerly Pansmart) resulting in the acquisition of a 50.25% stake in Huge Distribution. The purchase consideration for the 50.25% was R100 and 50% of the shareholder claims on loan account which amounted to R13 151 309. On 15 February 2021, Huge acquired an additional 24.88% of Huge Distribution from the trustees for the time being of the MIA Family Trust for R50, thereby increasing its shareholding to 75.13%. This transaction with non-controlling interests became unconditional on 15 February 2021. No change in control of Huge Distribution took place because of this transaction with non-controlling interest. The increase in Huge's shareholding resulted in an equity transaction between non-controlling interest and retained earnings amounting to R6 436 904. Refer to note 22 (non-controlling interest) for further detail.*

6 *The CI Trust is controlled in terms of IFRS10. For further information on The CI Trust refer to the AFS of Huge for the financial year ended 28 February 2019.*

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.

9. Investments in joint venture company

By the Group

Name of company	Held by	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021	Carrying amount 2020
Huge Services	Huge Telecom	–	–	–	–

Huge Telecom entered into a sale of shares agreement with Adapt IT Proprietary Limited in respect of the acquisition of 50% of the issued share capital of Huge Services (formerly Gonondo). Prior to the conclusion of the sale of shares agreement, Huge Services had been the subject of a joint venture between Huge Telecom and Adapt IT Proprietary Limited. The sale of shares agreement became unconditional on 16 September 2019. Refer to note 36 (business combinations) for further detail.

Carrying amount

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

Figures in Rand	Group 2021	Group 2020
Opening balance	–	597 021
Share of retained earnings	–	–
Gain on bargain purchase	–	138 212
Impairment of joint venture	–	(458 811)
Transfer to investment in subsidiary company[1]	–	(276 422)
Carrying amount	–	–

1 *Refer to note 8 (investments in subsidiary companies)*

The Group's share of earnings in the joint venture company was nil in the current and prior reporting periods.

Joint venture risks:

There are no material risk concerns to note in relation to the joint venture company.

10. Investments in associate companies

By the Group

Name of company	Held by	% holding 2021	% holding 2020	Carrying value 2021	Carrying value 2020
Huge Cellular	Huge Telecom	49.00	49.00	–	–
Huge Soho	Huge	49.00	49.00	–	25 011
				–	**25 011**

The investments in Huge Cellular and Huge Soho are recognised at their fair value. As the investments in associates are equity accounted, the share of profits from the associates earned are included in the investment value. As Huge Cellular and Huge Soho incurred losses exceeding their investment values, the investments are held at nil until such time as profits exceed accumulated losses. The 49% share of Huge Cellular accumulated losses amounts to R2.6 million and the 49% share of Huge Soho accumulated losses amounts to R10.3 million.

By the Company

Name of company	Held by	% holding 2021	% holding 2020	Carrying value 2021	Carrying value 2020
Huge Soho	Huge	49.00	49.00	–	29 911
				–	**29 911**

The associate companies are incorporated and have their effective place of business in South Africa. The information presented below represents 100% of the associate's results.

Summarised Statement of Profit or Loss	Huge Soho		Huge Cellular	
	2021	2020	**2021**	2020
Revenue	39 095	3 380 676	24 447 014	30 059 001
Other income and expenses[1]	(21 114 915)	(3 309 783)	(23 403 633)	(71 461 898)
Profit/(loss) before tax	**(21 075 820)**	**70 893**	**1 043 381**	**(41 402 897)**
Income tax expense	5 901 230	(19 850)	(292 147)	11 143 641
Profit/(loss) from continuing operations	**(15 174 590)**	**51 043**	**751 234**	**(30 259 256)**

1 *The operating expense relates mainly to management fees raised in the current reporting period between Huge Soho and companies within the Group for services rendered in support of Huge Soho. The amounts have been assessed and are recoverable in full.*

Summarised Statement of Financial Position	Huge Soho		Huge Cellular	
	2021	2020	**2021**	2020
Non-current assets	6 128 724	227 494	19 911 528	23 774 691
Current assets	3 893 750	770 264	50 197 520	31 652 955
Total assets	**10 022 474**	**997 758**	**70 109 048**	**55 427 646**
Non-current liabilities	–	–	(61 777 781)	(7 845 719)
Current liabilities	(26 679 086)	(2 479 780)	(37 839 281)	(77 841 181)
Total liabilities	**(26 679 086)**	**(2 479 780)**	**(99 617 062)**	**(85 686 900)**
Total net (liability) asset	**(16 656 612)**	**(1 482 022)**	**(29 508 014)**	**(30 259 254)**

Associate risks:

Assessments have been performed and the main risk identified relates to the recoverability of the loans advanced to Huge Cellular by Huge Telecom. An extensive analysis was undertaken and measures have been implemented to mitigate the risk of recoverability of these loans. There are no other material risk concerns to note in relation to the associate companies.

11. Loans to associate/Group companies

	Group		Company	
Group companies	**2021**	2020	**2021**	2020
Huge Distribution[1]	–	–	15 902 217	15 141 438
Huge Telecom[2]	–	–	25 485 856	38 760 856
Huge Networks[2]	–	–	7 469 293	7 469 293
Huge Technologies[2]	–	–	27 257 848	36 457 848
Huge Media[2]	–	–	–	21 238 535
Huge Management[3]	–	–	107 471 515	72 168 104
	–	**–**	**183 586 729**	**191 236 074**
Impairment of loans to Huge Media[4]	–	–	–	(21 238 535)
	–	**–**	**183 586 729**	**169 997 539**
Non-current assets	–	–	183 586 729	133 000 062
Current assets	–	–	–	36 997 477
Current liabilities	–	–	–	–
Total group company loans	**–**	**–**	**183 586 729**	**169 997 539**
Associate companies				
Huge Cellular[2]	61 269 182	68 297 016	–	–
Huge Soho[2]	2 406 542	2 406 542	1 206 542	1 206 542
	63 675 724	**70 703 558**	**1 206 542**	**1 206 542**
Non-current assets	63 675 724	70 703 558	1 206 542	1 206 542
Current assets	–	–	–	–
Total associate company loans	**63 675 724**	**70 703 558**	**1 206 542**	**1 206 542**

1 *The loan is unsecured and split between two advances. The initial loan was advanced at acquisition (amounting to R15 518 697) where interest is charged at JIBAR plus 4%. This loan has preferential rights to repayment above all other loans owing by Huge Distribution. The subsequent advance (amounting to R383 520) incurs interest at JIBAR plus 7%. The loans have no fixed terms of repayment. The value of this loan closely approximates its fair value.*

2 *The loans are unsecured and interest-free. There are no fixed terms of repayment. The value of these loans closely approximates their fair value.*

3 *The loan is unsecured, bears interest at JIBAR plus 4% and is repayable when it is commercially convenient for the borrower to do so. The value of these loans closely approximates their fair value.*

4 *The loan was unsecured, interest-free and had no fixed terms of repayment. The provision for impairment of loans owing by Huge Media was raised in previous reporting periods. The loan was settled in full during the current reporting period, and the impairment against this loan was reversed.*

12. Loans receivable/(payable)

	Group		Company	
	2021	2020	**2021**	2020
Kliq Holdings[1]	809 336	–	–	–
Otel Communications[2]	262 521	540 331	–	–
Loans receivable	**1 071 857**	**540 331**	**–**	**–**
J Ingram[3]	(150 000)	(450 000)	–	–
GB Shiers[3]	(150 000)	(450 000)	–	–
The MIA Family Trust[4]	–	(17 958 204)	–	–
Loans payable	**(300 000)**	**(18 858 204)**	**–**	**–**

	Group		Company	
Non-current and current portion	**2021**	2020	**2021**	2020
Non-current assets	633 073	335 848	–	–
Current assets	438 784	204 483	–	–
Total assets	**1 071 857**	**540 331**	**–**	**–**
Non-current liabilities	–	(18 258 204)	–	–
Current liabilities	(300 000)	(600 000)	–	–
Total liabilities	**(300 000)**	**(18 858 204)**	**–**	**–**

1 **Kliq Holdings**
The loan is secured over network assets sold to Kliq Holdings (Pty) Ltd, bears interest at 15% and is repayable in 36 instalments amounting to R30 332 each. The final instalment is due 01 November 2023.

2 **Otel Communications**
The loan is secured, bears interest at a rate of JIBAR plus 7% and is repayable in equal monthly instalments over a period of 36 months.
Huge Telecom entered into a loan agreement and a cession and pledge agreement with Otel Communications, which came into effect on 16 August 2019. All shares held by Otel Communications in Huge Networks (consisting of 49.97%) have been ceded to Huge Telecom until such time as the loan is repaid in full.

3 **J Ingram and GB Shiers**
The J Ingram and GB Shiers loans are unsecured, bear no interest and are repayable over 36 months in equal instalments of R25 000.

4 **The MIA Family Trust**
The loans are unsecured, bear interest at JIBAR plus 7% and have no fixed terms of repayment. The loan existed on acquisition of Huge Distribution (formerly Pansmart) on 13 May 2019 and was subordinated by the MIA Family Trust in favour of all other creditors of Huge Distribution. Huge Distribution concluded a waiver agreement with the MIA Family Trust, wherein the MIA Family Trust waived all and any claims against Huge Distribution, resulting in an R18 605 878 credit to the statement of profit or loss and other comprehensive income in the reporting period. Refer to the note 36 (business combinations) for further details.

13. Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
Financial instruments:				
Trade receivables	85 311 410	67 099 251	26 832 716	3 553 471
Credit loss allowance[1]	(32 757 894)	(22 778 643)	–	–
Trade receivables at amortised cost	**52 553 516**	**44 320 608**	**26 832 716**	**3 553 471**
Deposits	465 948	435 310	–	–
Profit warranty accrual[2]	10 072 989	5 210 553	–	–
Other receivables[3]	12 489 967	1 100 082	23 334 818	–
Credit note accrual[4]	4 336 279	6 824 534	–	–
Insurance receivable	482 500	500 000	–	–
	80 401 199	**58 391 087**	**50 167 534**	**3 553 471**
Non-financial instruments:				
Prepayments	463 490	2 099 841	–	–
VAT	3 408 819	8 766 353	–	860 328
	84 273 508	**69 257 281**	**50 167 534**	**4 413 799**

1 *Refer to note 39 (financial instruments and risk management) for the credit loss allowance computation and measurement relating to fair value.*

2 *The profit warranty accrual is an accrual for a breach of profit warranty given by Otel Communications in favour of Huge Telecom that the profit of Huge Networks for FY2020 and FY2021 would not be less than a stipulated profit threshold. The stipulated profit threshold was not attained in either year and as a result an accrual has been raised in the prior and current reporting period (FY2021: R4 862 345 and FY2020: R5 210 553) and a claim will be lodged in due course. The profit warranty is only payable on the date of disposal by Huge Networks of all or the greater part of its assets or undertaking. Refer to accounting policy 11.5 (fair value estimation).*

3 *Included in other receivables for the Group are dividends receivable from Huge Cellular of R10 488 278, an associate company of the Group, which has been classified as non-current in the current reporting period as the company will settle this obligation when it is able to do so. Included in other receivables for the Company are preference dividends receivable from Huge Connect in relation to the preference share subscription agreement concluded in the previous reporting period. Refer to note 36 (business combinations) for further detail.*

4 *The credit note accrual relates to an MTN billing adjustment which has been corrected in full subsequent to year end.*

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	Group		Company	
	2021	2020	**2021**	2020
At amortised cost	80 401 199	58 391 087	50 167 534	3 553 471
Non-financial instruments	3 872 309	10 866 194	–	860 328
	84 273 508	**69 257 281**	**50 167 534**	**4 413 799**

	Group		Company	
	2021	2020	**2021**	2020
Current	63 712 332	69 257 281	23 660 034	4 413 799
Non-current[1]	20 561 176	-	26 507 500	-
	84 273 508	**69 257 281**	**50 167 534**	**4 413 799**

1 *Non-current trade and other receivables for the Group relate to previous trade and other receivables that are no longer current in nature. The receivables include an accrual for a breach of profit warranty given by Otel Communications Proprietary Limited in favour of Huge Telecom that the profit of Huge Networks for FY2020 and FY2021 would not be less than a stipulated profit threshold. The stipulated profit threshold was not attained in either year and as a result an accrual has been raised in the prior and current reporting period (FY2021: R4 862 345 and FY2020: R5 210 553) and a claim will be lodged in due course. The profit warranty is only payable on the date of disposal by Huge Networks of all or the greater part of its assets or undertaking. Dividends receivable from Huge Cellular of R10 488 278) an associate company of the Group, have been classified as non-current as the company will settle this obligation when it is able to do so.*

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 to FirstRand Bank for an overdraft facility of R18 000 000 (including a R10 000 000 temporary facility). Utilisation of the facility may not exceed 100% (one hundred percent) of the value of the company's good ceded debtors, which means any debts not older than 60 days and excluding credit losses, expected credit losses and any Group losses. Refer to note 19 (cash and cash equivalents) for further detail.

14. Contract assets

Group	2021 Cost[1]	2021 Accumulated amortisation and impairment losses	2021 Carrying value	2020 Cost	2020 Accumulated amortisation and impairment losses	2020 Carrying value
Discretionary renewal bonuses	9 916 378	(5 629 100)	4 287 278	18 799 869	(11 730 255)	7 069 614
Total	**9 916 378**	**(5 629 100)**	**4 287 278**	**18 799 869**	**(11 730 255)**	**7 069 614**

1 *Contract assets, that were fully amortised, were derecognised during the current reporting period amounting to R10 428 200.*

	Group		Company	
	2021	2020	**2021**	2020
Non-current assets	2 664 496	4 901 206	–	–
Current assets	1 622 782	2 168 408	–	–
Total	**4 287 278**	**7 069 614**	**–**	**–**

Reconciliation of contract assets – Group – 2021

	Opening balance	Additions	Amortisation	Total
Discretionary renewal bonuses	7 069 614	1 544 709	(4 327 045)	4 278 278
	7 069 614	**1 544 709**	**(4 327 045)**	**4 278 278**

Reconciliation of contract assets – Group – 2020

	Opening balance	Additions	Amortisation[1]	Total
Discretionary renewal bonuses	14 912 254	3 210 429	(11 053 069)	7 069 614
	14 912 254	**3 210 429**	**(11 053 069)**	**7 069 614**

1 *Management elected to accelerate the amortisation on the contract asset balance in the previous reporting period.*

15. Investments at fair value

	Group		Company	
	2021	2020	**2021**	2020
Discovery Invest Endowment Plan[1]	420 465	403 640	420 465	403 640
Preference Shares[2]	–	–	457 075 000	457 075 000
	420 465	**403 640**	**457 495 465**	**457 478 640**

Investments at fair value are measured through profit and loss and include:

1 *Huge invested R45 000 000 in a Discovery Invest Endowment Plan, consisting of 10 Money Market Funds (CLASS A) of R4 500 000 each (without Life Assured), on 14 February 2019 with an initial investment term of five years. In terms of the current legislative restrictions (March 2018), one withdrawal is permitted during the first five years of the policy. Any withdrawal in the first five years may not exceed the total contributions to date accumulated at 5% per year compound interest. After five years, Huge may make withdrawals from the investment as required. At the end of the investment term, the funds may be withdrawn in a tax-free lump sum or it may be decided that the capital remains invested with Discovery and regular withdrawals are made available. Huge withdrew R44 601 970 of the Discovery Invest Endowment Plan during the previous reporting period and the balance can be withdrawn inline with the above terms. Refer to note 39 (financial instruments and risk management).*

3 *On 29 February 2020, Huge Connect concluded a related party transaction in which Windfall acquired 16.29% of the ordinary shares of Huge Connect. As part of the same transaction, Huge subscribed for 1 000 preference shares in Huge Connect for a subscription price of R457 075 000. Huge Connect declared an ordinary dividend of R457 075 000 and the obligation of Huge Connect to effect payment of the ordinary dividend was discharged in toto by set-off against the obligation of Huge to effect payment of the preference shares subscription price. Huge Connect issued 11% cumulative, non-redeemable preference shares with discretionary dividends that are subject to the availability of distributable reserves. The directors of Huge Connect decide at each period end whether and the extent to which a dividend will be paid on the preference shares. The terms of the instrument include a dividend stopper. The payment of dividends on the preference shares is entirely at Huge Connect's discretion. For this reason, Huge Connect continues to have an unconditional right to avoid the outflow of cash (or other financial asset) and therefore the preference shares are classified as equity in the separate financial statements of Huge Connect. Refer to note 39 (financial instruments and risk management).*

16. Deferred tax

	Group		Company	
	2021	2020	**2021**	2020
Deferred tax asset	41 966 455	29 552 068	19 085 111	11 975 732
Deferred tax liability	(73 694 468)	(43 181 093)	(882 320)	(1 176 427)
	(31 728 013)	**(13 629 025)**	**18 202 791**	**10 799 305**

Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The Group is required to make significant estimates in assessing whether future taxable profits will be available.

Future taxable profits are determined based on conservative forecasts and business plans for individual subsidiaries in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The directors are satisfied that the deferred tax assets will be recovered based on business plans, budgets, and forecasts of the respective entities.

Numerous discussions and assessments have been performed by the directors in assessing the implications of COVID-19 on the individual subsidiary companies within the Group as well as the Group as a whole. The future economic activities and profit generation of the Group's subsidiary companies, although affected by COVID-19, are not believed to be materially impacted. As the Group's subsidiary companies meet the definition of essential services in terms of national regulation, each subsidiary company within the Group is effectively trading and will continue to be effectively trading in the future.

Reconciliation of deferred tax balances

	Group		Company	
	2021	2020	**2021**	2020
At beginning of year	(13 629 025)	(21 086 238)	10 799 305	3 447 941
Included in income tax	(9 596 831)	336 804	7 403 486	7 351 364
Included in other comprehensive income[1]	(8 502 157)			
Acquired through business combinations[2]	–	7 120 409	–	–
	(31 728 013)	**(13 629 025)**	**18 202 791**	**10 799 305**
Composition of deferred tax				
Accrual for leave pay	2 159 825	1 766 400	–	–
Allowance for credit losses	5 599 466	3 789 011	–	–
Waiver of loans[3]	18 776 136	–	16 916 936	–
Deferred expenditure	(270 714)	(694 255)	–	–
Right-of-use assets	(3 363 786)	(3 914 002)	(882 320)	(1 176 427)
Lease liabilities	3 833 659	4 164 982	1 021 915	1 266 557
Prepayments	(133 295)	(312 469)	–	–
Deferred income	–	1 593 298	–	–
Income received in advance	9 620	112 462	–	–
Provisions[4]	(2 420 013)	(1 458 955)	–	–
Property, plant and equipment[5]	(63 694 440)	(33 809 597)	–	–
Intangible assets	(2 482 113)	(1 706 579)	–	–
Contract assets	(929 724)	(1 285 237)	–	–
Tax losses available for set-off against future taxable income	11 187 366	18 125 916	1 146 260	10 709 175
	(31 728 013)	**(13 629 025)**	**18 202 791**	**10 799 305**

1 *Refer to note 33 (revaluation reserve).*

2 *Refer to note 36 (business combinations).*

3 *On 15 February 2021, Huge acquired an additional 24.88% of Huge Distribution from the trustees for the time being of the MIA Family Trust for R50, thereby increasing its shareholding to 75.13%. This transaction with non-controlling interests became unconditional on the 15th of February 2021. No change in control of Huge Distribution took place because of this transaction with non-controlling interest. The increase in Huge's shareholding resulted in an equity transaction between non-controlling interest and retained earnings amounting to R6 436 904. Huge Distribution concluded a waiver agreement with the MIA Family Trust, wherein the MIA Family Trust waived all and any claims against Huge Distribution, resulting in an R18 605 878 credit to the statement of profit or loss and other comprehensive income.*

4 *The movement in provisions relates to the profit warranty accrual Huge Telecom has over Otel Communications in relation to Huge Networks post the Otel Transaction.*

5 *The movement in property, plant and equipment relates to the adjustment in the carrying value of the telephone line network asset referenced in note 4 (property, plant and equipment).*

17. Inventories

	Group 2021	Group 2020
Telephone lines[1]	43 584 862	24 573 646
Router equipment	20 262 132	10 710 460
Merchandise	8 792 431	5 752 282
Devices[2]	8 431 677	18 879 851
Data	2 413 997	1 502 569
	83 485 099	**61 418 808**
Merchandise (impairment provision)[3]	(1 379 994)	(1 379 994)
	82 105 105	**60 038 814**

1 *Telephone lines relates to the capitalisation of costs through work-in-progress associated with the development and build of telephone lines for resale.*

2 *Devices represents high-end mobile devices purchased by Huge Connect in prior reporting periods.*

3 *A provision for inventory impairment was raised on slow moving Panasonic merchandise held by Huge Distribution.*

Impairment of inventories

Work-in-progress (WIP), which is classified under inventory, represents costs of constructing, installing and implementing telephone lines which are sold to customers. WIP is capitalised to property, plant and equipment through the sale of telephone lines on a net growth basis. In other words, costs are only capitalised when there is a net increase in telephone lines. As a result of the dispute with Cell C SPC and the MTN migration, Huge Telecom was unable to grow its telephone lines at anticipated levels during the current year, which reduced its ability to reduce WIP. Management has decided to impair WIP in the amount of R22 801 756 in the current reporting period. The impairment is included in note 27 (cost of sales).

	Group 2021	Group 2020
Carrying value of work-in-progress before impairment	**66 386 618**	**24 568 896**
Impairment of work-in-progress	(22 801 756)	-
Carrying value of work-in-progress after impairment	**43 584 862**	**24 568 896**

Inventory represents high-end mobile devices (Devices) purchased by Huge Connect in prior reporting periods which were leased to a company which was going to use these Devices in Uber vehicles. During FY2020 it was identified that this customer order and contract was an elaborate fraud. In effect, the Devices were ultimately stolen. Immediately upon identifying the fraud, management implemented the necessary legal and assurance mechanisms to mitigate its losses. Management elected to impair this inventory balance by R8 431 677 in the current reporting period to write it down to its net realisable value, which is in accordance with the accounting policy as referenced in 5.2 (change in estimate and assumptions). The write-down has been included in note 27 (cost of sales). The Board is confident that the remaining inventory balance is recoverable based on the actions of management. Post year-end a number of devices have been recovered and progress has been made with the criminal case in relation to the fraud.

	Group 2021	Group 2020
Carrying value of inventory (Devices) before impairment	**16 863 354**	**16 863 354**
Impairment of inventory	(8 431 677)	-
Carrying value of inventory (Devices) after impairment	**8 431 677**	**16 863 354**

18. Tax paid

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at beginning of the year	(4 068 558)	(4 354 737)	–	–
Current tax for the year recognised in profit or loss	(1 114 784)	(23 066 286)	–	–
Prior year over/(under) provision	(264 078)	3 978 800	–	–
Current year under provision	–	(9 599)	–	–
Balance at end of the year	1 005 357	4 068 558	–	–
	(4 442 063)	**(19 383 264)**	–	–
Current tax receivable	509 402	4 223 530	–	–
Current tax payable	(1 514 759)	(8 292 088)	–	–
	(1 005 357)	**(4 068 558)**	–	–

19. Cash and cash equivalents

	Group		Company	
	2021	2020	**2021**	2020
Cash on hand	13 357	70 421	–	–
Bank balances	28 160 099	38 793 443	1 669 758	19 550 522
Short-term deposits	1 288 741	1 288 742	–	–
Bank overdraft	(12 177 266)	(891 249)	–	–
	17 284 931	**39 261 357**	**1 669 758**	**19 550 522**
Current assets	29 462 197	40 152 606	1 669 758	19 550 522
Current liabilities	(12 177 266)	(891 249)	–	–
	17 284 931	**39 261 357**	**1 669 758**	**19 550 522**

Rand Merchant Bank, a division of FirstRand Bank, acts as bankers to the following companies within the Group by providing these companies with current account facilities:

- Huge
- Huge Cellular
- Huge Connect
- Huge Distribution
- Huge Management
- Huge Media
- Huge Messaging
- Huge Networks
- Huge Payments
- Huge Services
- Huge Software
- Huge Soho
- Huge Technologies
- Huge Telecom

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

- Huge Messaging

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

- Huge Connect
- Huge Networks

Huge Telecom Overdraft facility

Huge Telecom has concluded an agreement with FirstRand Bank, a division of Rand Merchant Bank, for the provision of the following additional banking facilities which is subject to annual review and where amounts owing are repayable on demand:

- Overdraft Facility of R8 000 000;
- Temporary Overdraft Facility of R10 000 000 which is being assessed for permanency subsequent to the end of the current reporting period;
- Short-term Direct Facility of R420 000 which is an auto card demand facility;
- Long-term Contingent Facility of R180 000 which is a demand facility where individual guarantees may not exceed 36 months;
- Short-term Contingent Facility of R108 000 which is a demand facility where individual guarantees may not exceed 12 months, alternatively, individual guarantees must provide for notice of cancellation by the bank with the notice period not exceeding three months; and
- Settlement Facility of R3 008 000 which is a demand facility.

The Overdraft Facility is subject to the following material terms and covenants:

Collateral

- an unlimited cession *in securitatem debiti* given in favour of FirstRand Bank by the Borrower of any and all rights which the Borrower has against its debtors from time to time;
- a limited cross suretyship for the joint and several obligations of, and by, and between, the companies listed below, provided that such cross suretyship be limited to R15 709 000, now and/or in future towards the Bank:
  - Huge Telecom
  - Huge
- Utilisation of the facility may not exceed 100% of the value of the borrower's good ceded debtors;
- The Borrower undertakes to maintain a minimum adjusted shareholder interest of R20 000 000; and
- The Borrower undertakes to maintain a minimum EBITDA of R10 000 000.

Cash and cash equivalents (continued)

Huge Connect short-term deposit material terms

- Total cash and cash equivalents pledged as security were provided to Inani Property Holdings Proprietary Limited (**Inani Properties**) in the form of guarantees issued by ABSA Bank Limited (**ABSA**). R688 742 (FY2020: R688 742) of one of the short-term deposits have been ceded to ABSA as security for the guarantees issued. These guarantees can only be called if the company does not settle its rental obligation to Inani Properties. The guarantees are limited to R688 742.
- The remaining balance of the short-term deposit account R600 000 has been ceded to BankServ as security for Huge Connect's debit order service. The guarantee is limited to R600 000.

Guarantees

No liabilities have been recognised in relation to guarantees.

20. Share capital

	Group		Company	
	2021	2020	**2021**	2020
1 000 000 000 Authorised Shares	100 000	100 000	100 000	100 000
Reconciliation of number of shares in issue				
Issued shares 1 March	175 627 077	175 627 077	175 627 077	175 602 077
Delisted shares[1]	(1 963 311)	–	(1 975 811)	–
Issued shares as at 28 February	**173 663 766**	**175 627 077**	**173 651 266**	**175 627 077**
Shares held by Huge Telecom as treasury shares	(9 646 926)	(9 646 926)	–	–
Shares held by The CI Trust as treasury shares	–	(737 989)	–	–
Shares held by Huge as treasury shares (share buy-back)[1]	(1 919 155)	(12 500)	(1 919 155)	12 500
	162 097 685	**165 229 662**	**171 732 111**	**175 614 577**
Shares held by The CI Trust as treasury shares distributed[2]	–	(455 468)	–	–
	162 097 685	**164 774 194**	**171 732 111**	**175 614 577**

1 *1 963 311 shares repurchased during the current reporting period, including 12 500 purchased in the prior reporting period, were delisted during the FY2021 and thus returned to authorised share capital.*

2 *These shares have been removed from share capital in the current reporting period and included in the 1 028 127 below.*

Issued share capital	Group			Company	
	Number of shares	Share capital	Share premium	Share capital	Share premium
Opening balance at 1 March 2016	**101 254 517**	**10 125**	**229 313 266**	**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
Opening balance as at 1 March 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
Share issue expenses	–	–	(5 546 149)	–	(5 546 149)
Opening balance at 1 March 2018	**165 955 151**	**16 596**	**618 755 484**	**17 561**	**620 117 550**
25 000 shares issued at R9.00 per share	25 000	2	224 999	2	224 997
Share issue expenses	–	–	(729 000)	–	(729 000)
Treasury shares held by The CI Trust	(1 206 027)	(121)	(12 374 579)	–	–
Distribution of treasury shares previously held by The CI Trust	–	–	2 895 747	–	–
Opening balance at 1 March 2019	**164 774 124**	**16 477**	**608 772 651**	**17 563**	**619 613 547**
Shares acquired by Windfall	–	–	180 000	–	–
Capital raising expenses	–	–	(720 000)	–	(720 000)
Share buy-back	–	–	(62 500)	–	(62 500)
Distribution of treasury shares previously held by The CI Trust	–	–	3 697 492	–	–
Opening balance at 1 March 2020	**164 774 124**	**16 477**	**611 867 643**	**17 563**	**618 831 047**

Share capital (continued)

Issued share capital	Group Number of shares	Group Share capital	Group Share premium	Company Share capital	Company Share premium
Share issue expenses	–	–	(60 000)	–	(60 000)
Share buy-back[1]	(3 882 466)	(389)	(17 658 386)	(389)	(17 658 381)
Distribution of treasury shares previously held by The CI Trust[2]	1 028 127	103	2 458 072	–	–
Share-based payment reserve reclassification[3]	–	–	2 504 823	–	–
Sale of treasury shares previously held[4]	177 900	18	818 322	–	–
Closing balance at 28 February 2021	**162 097 685**	**16 209**	**599 930 474**	**17 174**	**601 112 666**

Treasury shares	Group Number of shares	Group Share capital	Group Share premium
Opening balance at 1 March 2017	9 646 926	965	(64 946)
Closing balance at 28 February 2018	**9 646 926**	**965**	**(64 946)**
Treasury shares held by The CI Trust	1 206 027	121	12 374 577
Closing balance at 28 February 2019	**10 852 953**	**1 086**	**12 309 631**
Distribution of treasury shares previously held by The CI Trust	(468 038)	–	(3 697 492)
Share buy-back	12 500	–	62 500
Closing balance at 29 February 2020	**10 397 415**	**1 086**	**8 674 639**
Distribution of treasury shares previously held by The CI Trust[2]	(560 089)	(103)	(2 458 072)
Sale of treasury shares previously held[4]	(177 900)	(18)	(818 322)
Share buy-back[1]	3 882 466	389	17 658 386
Shares delisted[5]	(1 963 241)	-	(7 209 014)
Share-based payment reserve reclassification[3]	-	-	(2 505 823)
Closing balance at 28 February 2021	**11 578 651**	**1 354**	**13 341 794**

1 *Following the announcement on SENS on 15 January 2020, the Company repurchased 3 869 966 Shares up to the end of the current reporting period (2020: 12 500) and this amounted to a cost of R17 658 775 (FY2020: R62 500) at an average price per share of 456 cents (2020: 500 cents).*

2 *The distribution of treasury shares relates to 560 089 and 468 038 (FY2020: 468 038) Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during the current reporting period. The 1 028 127 Shares is made up of both the 560 089 and 468 038 Shares which were adjusted in the current reporting period. A total of 1 288 768 Shares have been distributed by The CI Trust to its share beneficiaries up to the end of the FY2021.*

3 *The share-based payment reserve reclassification entry arose as a result of The CI Trust fully distributing all the Shares to its share beneficiaries. No future IFRS2: Share-based payment expenses will be raised in this regard.*

4 *The sale of treasury shares previously held relates to 177 900 Shares which were held as an investment by The CI Trust and which were ceded as security for the loan between Huge and The CI Trust. This loan was settled during the financial period with the funds received from the sale.*

5 *1 963 311 shares repurchased during the current reporting period, including 12 500 purchased in the prior reporting period, were delisted during the 2021 and thus returned to authorised share capital.*

Total share capital	Group **2021**	Group 2020	Company **2021**	Company 2020
Issued shares	16 209	16 477	17 174	17 563
Share premium	599 930 474	611 867 643	601 112 666	618 831 047
	599 946 683	**611 884 120**	**601 129 840**	**618 848 610**

21. Share-based payment reserve

Employee share-based transactions

	Group		Company	
	2021	2020	**2021**	2020
Total share-based payment reserve	34 609 702	3 905 915	34 609 702	-

In terms of the subscription and repurchase agreement entered into between Huge and ConnectNet Broadband Wireless on 30 March 2017, Huge agreed to the transfer of 1 466 667 of the Shares issued to the relevant shareholders, to The CI Trust.

The CI Trust was established by the relevant shareholders for the purposes of creating incentives for certain employees, directors and/or consultants of ConnectNet Broadband Wireless and Sainet Internet to inter alia assist those companies to achieve the profit warranties given by the relevant shareholders in the subscription and repurchase agreement.

The allocation of these Shares to share beneficiaries was governed by The CI Trust Deed.

During FY2020, 468 038 Shares (FY2019: 131 226 and 129 415) were transferred by The CI Trust to share beneficiaries, being certain existing employees, directors and/or consultants to Huge Connect and Huge Networks, at a grant price of R6.30 (FY2019: R9.74 and FY2018: R8.90).

During FY2021, 560 089 Shares were transferred by The CI Trust to share beneficiaries, being certain existing employees, directors and/or consultants to Huge Connect and Huge Networks, at a grant price of R4.39. The remaining 177 900 Shares were sold on market during the current reporting period and the proceeds (R818 340) were utilised to settle the loan between Huge and The CI Trust. No Shares that had vested in the share beneficiaries were cash settled during the current or prior reporting period.

Shares that were allocated to share beneficiaries were not restricted.

All Shares held by The CI Trust were issued to the share beneficiaries by the end of the current reporting period.

	2021	2020
Number of shares issued under the plan to participating employees	560 089	468 038

Expense arising from share-based payment transactions

Total expenses of R1 221 899 (FY2020: R3 461 559) which related to equity-settled share-based payment transactions were recognised in FY2021 and FY2020 respectively.

Executive Share Option Agreements

The Company concluded Executive Share Option Agreements (the **Option Agreements**) with JC Herbst (the Chief Executive Officer), AP Openshaw (the Chief Operating Officer) and SL Sequeira (the Chief Financial Officer) on 29 August 2019 (the **Effective Date**) and the Option Agreements were approved by the shareholders of Huge on 26 February 2020 (the **Grant Date**). As the options contemplated in the Option Agreements (the **Options**) were approved three days prior to the end of that reporting period, and the share price was below the Strike Price (defined below), the Options were not favourable to the executives to warrant exercising them.

The Option Agreements contemplate the granting by the Company of a right to subscribe for Shares at a strike price equal to the 30-day volume-weighted average price (**VWAP**) of a Share on the Effective Date, which is R5.21 per share (the **Strike Price**).

The Option Agreement concluded with JC Herbst contemplates the granting by the Company of a right to subscribe for 7 500 000 Shares at the Strike Price with a market value of R39.8 million.

The Option Agreement concluded with AP Openshaw contemplates the granting by the Company of a right to subscribe for 7 500 000 Shares at the Strike Price with a market value of R39.8 million.

The Option Agreement concluded with SL Sequeira contemplates the granting by the Company of a right to subscribe for 750 000 Shares at the Strike Price with a market value of R3.98 million.

A valuation of the Options was performed at 29 August 2019, using the Binomial Option Pricing Model.

The following internal and external key value drivers (inputs for the Binomial Option Pricing Model) were taken into account:

- The price of a Share on the Effective Date was R5.65;
- The exercise price of the Shares underlying the Options is R5.31 per share;
- The Options vest in three equal tranches on 1 March 2020, 1 March 2021 and 1 March 2022;
- The Options are capable of being exercised over a period of five years from the date on which each tranche vests;
- The number of steps for each Option is 1 000;
- A risk-free rate based on the yield of the R186 Government Bond, being 8.19% on 29 August 2019 was used;
- The historic annual volatility of a Share based on the most recent 12-month period of 42.59% was referenced to the standard deviation of the daily closing share price movements. The historic volatility of a Share over the then most recent 12-month period was considered the most appropriate benchmark in determining the possible magnitude of future stock price movements (as this period excludes large corporate activity such as the acquisition of Huge Connect in March 2017); and
- The Company's average historic dividend yield is 2.35%.

Share-based payment reserve (continued)

Executive Share Option Agreements (continued)

In undertaking the valuation of the Options above, a core valuation was determined as follows:

- First tranche of the Option: R2.52 per Share;
- Second tranche of the Option: R2.67 per Share; and
- Third tranche of the Option: R2.80 per Share.

Executive Share Option Agreements

IFRS requires the Company to create a share-based payment equity reserve equal to the independent calculation of the value of the Options and to do so by making non-cash charges in the income statement. An independent valuer determined that the value of the Options was R41 988 875 and as such the Company is creating a share-based payment reserve equal to this amount by charging the Company's statement of comprehensive income over time. This period's expense amounts to R34 609 702 (FY2020: nil), leaving R7 379 273 to be charged to future statements of comprehensive income. During FY2021 the executives did not elect to exercise their options.

22. Non-controlling interest

	Huge Networks	Huge Media	Huge Software	Huge Distribution	Huge Connect	Total
Balance as at 28 February 2019	**8 242 852**	**(2 336 418)**	**(239 546)**	**–**	**–**	**5 666 888**
Non-controlling shareholding	49.70%	4.00%	25.00%	49.97%	16.29%	
Share of profit (loss) for the year	462 337	162 703	(142 433)	(181 597)	–	301 010
Transactions with non-controlling interests – control retained[1]	–	–	–	(8 986 103)	–	(8 986 103)
Transactions with non-controlling interests – control retained[2]	–	–	–	–	(57 234 860)	(57 234 860)
Balance at 29 February 2020	**8 705 189**	**(2 173 715)**	**(381 979)**	**(9 167 700)**	**(57 234 860)**	**(60 253 065)**
Non-controlling shareholding	49.70%	4.00%	25.00%	24.87%	16.29%	
Share of profit for the year	1 209 659	25 243	746 377	1 103 776	760 512	3 845 567
Transactions with non-controlling interests – control retained[3]	–	–	–	6 436 904	–	6 436 904
Balance at 28 February 2021	**9 914 848**	**(2 148 472)**	**364 398**	**(1 627 020)**	**(56 474 348)**	**(49 970 594)**

1 *The movement in the non-controlling interest relates to a business combination involving Huge Networks, Huge Telecom, Otel Communications and Otel Business in which the business of Otel was acquired by Huge Networks. The transaction became unconditional on 14 March 2020. Additional information can be found in note 36 (business combinations).*

2 *The movement in the non-controlling interest relates to a business combination involving Huge, Huge Connect and Windfall and the change in the degree of Huge's control over Huge Connect in favour of Windfall (the Huge Connect Business Combination). Windfall subscribed for new ordinary shares in Huge Connect and after its subscription, 16.296% of the ordinary shares of Huge Connect are held by it. The equity attributable to the holders of the parent has been adjusted for Windfall's non-controlling interest. Additional information can be found in note 36 (business combinations).*

3 *The adjustment to non-controlling interest relates to a change in proportion of equity held by non-controlling interests with Huge Distribution. On 15 February 2021, Huge acquired an additional 24.88% of Huge Distribution from the trustees for the time being of the MIA Family Trust for R50, thereby increasing its shareholding to 75.13%. This transaction with non-controlling interests became unconditional on 15 February 2021. No change in control of Huge Distribution took place because of this transaction with non-controlling interest. The increase in Huge's shareholding resulted in an equity transaction between non-controlling interest and retained earnings amounting to R6 436 904.*

The information documented below represents 100% of the subsidiary companies' results that are not wholly-owned by Huge.

Non-controlling interest (continued)

Summary of Group's interest in the subsidiary companies

	Huge Networks		Huge Media		Huge Software	
Statement of financial position	**2021**	2020	**2021**	2020	**2021**	2020
Non-current assets	28 661 640	31 562 443	554 695	762 262	3 558 108	2 853 467
Current assets	21 770 963	18 731 411	26 046	14 574 313	6 077 037	758 345
Non-current liabilities	(21 661 797)	(22 557 251)	(6 821 476)	(149 534)	(5 331 944)	(3 671 610)
Current liabilities	(8 050 580)	(9 702 754)	(172 239)	(22 133 762)	(3 035 553)	(1 658 057)
Equity	**20 720 226**	**18 033 849**	**(6 412 974)**	**(6 946 721)**	**1 267 648**	**(1 717 855)**
Statement of comprehensive income						
Revenue	99 717 791	96 768 135	1 000 000	6 000 000	8 112 488	3 108 476
Cost of sales	(63 817 021)	(57 778 966)	–	–	(406 135)	(583 627)
Other income	717 011	436 690	–	–	–	69 363
Other expenses	(30 815 687)	(34 897 985)	(226 746)	(107 934)	(3 143 116)	(3 112 668)
Finance costs	(1 741 897)	(1 648 386)	(31 942)	–	(416 715)	(317 372)
Finance income	60 129	576 610	–	–	16	434
Income tax expense/(income)	(1 699 556)	(1 606 217)	(207 567)	(1 655 015)	(1 161 031)	75 753
Profit/(loss) for the year	**2 420 770**	**1 849 881**	**533 745**	**4 237 051**	**2 985 507**	**(759 641)**
Statement of cash flows						
Cash flows from operating activities	7 292 499	(7 483 593)	14 591 486	241 546	493 402	(648 814)
Cash flows from investing activities	(1 883 420)	(4 435 870)	–	(241 097)	1 357 266	(1 038 839)
Cash flows from financing activities	(2 366 287)	13 301 150	(14 566 592)	–	766 713	1 923 308
Net cash inflow	**3 042 792**	**1 381 687**	**24 894**	**449**	**2 617 381**	**235 655**

	Huge Distribution		Huge Connect	
Statement of financial position	**2021**	2020	**2021**	2020
Non-current assets	5 933 339	9 312 208	116 470 608	103 365 189
Current assets	9 836 714	9 904 033	63 235 517	57 080 166
Non-current liabilities	(21 646 901)	(34 485 484)	(57 446 712)	(28 799 137)
Current liabilities	(1 388 069)	(3 519 129)	(36 539 464)	(21 521 950)
Equity	**(7 264 917)**	**(18 788 372)**	**85 719 949**	**110 124 268**
Statement of comprehensive income				
Revenue	14 651 707	17 860 888	167 466 672	167 700 037
Cost of sales	(10 432 317)	(15 104 309)	(72 900 656)	(59 934 957)
Other income	18 607 654	334 893	1 672 473	2 194 340
Other expenses	(6 346 322)	(6 497 552)	(78 870 650)	(52 260 114)
Finance costs	(1 923 044)	(2 461 838)	(555 563)	(610 348)
Finance income	-	184	1 291 511	2 659 152
Income tax expense/(income)	(3 034 221)	7 280 801	(5 129 578)	(13 852 843)
Profit/(loss) for the year	**11 523 457**	**1 413 067**	**12 974 209**	**45 895 267**
Statement of cash flows				
Cash flows from operating activities	(2 858 240)	(9 160 420)	27 240 148	55 636 632
Cash flows from investing activities	(142 021)	(10 118)	(27 916 555)	9 547 833
Cash flows from financing activities	4 246 934	9 096 059	7 127 432	(60 293 862)
Net cash inflow/(outflow)	**1 246 673**	**(74 479)**	**6 451 025**	**4 890 603**

23. Interest-bearing liabilities held at amortised cost

	Group		Company	
	2021	2020	**2021**	2020
Futuregrowth and Huge The loan bears interest compounded quarterly at three-month JIBAR plus 4.0%. The final repayment date is the 5th anniversary of the first utilisation date. There is a capital moratorium for calendar year 2021. This loan approximates the fair value. **Covenants:** Group EBITDA to Debt Interest Ratio shall not be less than 3 times; Group EBITDA to Debt Service Ratio shall not less than 1.5 times; Group Debt to Group EBITDA Ratio shall be between 0 and 2.5 times; A Security Cover Ratio which is equal to or greater than 3.	121 448 845	142 519 872	121 448 845	142 519 872
Futuregrowth and Huge Technologies The loan bears interest compounded quarterly at three-month JIBAR plus 4.5%. The loan is repayable by 29 November 2021. This loan approximates the fair value. **Covenants:** Debt to EBITDA Ratio shall be between 0 and 4 times; EBITDA to Debt Interest Ratio not less than 4 times; Group Debt to Group EBITDA Ratio shall be between 0 and 2.5 times; and Group Debt Interest to Group EBITDA Ratio shall not be less than 3 times.	30 591 189	30 000 000	–	–
	152 040 034	**172 519 872**	**121 448 845**	**142 519 872**
Non-current liabilities				
At amortised cost	100 776 683	120 936 298	100 776 683	90 936 298
	100 776 683	**120 936 298**	**100 776 683**	**90 936 298**
Current liabilities				
At amortised cost	51 263 351	51 583 574	20 672 162	51 583 574
	51 263 351	**51 583 574**	**20 672 162**	**51 583 574**
Total Liabilities	**152 040 034**	**172 519 872**	**121 448 845**	**142 519 872**

Futuregrowth Term Facility Agreement

On 14 December 2018, Huge concluded a Term Facility Agreement with Futuregrowth for R200 million (the Facility). The Facility replaced the R90 million Term Facility Agreement concluded as part of the acquisition of ConnectNet Broadband Wireless and Sainet Internet and provides Huge with access to additional funds to fulfil its growth aspirations. Huge has the ability to draw down on the Facility as and when its needs require. The principal amounts outstanding are payable in quarterly tranches of R10 million, with the final quarterly tranche due for payment in December 2023. Interest on the Facility is payable on a quarterly basis.

The Facility involves various Group's subsidiary companies, associate companies and joint venture companies (the **Obligors**) providing various guarantees, cessions, pledges and subordinations.

The Obligors irrevocably and unconditionally undertake to pay to Futuregrowth all amounts which Huge and any other Obligor is obliged to pay to Futuregrowth in terms of the Facility, to the extent to which Huge or any other Obligor fails to pay those amounts.

In terms of the cession and pledge agreement between Futuregrowth and Huge, Huge cedes in *securitatem debiti* and pledges to Futuregrowth as continuing covering security for the fulfilment of its obligations under the Facility, all of its right, title and interest in and to all of the shares held by Huge in and claims held by Huge against the Obligors.

In terms of a subordination agreement between Futuregrowth, Huge and the Obligors, Huge and each of the Obligors, where applicable, irrevocably and unconditionally subordinates all of their claims in favour of Futuregrowth's claims against Huge arising from or related to the Facility.

Huge has provided Futuregrowth with a positive undertaking that Huge will not create any further obligations in each of the Obligors without Futuregrowth's written consent.

On 15 January 2021, Huge and Futuregrowth concluded a fourth addendum to the ZAR200 Million Term Facility Agreement. In terms of the Fourth Addendum, Huge is required to only service the interest on the next four payment dates of 31 March, 30 June, 30 September and 31 December 2021. Thereafter, Huge will continue to service both capital and interest, thus reducing cash outflows.

On 29 November 2019, Huge Technologies concluded an Addendum to the R30 million Term Facility Agreement with Futuregrowth. The parties amended the final repayment date to 29 November 2021 and agreed to increase the lending margin from JIBAR + 400 bps to JIBAR + 450 bps, nominal annual, compounded quarterly.

24. Deferred Income

Deferred income is accounted for in accordance with the accounting policy disclosed in paragraph 6 (revenue from contracts with customers).

	Group		Company	
	2021	2020	**2021**	2020
Non-current liabilities	–	–	–	–
Current liabilities	34 434	6 092 003	–	–
	34 434	**6 092 003**	**–**	**–**

	Opening balance	Utilisation	Closing balance
Deferred income	6 092 003	(6 057 569)	34 434
	6 092 003	**(6 057 569)**	**34 434**

This contract liability relates to income from an agreement entered into in the FY2018 by Huge Connect as compensation for the use and supply of Telkom sim cards and data packages to a Huge Connect customer operating a taxi-hailing service. The amounts are utilised on a monthly basis when the performance obligations are met. These contracts generally run for periods of 2 to 3 years and a majority of these contracts came to an end during FY2021, resulting in the decrease in the deferred income liability.

25. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
Financial Instruments:				
Trade payables	15 690 901	30 088 303	1 474 240	396 633
Income received in advance	–	499 809	–	–
Payroll accruals	1 971 336	1 935 223	–	–
Accrued leave pay	7 713 662	6 874 110	–	–
Accrued Business Partner fees	2 076 567	–	–	–
Other accruals	3 741 993	3 652 705	50	–
Deposits received	585 232	814 692	–	–
Non-financial instruments:				
VAT	6 438 025	6 365 082	2 653 497	–
	38 217 716	**50 229 924**	**4 127 787**	**396 633**
Financial Instruments	31 779 691	43 864 842	1 474 290	396 633
Non-financial instruments	6 438 025	6 365 082	2 653 497	–
Total trade and other payables	**38 217 716**	**50 229 924**	**4 127 787**	**396 633**

26. Revenue

Disaggregation of revenue – Group

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Fintech Grouping		Corporate Office		Telecom Grouping[1]		Total Operating Segments	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
South Africa	158 440 347	158 175 545	7 445 170	2 562 717	294 827 890	321 693 387	460 713 407	482 431 649
Africa	8 983 753	9 476 248	–	–	160 340	236 885	9 144 093	9 713 133
	167 424 100	**167 651 793**	**7 445 170**	**2 562 717**	**294 988 230**	**321 930 272**	**469 857 500**	**492 144 782**
Major goods/service lines								
Network devices	1 978 753	1 813 570	–	–	7 779 990	15 063 844	9 758 743	16 877 414
Network services[2]	165 445 347	165 838 223	–	–	272 443 558	292 481 421	437 888 905	458 319 644
Software licence fees	–	–	7 445 170	2 562 717	267 199	529 688	7 712 369	3 092 405
Communication equipment	–	–	–	–	14 497 483	13 855 319	14 497 483	13 855 319
	167 424 100	**167 651 793**	**7 445 170**	**2 562 717**	**294 988 230**	**321 930 272**	**469 857 500**	**492 144 782**
Timing of revenue recognition								
Goods transferred at a point in time	1 978 753	1 813 570	–	–	23 610 146	29 448 851	25 588 899	31 262 421
Services transferred over time	165 445 347	165 838 223	7 445 170	2 562 717	271 378 084	292 481 421	444 268 601	460 882 361
	167 424 100	**167 651 793**	**7 445 170**	**2 562 717**	**294 988 230**	**321 930 272**	**469 857 500**	**492 144 782**

1 *The prior financial periods "Timing of revenue recognition" split disclosure for the Telecom Grouping was identified as incorrect. Although this has been assessed as qualitatively and quantitatively immaterial, management have decided to amend the prior period reporting in order to correctly reflect the timing of revenue recognition splits. In doing this, goods transferred at a point in time has been reduced by R4 130 643 in FY2020 and services transferred over time has been increased by the same amount in FY2020.*

The service line Network services can be broken down further into the following revenue streams:

	2021	2020
Network services		
Voice connectivity services	187 096 109	220 483 024
Payment connectivity services	165 445 346	165 838 223
Data connectivity services	81 736 613	68 165 767
Messaging services	2 313 644	2 783 882
Telephone management services	1 297 193	1 048 748
Total	**437 888 905**	**458 319 644**

Disaggregation of revenue – Company

Company	**2021**	2020
South Africa	23 050 000	-
Africa	-	-
	23 050 000	**-**
Major goods/service lines		
Management fee[1]	23 050 000	-
	23 050 000	**-**
Timing of revenue recognition		
Services transferred over time	23 050 000	-
	23 050 000	**-**

1 *The entities in the Group make use of the name 'Huge' and Huge Group's logo. Their profile is raised because Huge Group is a listed company and they are part of a larger group with significantly more investment scale than any stand-alone entity. Huge provides each entity in the Group with access to its relationships, including relationships with service providers and debt providers, and it also gives them access to legal advice, professional services, executive management and the Board. It is on this basis that Huge generates its revenue in the form of management fees.*

27. Cost of sales

	Group		Company	
	2021	2020	**2021**	2020
Voice connectivity services	25 812 133	33 154 214	–	–
Business Partner fees	23 443 472	26 464 573	–	–
Payment connectivity services	59 229 649	43 725 389	–	–
Data connectivity services	53 851 926	46 697 880	–	–
Messaging services	1 273 335	268 249	–	–
Telephone management services	588 764	732 393	–	–
Software licence fees	406 134	583 627	–	–
Electronic equipment	12 543 220	18 158 154	–	–
Capitalisation to work-in-progress[1]	–	(15 705 648)	–	–
	177 148 633	**154 078 831**	**–**	**–**

	Group		Company	
Depreciation and amortisation	**2021**	2020	**2021**	2020
Contract asset amortisation[2]	4 327 045	8 603 068	–	–
Telephone line network depreciation[3]	–	9 472 209	–	–
Customer premises equipment depreciation[4]	11 683 548	11 754 681	–	–
	16 010 593	**29 829 958**	–	–

	Group		Company	
Other[5]	**2021**	2020	**2021**	2020
Impairment of inventories[6]	31 233 433	–	–	–
	31 233 433	–	–	–

1 *Router equipment held by the Group was capitalised to work-in-progress. This routing equipment is used in the manufacture of telephone lines. In the prior year, this was a credit to cost of sales. No adjustments of this nature have been processed in the current reporting period.*

2 *Contract asset amortisation is recognised under cost of sales due to the connection to IFRS 15 Revenue from Contracts with Customers. Refer to note 14 (contract assets) for additional information.*

3 *During the current reporting period the Group conducted a residual value review of its telephone line network assets, which resulted in changes to the residual value of the telephone lines. As the carrying value of the telephone line network asset is lower than the residual value of the telephone line network asset, no depreciation was raised in the current reporting period. Refer to the accounting policy 5.2 (change in estimates and assumptions) for further detail.*

4 *Customer premises equipment depreciation has been included under cost of sales as the devices are directly linked to services provided by the Fintech Grouping.*

5 *Management has elected to separate cost of sales in the current reporting period into three categories, namely cost of sales relating directly to the sale of goods in the current year, depreciation and amortisation included in cost of sales and other, which relates to items such as once off inventory adjustments included in cost of sales.*

6 *The impairment of inventories relates to the write down of work-in-progress (WIP) held in the Telecom Grouping, amounting to R22 801 756, and devices held in the Fintech Grouping, amounting to R8 431 677, to their net realisable value during the current year. Refer to note 17 (inventories) for additional detail.*

28. Other income

	Group 2021	2020	Company 2021	2020
Profit on sale of property, plant and equipment	-	1 575 203	-	–
Insurance proceeds	27 004	536 356	-	–
Rental income	499 809	381 457	-	–
Learnership and SETA	90 869	1 237 950	-	–
Other income[1]	387 786	657 327	480 910	379 389
Credit losses recovered	851 371	819 406	-	–
Profit warranty accrual[2]	4 862 345	5 210 553	-	–
	6 719 184	**10 418 252**	**480 910**	**379 389**

1 *Other income includes items such as commission received, opex recoveries, income from foreign exchange etc.*

2 *This profit warranty accrual relates to an accrual for a breach of profit warranty given by Otel Communications in favour of Huge Telecom that the profit of Huge Networks for FY2020 and FY2021 would not be less than a stipulated profit threshold. The stipulated profit threshold was not attained in either year and as a result an accrual has been raised in the prior and current reporting period (FY2021: R4 862 345 and FY2020: R5 210 553) and a claim will be lodged in due course. The profit warranty is only payable on the date of disposal by Huge Networks of all or the greater part of its assets or undertaking. Refer to note 13 (trade and other receivables for further detail).*

29. Operating profit

Operating profit for the year is stated after accounting for the following:

	Group 2021	2020	Company 2021	2020
Short-term lease charges				
Premises				
Straight-line basis	5 497 418	5 076 473	–	–
Equipment				
Straight-line basis	113 247	1 505 265	–	–
	5 610 665	**6 581 738**	**–**	**–**
Depreciation of property, plant and equipment[1]	13 592 723	23 384 910	–	–
Depreciation of right-of-use assets[2]	5 626 563	6 865 550	1 050 381	1 050 381
Amortisation of contract assets[3]	4 327 045	11 053 069	–	–
Amortisation of intangible assets[4]	2 806 464	2 213 357	–	–
Total depreciation and amortisation	**26 352 795**	**43 516 886**	**1 050 381**	**1 050 381**
Impairment of investment in joint venture company	–	458 841	–	–
Supplier settlement	–	4 020 004	–	–
Gain on sale of property, plant and equipment	(1 938 751)	(1 575 202)	–	–
Loss on exchange differences	116 746	198 853	–	–
Statutory and listing fees	1 811 080	1 868 108	480 911	379 389
Legal expenses	4 987 445	3 964 560	–	–
Consulting and professional fees	3 882 348	7 935 223	–	–
Credit losses written off	–	3 480 683	–	–
	8 858 868	**20 351 070**	**480 911**	**379 389**
Employee costs				
Salaries, wages, bonuses and other benefits	125 337 324	126 055 403	–	–
Retirement benefit plans: defined contribution expense	3 422 731	3 281 708	–	–
Share-based compensation expense	1 221 773	3 461 559	–	–
Executive share-based payment expense[5]	34 609 702	–	–	–
Total employee costs	**164 591 530**	**132 798 670**	**–**	**–**
Less: Employee costs included in cost of sales	(36 512 873)	(36 737 654)	–	–
Total employee costs expensed	**128 078 657**	**96 061 016**	**–**	**–**

1 *Refer to note 4 (property, plant and equipment) for additional detail.*

2 *Refer to note 5 (right-of-use assets/lease liabilities) for additional detail.*

3 *Refer to note 14 (contract assets) and note 27 (cost of sales) for additional detail.*

4 *Refer to note 7 (intangible assets) for additional detail.*

5 *Refer to note 21 (share-based payment reserve) for additional detail.*

30. Dividends received and finance income

	Group		Company	
	2021	2020	**2021**	2020
Dividends received				
Subsidiary companies[1]	–	–	38 334 818	515 075 000
Total dividend received	**–**	**–**	**38 334 818**	**515 075 000**
Finance income				
Bank	585 852	234 605	227 434	–
Discovery endowment	12 786	1 757 969	12 786	1 757 969
Interest charged on trade and other receivables	91 909	552 601	–	–
Other receivables	129 461	1 171 871	–	–
Loans to associate companies[2]	465 314	–	–	–
Loans to group companies	–	–	6 003 818	4 961 493
Total Finance income	**1 285 322**	**3 717 046**	**6 244 038**	**6 719 462**
Total finance income and dividends received	**1 285 322**	**3 717 046**	**44 578 856**	**521 794 462**

1 *In the previous reporting period Huge Connect, a wholly-owned subsidiary company of Huge, entered into a transaction with Windfall, a 100% black-owned company, wherein Windfall subscribed for 36 ordinary shares in Huge Connect, constituting 16.29% of the ordinary share capital in Huge Connect (**Windfall Subscription Shares**) for a total subscription consideration of R180 000 (**Windfall Subscription Price**), which subscription consideration was settled in cash. To give effect to the transaction, Huge, Huge Connect and Windfall concluded a series of interlinked and inter-conditional agreements wherein:*

- *Huge subscribed for 1 000 preference shares in Huge Connect (the* **Preference Shares***) for a cumulative subscription price of R457 075 000 (the* **Preference Share Subscription Price***). The Preference Shares are unsecured, cumulative, redeemable at the option of the issuer and bear a variable coupon rate of prime plus one percent;*
- *Huge Connect declared an ordinary dividend, in an aggregate amount equivalent to the Preference Share Subscription Price (the* **Huge Connect Ordinary Dividend***);*
- *The obligation of Huge Connect to effect payment of the Huge Connect Ordinary Dividend to Huge was discharged by set-off against the obligation of Huge to effect payment of the Preference Share Subscription Price to Huge Connect;*
- *Windfall subscribed for the Windfall Subscription Shares for the Windfall Subscription Price; and*
- *Post implementation of the above transactions, Huge holds 100% of the preference share capital in Huge Connect and 83.71% of the ordinary share capital of Huge Connect, with the remainder of the 16.29% issued ordinary share capital being held by Windfall.*
- *Preference dividends amounting to R23 334 818 were raised during the current reporting period in terms of the Preference Shares held in Huge Connect (FY2020: R457 075 000) and ordinary dividends of R15 000 000 (FY2020: R58 000 000).*

2 *Refer to note 11 (loans to associate companies) for further details*

31. Finance costs

	Group		Company	
	2021	2020	**2021**	2020
Shareholders' loans	65	850 619	–	–
Interest bearing liabilities	13 665 796	17 712 884	10 995 780	14 387 551
Trade and other payables	66 337	152 408	–	–
Bank overdraft	474 775	688 215	2	533
Tax authority	1 223	28 302	–	–
	14 208 196	**19 432 428**	**10 995 782**	**14 388 084**
Lease liabilities	1 477 930	2 140 617	357 189	427 976
	15 686 126	**21 573 045**	**11 352 971**	**14 816 060**

32. Income tax (expense)/income

Major components of the tax expense/(income)

	Group 2021	Group 2020	Company 2021	Company 2020
Current				
Local income tax – current period	(1 108 140)	(21 595 034)	–	–
Local income tax – recognised in current period for prior periods	(264 078)	(1 431 873)	–	–
Security transfer tax	(6 646)	(39 379)	–	–
	(1 378 864)	**(23 066 286)**	–	–
Deferred				
Deferred tax asset	**16 178 987**	**9 077 367**	**7 109 379**	**7 351 365**
Originating temporary differences	24 813 678	11 579 647	16 916 936	7 491 802
Reversing temporary differences	(8 634 691)	(2 502 280)	(9 807 557)	(140 437)
Deferred tax liability	**(25 775 818)**	**(8 750 161)**	**294 107**	–
Originating temporary differences	(26 734 046)	(9 779 501)	–	–
Reversing temporary differences	958 228	1 029 340	294 107	–
	(9 596 831)	**327 206**	**7 403 486**	**7 351 365**
Total	**(10 975 695)**	**(22 739 080)**	**7 403 486**	**7 351 365**

	Group 2021	Group 2020	Company 2021	Company 2020
Reconciliation of tax expense				
Reconciliation between the statutory tax rate and the average effective tax rate.				
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Exempt income[1]	–	(0.08%)	(25.73%)	(81.73%)
Disallowable expenditure[2]	1.67%	0.03%	0.02%	–
Unutilised assessed loss[3]	(31.51%)	(4.23%)	(40.55%)	(2.70%)
Donations	0.01%	0.03%	–	–
Prior year under/(over) provision	0.49%	(3.28%)	–	0.32%
Deferred tax adjustment[4]	–	(2.07%)	–	–
Impairments on disposals	–	–	–	52.26%
Reversal of impairments on consolidation[5]	5.72%	–	–	–
SARS interest and penalties	–	0.04%	–	–
Capital gains tax effect	(2.72%)	–	(2.85%)	–
Share-based payments	18.90%	0.82%	23.36%	–
	20.56%	**19.26%**	**(17.75%)**	**(3.85%)**

1 *Exempt income consists of dividends received.*

2 *Disallowed expenditure consists of fines, penalties, donations, finance costs of a capital nature and legal fees of a capital nature.*

3 *Un-utilised assessed losses related to unrecognised deferred tax assets on assessed losses.*

4 *Deferred tax adjustments relate to permanent differences in the current year relating to the prior period including the accelerated amortisation on contract assets.*

5 *Includes the tax effects of impairments reversed on consolidation relating to the loan impairment on the Huge Media loan. Refer to note 11 (loans to associate/Group companies).*

33. Revaluation reserve

	Group		Company	
	2021	2020	**2021**	2020
Revaluation of property, plant and equipment[1]	32 507 513	–	–	–
Derecognition of property, plant and equipment[2]	(2 142 700)			
Deferred tax on revaluation	(8 502 157)	–	–	–
	21 862 656	**–**	**–**	**–**

1 *Refer to note 4 (property, plant and equipment), paragraph 5.2 (change in accounting policy) and paragraph 5.4 (significant judgements) for further details.*

2 *The derecognition of property, plant and equipment (i.e. decommissioning of telephone lines) resulted in a revaluation adjustment in the current period. The revaluation portion of decommissioned lines is reversed against other comprehensive income and property, plant and equipment as there is no future economic benefits linked to the telephone lines that were decommissioned. Refer to note 4 (property, plant and equipment) for further details.*

34. Earnings and headline earnings per share

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

Earnings and headline earnings per share[1]

2021	**Gross**	**Tax**	**Net**
Profit attributable to owners of the parent adjusted for:	–	–	38 568 656
Impairment of plant and equipment[2]	11 529 788	(3 228 341)	8 301 447
Gain on disposal of property, plant and equipment	(1 938 751)	542 850	(1 395 901)
Headline earnings	**9 591 037**	**(2 685 491)**	**45 474 202**

1 *The basic earnings per share includes the R34 609 702 IFRS2: share-based payment expense relating to the Executive Share Option Agreements. The Board is of the view that the expense is a non-cash IFRS charge unrelated to the actual operating performance of the Group and therefore the normalised basic earnings per share presented on page 168 is a better representation of the Group's operating performance.*

2 *Impairment of plant and equipment relates to the decommissioning of telephone lines owned by the Group which are held under property, plant and equipment, in the Telecom Grouping, as a result of customer contract cancellations during the reporting period.*

2020	**Gross**	**Tax**	**Net**
Profit attributable to owners of the parent adjusted for:	–	–	95 022 679
Gain from bargain purchase on joint venture	(138 091)	38 665	(99 426)
Impairment of investment on joint venture	458 811	(128 467)	330 344
Gain on disposal of property, plant and equipment	(1 575 202)	441 057	(1 134 145)
Headline earnings	**(1 254 482)**	**351 255**	**94 119 452**

Earnings and headline earnings per share (continued)

	Group		Company	
	2021	2020	**2021**	2020
Weighted average number of Shares				
Issued Shares	175 627 077	175 627 077	–	–
Less: Treasury Shares 1 March	(10 397 415)	(10 852 953)	–	–
Outstanding Shares 1 March	**165 229 662**	**164 774 124**	**–**	**–**
Weighted average Shares distributed to The CI Trust share beneficiaries during the year	371 347	262 871	–	–
Weighted average Shares sold by The CI Trust during the year	36 555	–	–	–
Share buy-back - treasury shares held by Huge[1]	(1 272 572)	–	–	–
Weighted average number of Shares in issue at 28 February (basic, and headline)	**164 364 991**	**165 036 995**	**–**	**–**
Share schemes that have a dilutive effect[2]	–	462 243	–	–
Share buy-back anti-dilutive[3]	1 272 572	–	–	–
Weighted average number of Shares in issue at 28 February (diluted)	**165 637 563**	**165 499 238**	**–**	**–**
Per share statistics (cents)				
Earnings per share	23.47	57.58	–	–
Headline earnings per share	27.67	57.03	–	–
Diluted basic earnings per share	23.28	57.42	–	–
Diluted headline earnings per share	27.45	56.87	–	–

1 *The treasury shares held by Huge relate to the share buy-back that took place during the current reporting period. Refer to note 20 (share capital) for additional information.*

2 *The IFRS 2 share-based dilutive effect includes The CI Trust shares. The IFRS 2 share-based effect of the Executive Options was calculated and identified as an anti-dilutive effect for the prior and current reporting period and therefore there is no effect to the earnings and headline earnings calculation.*

3 *The share buy-backs undertaken during the current reporting year were calculated and identified as anti-dilutive for the current reporting period and therefore there is no effect to the earnings and headline earnings calculation. As the share buy-backs would result in an increase in the earnings per share they are excluded from the weighted average number of Shares in issue for the computation of basic and headline earnings and thus need to be added back for the weighted average number of Shares in issue utilised in the diluted basic and diluted headline share computation.*

35. Cash generated from operations

		Group		Company	
	Note(s)	**2021**	2020	**2021**	2020
Profit before taxation		53 389 918	118 062 769	41 721 405	190 935 680
Adjustments for:					
Depreciation	29	19 540 416	30 250 460	1 050 381	1 050 381
Amortisation	29	7 133 510	13 266 426	–	–
Profit of sale of property, plant and equipment		(1 938 751)	(1 575 202)	–	–
Decommissioning of telephone lines	4	11 529 788	–	–	–
Waiver of loans	12	(18 605 878)	–	–	–
Impairment of inventory	17	31 233 433	–	–	–
Dividends received	30	–	–	(38 334 818)	(515 075 000)
Finance income received	30	(1 285 322)	(3 717 046)	(6 244 038)	(6 719 462)
Finance costs	31	15 686 126	21 573 045	11 352 971	14 816 060
Reversal of impairment provision on loans to subsidiary company		–	–	(21 238 535)	–
Inventory write off provision		–	(1 334 632)	–	–
Profit warranty accrual	28	(4 862 345)	(5 210 553)	–	–
Movement in credit loss allowance	39	14 751 923	17 121 368	–	–
Impairment of Investment in joint venture	36	–	276 442	–	–
Impairment of Investment in subsidiary company[1]	36	–	–	–	314 875 274
Share-based payment raised	29	35 831 475	3 461 559	34 609 702	–
Other non-cash items		100 372	173 842	25 871	(25 011)
Changes in working capital:					
Inventories		(53 299 724)	(35 714 219)	–	–
Trade and other receivables		(14 742 676)	(16 966 367)	(22 418 917)	18 265 450
Contract assets		(1 544 710)	(3 210 429)	–	–
Trade and other payables		(12 184 722)	4 770 989	3 731 154	(6 192 119)
Deferred income		(6 057 569)	(10 784 942)	–	–
		74 675 264	**130 443 510**	**4 255 176**	**11 931 253**

1 *The impairment of the investment in subsidiary companies relates to the sale of 16.29% of Huge Connect to Windfall during the previous reporting period. Refer to note 36 (business combinations) for further details relating to the issue of preference shares, impairment of ordinary shares and change in control reserve adjustment relating to this transaction.*

Reconciliation of cash arising from financing activities related to borrowings:

	Group	
	2021	**2020**
Borrowings at the beginning of the year	**172 519 872**	**170 524 470**
Current	51 583 574	73 988 757
Non-current	120 936 298	96 535 713
Cashflows	**(20 000 000)**	**2 113 255**
Proceeds from borrowings	20 000 000	42 113 255
Repayment of borrowings	(40 000 000)	(40 000 000)
Other movements	**(479 838)**	**(117 853)**
Interest accrued	13 666 624	18 870 224
Interest paid	(14 146 462)	(18 988 077)
Borrowings at the end of the year	**152 040 034**	**172 519 872**
Current	51 263 351	51 583 574
Non-current	100 776 683	120 936 298

1 *Refer to note 23 (interest-bearing liabilities) for further detail.*

36. Business combinations

Aggregated business combinations

Fair value of assets acquired and liabilities assumed	Group 2021	Group 2020	Company[1] 2021	Company[1] 2020
Property, plant and equipment	–	265 707	–	–
Right-of-use assets	–	1 767 834	–	–
Intangible assets	–	5 309 208	–	–
Deferred tax assets	–	7 120 409	–	–
Loans receivable	–	–	–	13 151 109
Inventories	–	4 190 287	–	–
Trade and other receivables	–	4 887 293	–	–
Cash and cash equivalents	–	731 166	–	–
Lease liabilities	–	(1 832 987)	–	–
Loans payable	–	(24 007 670)	–	–
Trade and other payables	–	(6 233 853)	–	–
Cash received from subscription	–	(180 000)	–	–
Investment acquired in Huge Distribution	50	–	–	–
Investment acquired in Pansmart	–	–	–	100
Investment acquired in Huge Payments for cash	–	–	–	100 000
Preference shares acquired in Huge Connect	–	–	–	457 075 000
Investment in Huge Connect	–	–	–	403 529 066
Impairment of investment in Huge Connect	–	–	–	(314 875 274)
Dividends receivable	–	–	–	457 075 000
Preference share subscription payable	–	–	–	(457 075 000)
Total identifiable net assets/(liabilities)	**50**	**(7 982 606)**	–	**558 980 001**
Non-controlling interest	6 436 904	66 220 964	–	–
Goodwill	–	12 344 133	–	–
Change in ownership	–	(57 234 860)	–	–
Impairment of investment in Huge Services	–	(276 422)	–	–
Existing share of net assets before acquisition	–	–	–	(417 999 998)
	6 436 944	**13 071 209**	–	**140 980 003**
Consideration (paid)/received			–	
Cash paid for equity	(50)	(100 100)	–	(100 100)
Cash received from subscription	–	180 000	–	–
Cash loan advanced	–	(13 151 109)	–	(13 151 109)
Total identifiable net assets/(liabilities)	**(50)**	**(13 071 209)**	–	**(13 251 209)**
Net cash (outflow)/inflow			–	–
Cash acquired	–	731 166	–	–
	(50)	**(12 340 043)**	–	**(13 251 209)**

1 *The inclusion of the Company within the above table is a representation of the impact of the "business combinations" on the Company being the entity that controls Huge Connect and Huge Distribution. These include the impact on the investments held, payables and receivables, loans arising and cash outflows.*

Huge Payments

Huge concluded a sale of shares and claims agreement in which it acquired 100% of the issued ordinary share capital of Huge Payments (formerly IntelPay) and the shareholders claims of loan account against Huge Payments for the sum of R100 000 (the **IntelPay Agreement**). The IntelPay Agreement became unconditional on 27 March 2019.

Goodwill of R3 268 169 arose on the acquisition of Huge Payments. The acquisition of Huge Payments is expected to create synergies and economies of scale from combining the operations of Huge Payments and Huge Connect. Goodwill is not deductible for income tax purposes.

The value of Huge Payments to Huge and Huge Connect is, and the rationale for the acquisition of Huge Payments is:

- The partly developed software has the potential to be a profitable product, once completed;
- Huge has the in-house development expertise and funding that is required to complete the software development for commercialisation;
- It is more cost effective to acquire Huge Payments and complete the development than to re-develop the application in-house to the current level of completion;
- As the sole shareholder of Huge Payments, Huge will be better positioned to secure and utilise the assessed losses in Huge Payments; and
- The Huge Payments' investment will add more diversity to Huge.

Business combinations (continued)

Huge Payments (continued)

Fair value of assets acquired, and liabilities assumed	Group 2021	Group 2020	Company 2021	Company 2020
Intangible assets	–	5 309 208	–	–
Deferred tax assets	–	61 930	–	–
Cash and cash equivalents	–	2 456	–	–
Loans payable	–	(8 541 763)	–	–
Investment acquired in Huge Payments for cash	–	–	–	100 000
Goodwill	–	3 268 169	–	–
	–	**100 000**	–	**100 000**
Acquisition date fair value of consideration paid	–		–	–
Investment acquired in Huge Payments for cash	–	(100 000)	–	(100 000)
	–	**(100 000)**	–	**(100 000)**

Huge Distribution (formerly Pansmart)

In the previous reporting period, Huge concluded various agreements which resulted in its acquisition of a controlling shareholding in Huge Distribution. The agreements became unconditional on 13 May 2019. The purchase consideration for 50.25% of the ordinary shares of Huge Distribution was R100. Huge acquired 50% of the existing shareholder claims on loan account for an amount of R13 151 309.

Goodwill of R9 075 964 arose on the acquisition of the controlling shareholding in Huge Distribution. The acquisition is expected to create synergies for the Group. Goodwill is not deductible for income tax purposes.

The value of the goodwill that arises from the Pansmart acquisition and rationale for the Pansmart acquisition is detailed in note 6 (goodwill).

During the current reporting period, Pansmart was renamed Huge Distribution Proprietary Limited.

On 15 February 2021, Huge acquired an additional 24.88% of Huge Distribution from the trustees for the time being of the MIA Family Trust for R50, thereby increasing its shareholding to 75.13%. This transaction with non-controlling interests became unconditional on 15 February 2021. No change in control of Huge Distribution took place because of this transaction with non-controlling interest. The increase in Huge's shareholding resulted in an equity transaction between non-controlling interest and retained earnings amounting to R6 436 904 and no goodwill arose on this transaction. Huge Distribution concluded a waiver agreement with the MIA Family Trust, wherein the MIA Family Trust waived all and any claims against Huge Distribution, resulting in an R18 605 878 credit to the statement of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities assumed	Group 2021	Group 2020	Company 2021	Company 2020
Property, plant and equipment	–	265 707	–	–
Right-of-use assets	–	1 767 834	–	–
Deferred tax assets	–	7 058 479	–	–
Inventories	–	4 190 287	–	–
Trade and other receivables	–	4 881 749	–	–
Cash and cash equivalents	–	457 553	–	–
Lease liabilities	–	(1 832 987)	–	–
Loans payable	–	(15 465 907)	–	–
Trade and other payables	–	(6 233 574)	–	–
Loans receivable	–	–	–	13 151 109
Investment acquired in Huge Distribution for cash	50	–	–	100
Non-controlling interest[1]	6 436 904	8 986 104	–	–
Goodwill	–	9 075 964	–	–
	6 436 954	**13 151 209**	–	**13 151 209**
Acquisition date fair value of consideration paid				
Investment acquired in Huge Distribution for cash	(50)	(100)	–	(100)
Cash loan advanced	–	(13 151 109)	–	(13 151 109)
Transaction with non-controlling interests	(6 436 904)	–	–	–
	(6 436 954)	**(13 151 209)**	–	**(13 151 209)**

1 *The non-controlling interest is measured at the fair value of the acquiree's identifiable net assets in accordance with the purchase price allocation exercise undertaken at acquisition date.*

Business combinations (continued)

Huge Services

Huge Telecom concluded a sale of shares agreement (the **Sale Agreement**) with Adapt IT. In terms of the Sale Agreement Huge Telecom acquired all of the shares held by AdaptIT in Huge Services (formerly Gonondo) for the amount of R120 (the **Adapt IT Transaction**). Huge Services was previously a 50% held joint venture company of Huge Telecom. As a result of the AdaptIT Transaction, Huge Services became a wholly owned subsidiary company of Huge Telecom. The transaction became unconditional on 16 September 2019.

There was no goodwill that arose on the acquisition of Huge Services.

	Group	
Fair value of assets acquired and liabilities assumed	**2021**	2020
Trade and other receivables	–	5 544
Cash and cash equivalents	–	271 157
Trade and other payables	–	(279)
Impairment of investment in Huge Services	–	(276 422)
	–	–

Changes in holding of existing subsidiary companies

The sale of 16.29% of the ordinary shares of Huge Connect

On 28 February 2020, Huge and Huge Connect concluded an implementation agreement with Windfall, an associate of VM Mokholo, who is a non-executive director of Huge and a related party to Huge.

In terms of the implementation agreement, Huge concluded a preference share subscription agreement with Huge Connect, Huge Connect declared an ordinary dividend of R457 075 000 to its ordinary shareholder, being Huge, and Huge Connect and Windfall concluded an ordinary share subscription agreement.

In terms of the preference share subscription agreement, Huge subscribed for 1 000 new preference shares in Huge Connect for a subscription price of R457 075 000. Thereafter, Huge Connect declared an ordinary dividend of R457 075 000 to the holders of the ordinary shares in Huge Connect, being Huge. The obligation of Huge Connect to effect payment of the ordinary dividend to Huge was discharged *in toto* by set-off against the obligation of Huge to effect payment of the preference shares subscription price. Thereafter, and in terms of the ordinary share subscription agreement, Windfall subscribed for 36 new ordinary no par value shares (the **Subscription Shares**).

The subscription price (the **Subscription Consideration**) for the Subscription Shares was an amount of R180 000 and was settled by Windfall in cash. The Subscription Consideration will be used for the purposes of working capital.

Huge Connect issued 11% cumulative, non-redeemable preference shares with discretionary dividends that are subject to the availability of distributable reserves. The directors of Huge Connect decide at each period end whether and the extent to which a dividend will be paid on the preference shares. The terms of the instrument include a dividend stopper. The payment of dividends on the preference shares is entirely at Huge Connect's discretion. For this reason, Huge Connect continues to have an unconditional right to avoid the outflow of cash (or other financial asset) and therefore the preference shares are classified as equity in the separate financial statements of Huge Connect.

Non-controlling interest is measured as the proportionate share of the recognised amounts of the identifiable net assets.

	Group		Company	
	2021	2020	**2021**	2020
Preference shares acquired in Huge Connect	–	–	–	457 075 000
Investment in Huge Connect	–	–	–	403 529 066
Impairment of investment in Huge Connect	–	–	–	(314 875 274)
Dividends receivable	–	–	–	457 075 000
Preference share subscription payable	–	–	–	(457 075 000)
Non-controlling interest	–	57 234 860	–	–
Change in ownership	–	(57 234 860)	–	–
Total identifiable net assets	–	**–**	–	**545 728 792**
Less: Existing share of net assets before acquisition	–	–	–	(417 999 998)
	–	**–**	–	**127 728 794**
Acquisition date fair value of consideration paid				
Cash received from subscription	–	180 000	–	–
	–	**180 000**	–	**–**

37. Related parties

Relationships	**2021**
Subsidiary companies	Huge Capital
	Huge Connect
	Huge Distribution
	Huge Management
	Huge Media
	Huge Messaging
	Huge Networks
	Huge Payments
	Huge Services
	Huge Software
	Huge Technologies
	Huge Telecom
Trust under the control of Huge	The CI Trust
Associate companies	Huge Cellular
	Huge Soho
Entities controlled by directors which have transacted with a Group Company	Casa Da Luz (DF da Silva)
	Windfall (VM Mokholo)
Members of key management	JC Herbst
	AP Openshaw
	SL Sequeira

Related parties (continued)

Related party balances

Loan accounts – Owing by related parties

Loan accounts – Owing by associate companies

Figures in Rand	Group		Company	
	2021	2020	**2021**	2020
Huge Cellular[1]	61 269 182	68 297 016	–	–
Huge Soho[1]	2 406 542	2 406 542	1 206 542	1 206 542
Total	**63 675 724**	**70 703 558**	**1 206 542**	**1 206 542**

1 *Refer to note 11 (loans to associate/Group companies) for further details.*

Loan accounts – Owing by subsidiary companies

Figures in Rand	Group		Company	
	2021	2020	**2021**	2020
Huge Distribution[1]	–	–	15 902 217	15 141 438
Huge Management[1]	–	–	107 471 515	72 168 104
Huge Media[1+2]	–	–	–	21 238 535
Huge Networks	–	–	7 469 293	7 469 293
Huge Technologies[1]	–	–	27 257 848	36 457 848
Huge Telecom	–	–	25 485 856	38 760 856
Total	**–**	**–**	**183 586 729**	**191 236 074**

1 *Refer to note 11 (loans to associate/Group companies) for further details.*

2 *A provision for impairment of the Huge Media loan was raised in prior reporting periods and reversed in the current reporting period as the loan was settled in full.*

Loan accounts – Owing to related individuals

Figures in Rand	Group		Company	
	2021	2020	**2021**	2020
GB Shiers[3]	(150 000)	(450 000)	–	–
J Ingram[3]	(150 000)	(450 000)	–	–
Total	**(300 000)**	**(900 000)**	**–**	**–**

3 *Refer to note 12 (loans payable) for further details.*

Amounts included in Trade receivables/(Trade payables) – Owing (to) by subsidiary companies

Figures in Rand	Group		Company	
	2021	2020	**2021**	2020
Huge Management	–	–	26 832 716	436 298
Huge Telecom	–	–	–	(31 346)
Huge Telecom	–	–	–	3 117 174
Total	**–**	**–**	**26 832 716**	**3 522 126**

Related parties (continued)

Related party transactions

Interest received from subsidiary companies[1]

	Group		Company	
	2021	2020	**2021**	2020
Huge Distribution	–	–	(1 260 779)	(1 240 129)
Huge Management	–	–	(4 743 040)	(2 147 445)
Huge Telecom	–	–	–	(1 573 919)
	–	**–**	**(6 003 819)**	**(4 961 493)**

1 Refer to note 30 (finance income) and 31 (finance costs) for further details.

Dividends received from subsidiary companies

	Group		Company	
	2021	2020	**2021**	2020
Huge Connect[1]	–	–	(38 334 818)	(515 075 000)
Huge Telecom	–	–	–	1 808 799
	–	**–**	**(38 334 818)**	**(513 266 201)**

1 Refer to note 30 (finance income) for further details.

Consulting fees paid to related parties

	Group		Company	
	2021	2020	**2021**	2020
Casa Da Luz Proprietary Limited[1]	–	720 000	–	–
VM Mokholo[2]	–	200 000	–	–
	–	**920 000**	**–**	**–**

1 Casa Du Luz Proprietary Limited entered into a capital raising fee consulting agreement in prior years which came to an end during FY2021.

2 VM Mokholo entered into a once-off consulting arrangement in relation to the Windfall transaction that took place in the previous reporting period.

Surety fees paid to related parties

	Group		Company	
	2021	2020	**2021**	2020
JC Herbst[1]	–	1 158 708	–	–
	–	**1 158 708**	**–**	**–**

1 JC Herbst stood as surety for the obligations of Huge Telecom to various creditors during the previous reporting periods. The surety fees relate to payment for assuming these risks.

Related parties (continued)

Management fees (received from)/paid to subsidiary companies

	Group		Company	
	2021	2020	**2021**	2020
Huge Management[1]	–	–	(23 050 000)	–
	–	**–**	**(23 050 000)**	**–**

1 *Huge Management provides, amongst other functions, a treasury function for the Group. The entities in the Group make use of the name 'Huge' and Huge Group's logo. Their profile is raised because Huge Group is a listed company and they are part of a larger group with significantly more investment scale than as a stand-alone entity. Huge Group provides each entity in the Group with access to its relationships, including relationships with service providers and debt providers, and it also gives them access to legal advice, professional services, executive management, and the Group Board. It is on this basis that Huge Management generates its revenue in the form of management fees.*

Transactions with associate companies

	Group		Company	
Huge Cellular	**2021**	2020	**2021**	2020
Intercompany sales	(45 447 014)	(30 059 001)	–	–
Rental income	(6 060 354)	(6 175 190)	–	–
Accounting fees	86 400	–	–	–
Interest paid	465 314	1 059 916	–	–
Travel and entertainment	22 607	–	–	–
Consulting and professional fees	5 500	–	–	–
	(50 927 547)	**(35 174 275)**	**–**	**–**

	Group		Company	
Huge Soho	**2021**	2020	**2021**	2020
Intercompany sales	(1 993 865)	–	–	–
Accounting fees	63 100	–	–	–
Management fees	21 000 000	–	–	–
	19 069 235	**–**	**–**	**–**

Balances with associate companies

	Group		Company	
Huge Cellular	**2021**	2020	**2021**	2020
Trade and other payables	(1 330 210)	–	–	–
Dividend payable	(10 488 278)	(10 488 278)	–	–
Trade and other receivables	24 150 000	9 078 006	–	–
	12 331 512	**(1 410 272)**	**–**	**–**

	Group		Company	
Huge Soho	**2021**	2020	**2021**	2020
Trade and other payables	(24 155 520)	(744 981)	–	–
Trade and other receivables	119 364	68 315	–	–
	(24 036 156)	**(676 666)**	**–**	**–**

Related parties (continued)

Acquisition of remaining equity in Huge Services

Huge Telecom concluded a sale of shares agreement with Adapt IT in respect of the acquisition of the remaining 50% of the issued share capital of Huge Services (formerly Gonondo). Huge Services had been the subject of a joint venture between Huge Telecom and Adapt IT. Subsequent to the acquisition of the remaining equity in Gonondo, its name was changed to Huge Services. The agreements became unconditional on 16 September 2019.

Acquisition of a shareholding in Huge Distribution

Huge concluded agreements involving Pansmart. The agreements became unconditional on 13 May 2019. The purchase consideration for the 50.25% of the ordinary shares of Huge Distribution amounted to R100. Huge also acquired 50% of the shareholder claims on loan account which, amounted to R13 151 309.

During the current reporting period, Pansmart was renamed Huge Distribution Proprietary Limited.

On 15 February 2021, Huge acquired an additional 24.88% of Huge Distribution from the trustees for the time being of the MIA Family Trust for R50, thereby increasing its shareholding to 75.13%. This transaction with non-controlling interests became unconditional on 15 February 2021. No change in control of Huge Distribution took place because of this transaction with non-controlling interest. The increase in Huge's shareholding resulted in an equity transaction between non-controlling interest and retained earnings amounting to R6 436 904 and no goodwill arose on this transaction.

Huge Distribution concluded a waiver agreement with the MIA Family Trust, wherein the MIA Family Trust waived all and any claims against Huge Distribution, resulting in an R18 605 878 credit to the statement of comprehensive income. The MIA Family Trust hold the remaining 28.47% of the shares in Huge Distribution.

Acquisition of Huge Payments

Huge concluded a sale of shares and claims agreement involving IntelPay Proprietary Limited (**IntelPay**). In terms of the agreement, Huge acquired 100% of the issued share capital of IntelPay and all of the shareholder claims on loan account against IntelPay for the sum of R100 000. The agreements became unconditional on 27 March 2019.

38. Remuneration and benefits paid to directors/prescribed officers

Executive

2021

Name	Services to the Company[1]	Incentives	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total
JC Herbst	3 759 981	–	–	–	498 555	4 258 536
AP Openshaw	2 942 610	–	–	–	85 959	3 028 569
SL Sequeira	1 358 499	–	–	–	–	1 358 499
Total	**8 061 090**	**–**	**–**	**–**	**584 514**	**8 645 604**

1 *The services to the Company includes UIF and Skills Development Levies.*

2020

	Services to the Company	Incentives	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total
JC Herbst	3 736 182	3 960 000	–	–	524 781	8 220 963
AP Openshaw	2 919 966	–	–	–	111 819	3 031 785
SL Sequeira	1 138 416	75 000	–	–	–	1 213 416
Total	**7 794 564**	**4 035 000**	**–**	**–**	**636 600**	**12 466 164**

Remuneration and benefits paid to directors/prescribed officers (continued)

Non-executive

2021	Directors' fees	Consultancy fees	Total
BC Armstrong	425 000	–	425 000
DF da Silva	744 000	–	744 000
DR Gammie	559 000	–	559 000
CWJ Lyons	439 000	–	439 000
VM Mokholo	398 333	–	398 333
SP Tredoux[1]	246 000	–	246 000
Total	**2 811 333**	**-**	**2 811 333**

1 *Huge announced on 23 September 2020 that Steve Tredoux, an independent non-executive director, resigned from the Board. The Board wishes to extend its gratitude to Mr Tredoux for his significant contribution to the Company over twelve years and wishes him all the best for his future endeavours.*

2020	Directors' fees	Consultancy fees	Total
BC Armstrong	486 000	–	486 000
DF da Silva	844 000	720 000	1 564 000
DR Gammie	487 000	–	487 000
CWJ Lyons	487 000	–	487 000
VM Mokholo	487 000	200 000	687 000
SP Tredoux	469 000	–	469 000
Total	**3 260 000**	**920 000**	**4 180 000**

Prescribed officers

2021	Services to the Company	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total
RR Burger[1]	–	2 163 586	–	377 340	2 540 926
SJ Morony[2]	–	1 378 364	–	149 817	1 528 181
A Lessing[3]	–	787 888	–	208 808	996 696
K Sinclair[3]	–	2 208 551	–	65 128	2 273 679
SM Oberholzer[4]	–	2 238 065	–	58 440	2 296 505
M Granville[5]	–	422 167	–	–	422 167
L Fourie[6]	–	1 806 282	–	–	1 806 282
Total	–	**11 004 903**	–	**859 533**	**11 864 436**

1 *RR Burger, in his capacity as Managing Director of Huge Telecom, is a prescribed officer of the Company.*

2 *SJ Morony was appointed on 8 June 2020 as Commercial Director of Huge Telecom and is a prescribed officer of the Company.*

3 *K Sinclair, in his capacity as Managing Director of Huge Connect, was a prescribed officer of the Company. K Sinclair took over this position from A Lessing who held this position until 31 October 2019. K Sinclair received personal car insurance through a company insurance scheme which benefits the employees of Huge Connect.*

4 *SM Oberholzer, in his capacity as Managing Director of Huge Networks, is a prescribed officer of the Company.*

5 *M Granville, in his capacity as Managing Director of Huge Software, was a prescribed officer of the Company. M Granville took over this position from CWE Rowan who held this position until 17 February 2020.*

6 *L Fourie, in his capacity as Managing Director of Huge Distribution, was a prescribed officer of the Company. L Fourie was the Managing Director of Huge Distribution (formerly Pansmart) at date of acquisition, being 12 May 2019, and remained Managing Director post acquisition. L Fourie resigned on 25 March 2021.*

2020	Services to the Company	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total
RR Burger	–	2 262 445	–	161 366	2 423 811
A Lessing	–	2 196 532	–	77 592	2 274 124
SM Oberholzer	–	1 754 637	–	58 920	1 813 557
CWE Rowan	–	686 011	–	–	686 011
L Fourie	–	1 407 220	–	–	1 407 220
Total	**–**	**8 036 845**	**–**	**297 878**	**8 604 723**

39. Financial instruments and risk management

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

Financial assets by category

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

Group – 2021	Note(s)	Fair value through profit or loss	Financial assets at amortised cost	Total	Fair Value
Loans to associate companies	11	–	63 675 724	63 675 724	63 675 724
Loans receivable	12	–	1 071 857	1 071 857	1 071 857
Investments at fair value	15	420 465	–	420 465	420 465
Trade and other receivables	13	–	80 401 199	80 401 199	80 401 199
Cash and cash equivalents	19	–	29 462 197	29 462 197	29 462 197
		420 465	**174 610 977**	**175 031 442**	**175 031 442**

Group – 2020	Note(s)	Fair value through profit or loss	Financial assets at amortised cost	Total	Fair Value
Loans to associate companies	11	–	70 703 558	70 703 558	70 703 558
Loans receivable	12	–	540 331	540 331	540 331
Investments at fair value	15	403 640	–	403 640	403 640
Trade and other receivables	13	–	58 391 087	58 391 087	58 391 087
Cash and cash equivalents	19	–	40 152 606	40 152 606	40 152 606
		403 640	**169 787 582**	**170 191 222**	**170 191 222**

Company – 2021	Note(s)	Fair value through profit or loss	Financial assets at amortised cost	Total	Fair Value
Loans to Group companies	11	–	183 586 729	183 586 729	183 586 729
Loans to associate companies	11	–	1 206 542	1 206 542	1 206 542
Investments at fair value	15	457 495 465	–	457 495 465	457 495 465
Trade and other receivables	13	–	50 167 534	50 167 534	50 167 534
Cash and cash equivalents	19	–	1 669 758	1 669 758	1 669 758
		457 495 465	**236 630 563**	**694 126 028**	**694 126 028**

Company – 2020	Note(s)	Fair value through profit or loss	Financial assets at amortised cost	Total	Fair Value
Loans to Group companies	11	–	169 997 539	169 997 539	169 997 539
Loans to associate companies	11	–	1 206 542	1 206 542	1 206 542
Investments at fair value	15	457 478 640	–	457 478 640	457 478 640
Trade and other receivables	13	–	3 553 471	3 553 471	3 553 471
Cash and cash equivalents	19	–	19 550 522	19 550 522	19 550 522
		457 478 640	**194 308 074**	**651 786 714**	**651 786 714**

Financial instruments and risk management (continued)

Financial liabilities by category

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

Group – 2021	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	25	31 779 691	31 779 691	31 779 691
Interest-bearing liabilities	23	152 040 034	152 040 034	152 040 034
Lease liabilities	5	15 833 273	15 833 273	15 833 273
Bank overdraft	19	12 177 266	12 177 266	12 177 266
		211 830 264	**211 830 264**	**211 830 264**

Group – 2020	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	25	43 864 842	43 864 842	43 864 842
Interest-bearing liabilities	24	172 519 872	172 519 872	172 519 872
Lease liabilities	5	20 816 549	20 816 549	20 816 549
Bank overdraft	19	891 249	891 249	891 249
		238 092 512	**238 092 512**	**238 092 512**

Company – 2021	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	25	1 474 290	1 474 290	1 474 290
Lease liabilities	5	3 649 698	3 649 698	3 649 698
Interest-bearing liabilities	23	121 448 845	121 448 845	121 448 845
		126 572 833	**126 572 833**	**126 572 833**

Company – 2020	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	25	396 633	396 633	396 633
Lease liabilities	5	4 523 418	4 523 418	4 523 418
Interest-bearing liabilities	23	142 519 872	142 519 872	142 519 872
		147 439 923	**147 439 923**	**147 439 923**

Financial instruments and risk management (continued)

Fair value estimation

Discovery endowments

The discovery endowments have been classified at level 3 of the fair value hierarchy for the reporting period in terms of IFRS13 Fair Value Measurement. The fair value of the Discovery Invest Endowment plan is determined using observable direct inputs provided by Discovery. The value per the statement at year-end is therefore deemed to be the fair value amount as per IFRS 13. Refer to note 15 (investments at fair value).

Preference shares

The preference shares have been classified at level 3 of the fair value hierarchy for the reporting period in terms of IFRS13 Fair Value Measurement. The fair value has been estimated using the Gordon's Growth Model. The Gordon's Growth Model requires management to make assumptions about the model inputs, including forecast dividends growing at a constant rate, and the required rate of return. The probabilities of the various estimates within range can be reasonably assessed and are used in management's estimate of fair value of these unquoted equity investments. Refer to note 15 (investments at fair value).

Inputs utilised to compute the fair value of the preference shares

- Preference dividend rate in accordance with the preference share agreement (the Agreement) of prime plus 1%.
- Subscription price of R457 075 000 in accordance with the Agreement.
- Prime rate forecast for FY2022 sourced from Investec Economy Outlook 31.3.2021. The average prime rate for FY2022 is forecasted to be 7.44.
- Dividends forecast for FY2022 amounting to R38.6 million.
- The FY2022 dividend divided by the average required rate of return of 8.44% computes the fair value of the preference shares at R457.1 million.
- The R457.1 million valuation is considered reasonable as this has been assessed by an independent expert.

Stress testing and sensitivity measures

- Should the required rate of return decrease by 0.25%, from 8.44% to 8.19% the fair value of the preference shares would increase by R13.9 million.
- Should the required rate of return increase by 0.25% from 8.44% to 8.69% the fair value of the preference shares would decrease by R13.2 million.

Profit warranty accrual

The profit warranty accrual has been classified at level 3 of the fair value hierarchy for the reporting period in terms of IFRS13 Fair Value Measurement. The fair value is determined utilising the signed agreement between Otel Communications and Huge Telecom. The fair value was based on unobservable market inputs including Huge Network profit as at year end. The fair value is calculated by determining Huge Networks' profit shortfall as at year-end for each year as per the signed agreement and then multiplying this by the Huge Telecoms percentage shareholding in Huge Networks. Any estimated profits used to derive the existing fair value are solely based on the underlying operating entity's management assumptions and market estimates on financial growth, costs and performance. Refer to note 13 (trade and other receivables).

Inputs utilised to compute the fair value of the profit warranty accrual

- Huge Networks profit after tax for FY2020, FY2021 and forecast for FY2022.
- In accordance with the Otel Communications sale of business agreement, the profits in each of the above years shall not be less than the stipulated profit threshold, being R10.4 million.
- In the event of a breach, 50% of the difference between the stipulated profit threshold and the Huge Networks' profit for each of the years above, will form a part of the profit warranty accrual against Otel Communications.
- The fair value of the accrual utilises actual FY2020 and FY2021 shortfalls against the stipulated profit threshold amounting to R10.1 million.

Telephone line network asset

The telephone line network has been classified at level 3 of the fair value hierarchy for the reporting period in terms of IFRS13 Fair Value Measurement. The fair value is determined by utilising unobservable inputs from multiple market players within the industry, being independent industry expert consultants, whereby inputs have been assessed for reasonability and applied in order to compute a fair estimation of the valuation of the telephone line network.

Inputs utilised to compute the fair value of the telephone line network asset

- Forward looking information including the expected annual growth rate of revenue of 4.60% at a discount rate of 4.67% for the preceding 5 years discounted to obtain the current average discounted revenue value of R200.6 million.
- The average number of telephone lines for the current reporting period, being 41 784, over the average discounted value computed above provides a new average value per telephone line based on forward looking information of R4 800.
- The above inputs produce the fair value for the telephone line network asset utilising the actual number of telephone lines at the end of the reporting period, being 40 360, multiplied by the newly computed fair value of R4 800 per telephone line and substantiating a value of R193.7 million.
- The R193.7 valuation is considered reasonable as this has been assessed by an independent expert.

Financial instruments and risk management (continued)

Fair value estimation (continued)

Detail assessment of inputs for reasonability:

- In order to determine the appropriate discount rate to use the fact that the cash flows only related to revenue was noted. The use of a WACC is not considered appropriate due to the fact that the discount rate is not specific enough for the revenue cash flows. Therefore, the normalised inflation rate is considered a better rate to use to discount the revenue cash flows. The average inflation rate for the past 5 years have been obtained and the normalised inflation rate computed is 4.67%.
- In considering the Telecom Grouping, the decreases in revenue over the last 3 financial years was considered. These decreases relate to many external factors (e.g. COVID-19, poor economic conditions). It was determined that using historical data would not lead to reliable predictions. Huge Telecom has recently signed contracts with new service providers and plans to expand its operations and increase its annuity revenue. Management have compared the growth rate in FY2022 of 5% with the growth rate in FY2021. Management took into account that the growth rate of 5% in FY2021 not only included growth in the revenue value but also growth in customers. It is noted that the weighted average increase of revenue within the telecommunication sector over the last 6 financial years is 5.78%.
- However, due to the fact that Huge Telecoms has showed a decline in voice connectivity revenue over the past 3 financial periods, management decided to apply a conservative growth rate of 4.60% per annum, which is closer to the current inflation rate of 4.28% in the current financial period.
- In addition, management has elected to rank the revenue from likely to unlikely. FY2020 was considered the most likely and FY2021was considered the least likely, due to the impact of COVID-19.
- In order to determine the revenue to be generated by Huge Telecoms in FY2022 for voice connectivity services, the actual revenue for the FY2021 financial period of R179.3 million was utilised and normalised to R185.0 million (i.e months have been removed where anomalies were present). The remaining months were then annualised and multiplied by the expected annual growth rate of 4.60% to identify the expected revenue to be generated in FY2022.

Refer to note 4 (property, plant and equipment).

Refer to accounting policies paragraph 5.2 (change in accounting policy) and paragraphs 5.4 (significant judgements) for further detail.

Fair value hierarchy

The following table presents the fair value measurement hierarchy of the Group's assets:

	Group		Company	
	2021	2020	2021	2020
	Level 3	Level 3	Level 3	Level 3
Discovery Invest Endowment Plan	420 465	403 640	420 465	403 640
Preference shares	-	-	457 075 000	457 075 000
Profit warranty accrual	10 072 989	5 210 553	-	-
Telephone line network asset	193 757 454	-	-	-
Total assets	**204 234 083**	**5 614 193**	**457 495 465**	**457 478 640**

Financial instruments and risk management (continued)

Fair value hierarchy (continued)

Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on the inputs that are not based on observable market data (level 3):

Profit Warranty Accrual	Group
Opening balance at 1 March 2019	**-**
Accrual raised	5 210 553
Balance at 1 March 2020	**5 210 553**
Accrual raised	4 862 436
Closing balance at 28 February 2021	**10 072 989**

Telephone line network asset	Group
Opening Balance at 1 March 2020	**174 922 429**
Decommissioning of telephone lines	(11 529 788)
Revaluation	32 507 513
Derecognition due to decommissioning	(2 142 700)
Closing balance at 28 February 2021	**193 757 454**

Preference Shares	Company
Opening Balance at 1 March 2019	**-**
Equity investment additions	457 075 000
Fair value gains/(losses) through profit or loss	-
Equity investment disposals	-
Balance at 1 March 2020	**457 075 000**
Equity investment additions	-
Fair value gains/(losses) through profit or loss	-
Equity investment disposals	-
Closing balance at 28 February 2021	**457 075 000**

Stress testing and sensitivity measures

Comprehensive stress testing is conducted by the Group, in which the following, at a minimum, are considered:

- 5-year historical movement in telephone lines in order to obtain highest percentage movement, lowest percentage movement and mid-point percentage movement off historical trends;
- 5-year historical line and minute revenue in order to obtain highest percentage movement, lowest percentage movement and mid-point percentage movement off historical trends;
- Scenario testing to evaluate plausible future events on revenue growth off financial growth plans of the Telecom Grouping.

Sensitivity of revenue per line

Based on the above, the sensitivity outcomes are as follows:

- Highest point of historical average revenue generated per active telephone line, of R6 795 (the active telephone lines remaining constant) being a 38% increase on the current average revenue generated per line, results in a 47% increase in the fair value of the telephone line network, amounting to R283.9 million.
- Mid-point of historical average revenue generated per active telephone line, of R5 185, being a 5% increase on the current average revenue generated per line, results in a 12% increase in the fair value of the telephone line network, amounting to R216.6 million.
- Lowest point of historical average revenue generated per active telephone line, of R4 313, being a 12% decrease on the current average revenue generated per line, results in a 7% decrease in the fair value of the telephone line network, amounting to R180.2 million.

Sensitivity of number of active lines

Based on the above, the sensitivity outcomes are as follows:

- Highest point of historical average number of active lines at the average revenue generated per line (average revenue generated per line remaining constant) results in a 2% increase in the current number of active telephone lines, being 42 514, which results in a 8% increase in the fair value of the telephone line network, amounting to R197.1 million.
- Mid-point of historical average number of active lines at the average revenue generated per line (average revenue generated per line remaining constant) results in no change in the fair value of the telephone line network asset as the average number of active telephone lines closely approximates the current average number of active telephone lines.
- Lowest point of historical average number of active lines at the average revenue generated per line (average revenue generated per line remaining constant) results in a 4% decrease in the current number of active telephone lines, being 40 079, which results in a 4% decrease in the fair value of the telephone line network, amounting to R185.9 million.

Financial instruments and risk management (continued)

Fair value hierarchy (continued)

Sensitivity based on forward-looking information

Based on the above, the sensitivity outcomes are as follows:

- FY2022 forward-looking average number of active telephone lines at the average forward-looking revenue generated per telephone line (average revenue generated per line remaining constant at R4 802) results in a 13% increase in the current number of active telephone lines to 47 164 telephone lines, resulting in a 17% increase in the fair value of the telephone line network, amounting to R226.5 million.
- FY2023 forward-looking average number of active telephone lines at the average forward-looking revenue generated per telephone line (average revenue generated per line remaining constant) results in a 52% increase in the current number of active telephone lines to 63 333 telephone lines, resulting in a 57% increase in the fair value of the telephone line network, amounting to R 304.1 million.
- FY2024 forward-looking average number of active telephone lines at the average forward-looking revenue generated per telephone line (average revenue generated per line remaining constant) results in a 109% increase in the current number of active telephone lines to 87 508 telephone lines, resulting in a 117% increase in the fair value of the telephone line network, amounting to R420.2 million.

Fair value measurements for financial instruments not measured at fair value:

Financial assets at amortised cost - The carrying value of current receivables and assets measured at amortised cost approximates their fair value. The fair values of the majority of the non-current receivables and assets measured at amortised costs do not significantly differ from their carrying values due to their short-term nature.

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 note 23 (interest-bearing liabilities), loans as disclosed in notes 11 (loans to associate/Group companies), 12 (loans payable) and 25 (trade and other payables) as well as equity as disclosed in the statement of financial position and non-controlling interest in note 22 (non-controlling interest).

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure, and it adjusts the capital structure 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 amounts of dividends paid to shareholders, return capital to shareholders, issue Shares, or sell assets to reduce debt.

There are externally imposed capital requirements. Refer to bank covenants in notes 19 (cash and cash equivalents) and 23 (interest-bearing liabilities).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and having access to available funding in terms of an adequate amount of committed credit facilities. Prudent liquidity risk management also applies to the ability to close out market positions. Due to the dynamic nature of the underlying 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 the scheduled debt servicing payments of 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 a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day outlook period are identified monthly. Net cash requirements are compared to available borrowing facilities to determine headroom or shortfalls. This analysis indicates whether available borrowing facilities are expected to be sufficient over the outlook period.

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date 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.

There are no amounts, in the current or previous reporting periods, in trade and other receivables subject to legal dispute.

Financial instruments and risk management (continued)

Liquidity risk (continued)

Group	Note(s)	Carrying value	Contractual cash flow	Between one and 12 months	Between one and five years
Non-current liabilities					
Interest-bearing liabilities	23	100 776 683	130 236 815	-	130 236 815
Lease liabilities	5	10 968 782	11 972 013	-	11 972 013
Current liabilities					
Trade and other payables	25	31 779 691	31 779 691	31 779 691	-
Lease liabilities	5	4 864 491	6 024 383	6 024 383	-
Interest-bearing liabilities	23	51 263 351	55 938 461	55 938 461	-
Bank overdraft	19	12 177 266	12 177 266	12 177 266	-
At 28 February 2021		**211 830 264**	**248 128 629**	**105 919 801**	**142 208 828**
Non-current liabilities					
Interest-bearing liabilities	23	120 936 298	147 335 065	–	147 335 065
Lease liabilities	5	14 509 005	15 432 680	–	15 432 680
Current liabilities					
Trade and other payables	25	43 864 842	43 864 842	43 864 842	–
Lease liabilities	5	6 307 544	8 790 676	8 790 676	–
Interest-bearing liabilities	23	51 583 574	56 121 399	56 121 399	–
Bank overdraft	19	891 249	891 249	891 249	–
At 29 February 2020		**238 092 512**	**272 435 911**	**109 668 166**	**162 767 745**

Company	Note(s)	Carrying value	Contractual cash flow	Between one and 12 months	Between one and five years
Non-current liabilities					
Interest-bearing liabilities	23	100 776 683	130 236 815	-	130 236 815
Lease liabilities	5	2 617 746	2 849 079	-	2 849 079
Current liabilities					
Trade and other payables	25	1 474 290	1 474 290	1 474 290	-
Interest-bearing liabilities	23	20 672 162	20 672 162	20 672 162	-
Lease liabilities	5	1 031 952	1 304 763	1 304 763	-
At 28 February 2021		**126 572 833**	**156 537 109**	**23 451 215**	**133 085 894**
Non-current liabilities					
Interest-bearing liabilities	23	90 936 298	90 936 298	–	90 936 298
Lease liabilities	5	3 649 698	4 153 843	–	4 153 843
Current liabilities					
Trade and other payables	25	396 633	396 633	396 633	–
Interest-bearing liabilities	23	51 583 574	51 583 574	51 583 574	–
Lease liabilities	5	873 720	1 230 908	–	1 230 908
At 29 February 2020		**147 439 923**	**148 301 256**	**51 980 207**	**96 321 049**

Financial instruments and risk management (continued)

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates of interest expose the Group's cash flow to changes in the level of those interest rates. The Group's borrowings are variable rate borrowings which are denominated in Rand. The sensitivity analysis is based on year-end exposures.

At 28 February 2021, 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 immaterially affected.

Variable interest rate instruments		**Group**		**Company**	
	Note(s)	**2021**	2020	**2021**	2020
Cash and cash equivalents	19	(17 284 931)	39 261 357	1 669 758	19 550 522
Interest-bearing liabilities	23	(152 040 034)	(172 519 872)	(121 448 845)	(142 519 872)
Lease liabilities	5	(15 833 273)	(20 816 549)	(3 649 698)	(4 523 418)
		(185 158 238)	**(154 075 064)**	**(123 428 784)**	**(127 492 768)**

Exposure to 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 investments in debt securities.

The carrying amounts of financial assets represents the Group's maximum credit exposure.

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

Included in other receivables are amounts receivable from related parties to which the Group has applied the general impairment model. The Group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables is limited and consequently the probability of default relating to these balances is low.

Management of the relevant entities within the Group have established a credit policy which is aligned to the Group's policy, under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings including credit scoring (TBD47) and Compuscan, financial statements, credit agency information, industry information and bank references. Credit limits are established for each customer and are reviewed quarterly. Any sales exceeding these credit limits require approval from management of the relevant entities within the Group in accordance with Group policy. 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.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers. 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 credit losses in respect of trade and other receivables. The main components of this credit loss allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that may be incurred but may not yet be identified. The collective loss allowance is determined based on the historical data of payment statistics for similar financial assets.

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

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of credit loss (including but not limited to external ratings, annual financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

The Group uses a credit loss allowance matrix to measure the expected credit losses of trade receivables from customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off utilising historical data over the past six years.

Risk levels are assigned to the customer status: Level 1 relates to trade and other receivables balances outstanding where the risk of default did not increase during the current year – therefore a lower risk factor has been applied, Level 2 relates to trade and other receivables balances where the risk of default did increase in the current year and therefore a mid to low risk factor has been applied and Level 3 relates to trade and other receivables balances which are considered to be credit impaired and a high risk factor has been applied.

The Group's historical credit loss experience identifies the requirement to disaggregate the trade and other receivables into further risk profiles relating to a customer's credit status. These risk profiles include active, suspended, payment plan, disconnected and handed-over, pending. In monitoring customer credit risk, customers are grouped according to these profiles and the credit risk levels and expected credit loss rate is assigned to these profiles. The provision for credit losses is therefore based on past due status of these profiles.

Financial instruments and risk management (continued)

Exposure to credit risk (continued)

The exposure to credit risk and expected credit loss allowances for trade and other receivables is determined as follows:

Trade receivables – Group	2021 Estimated gross carrying amount at default	2021 Loss allowance rate	2021 Loss allowance[1]	2020 Estimated gross carrying amount at default	2020 Loss allowance rate	2020 Loss allowance
Active	44 435 852	2.2%	958 968	36 438 977	5.4%	1 950 602
Disconnected	522 738	75.0%	392 053	367 161	71.3%	261 628
Payment plan	4 132 882	18.3%	758 059	1 005 151	15.8%	158 832
Handover pending	2 866 950	63.3%	1 814 773	12 319 763	35.6%	4 390 658
Suspended	33 352 988	86.5%	28 834 046	16 968 198	94.4%	16 016 923
Total	**85 311 410**		**32 757 894**	**67 099 250**		**22 778 643**

1 *As trade receivables are being managed on a collective basis, the details relating to each profile is as follows:*

a) Active – Customers where no risks of non-payment have been identified and fall within the current to 30-day ageing brackets;

b) Disconnected – Customers who are in the 90-120 day ageing brackets who have defaulted on payment;

c) Payment plan – Customers who have defaulted but have subsequently entered into formal or informal payment plans;

d) Handover pending – Disconnected customers who have defaulted further and where a greater loss allowance has been applied;

e) Suspended – Relates to a customers who have been handed over to legal.

Assessments performed at year end highlight an increase in customers who have defaulted but have subsequently entered into formal or informal payment plans which is mainly as a result of COVID-19. An increased loss allowance rate has been raised on these customers. Subsequent assessments post year end on these customers have identified recoverability and thus the level of credit loss raised on these customers has been assessed as reasonable. A number of customers were handed over to legal during FY2021, mainly related to the fraud that occurred in Huge Connect in the prior year. Legal proceedings are still underway and the recoverability of these trade and other receivable balances are being closely monitored.

Reconciliation of credit loss allowances

The following table shows the movement in the credit loss allowance (lifetime expected credit losses) for trade and other receivables:

	2021	2020
Opening balance in accordance with IFRS 9	(22 778 642)	(3 157 159)
Amounts written off against provision	5 622 519	1 356 910
Amounts recovered	(849 848)	(819 405)
Business combination additions	-	(3 037 621)
Net increase in loss allowance	(14 751 923)	(17 121 368)
Closing balance	**(32 757 894)**	**(22 778 643)**

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

Financial assets exposed to credit risk at year-end were as follows:

Group	Note(s)	2021 Gross carrying amount	2021 Credit loss allowance	2021 Amortised cost/fair value	2020 Gross carrying amount	2020 Credit loss allowance	2020 Amortised cost/fair value
Loans to associate companies	11	63 675 724	–	63 675 724	70 703 558	–	70 703 558
Loans receivable	12	1 071 857	–	1 071 857	540 331	–	540 331
Trade and other receivables	13	113 159 093	(32 757 894)	80 401 199	81 169 730	(22 778 643)	58 391 087
Contract assets	14	4 287 278	–	4 287 278	7 069 614	–	7 069 614
Cash and cash equivalents	19	17 284 931	–	17 284 931	40 152 606	–	40 152 606
		199 478 883	**(32 757 894)**	**166 720 989**	**199 635 839**	**(22 778 643)**	**176 857 196**

Financial instruments and risk management (continued)

Exposure to credit risk (continued)

Company	Note(s)	2021 Gross carrying amount	2021 Credit loss allowance	2021 Amortised cost/fair value	2020 Gross carrying amount	2020 Credit loss allowance	2020 Amortised cost/fair value
Loans to group companies	11	183 586 729	–	183 586 729	191 236 074	(21 238 535)	169 997 539
Loans to associate companies	11	1 206 542	–	1 206 542	1 206 542	–	1 206 542
Trade and other receivables	13	26 832 716	–	26 832 716	3 553 471	–	3 553 471
Cash and cash equivalents	19	1 669 758	–	1 669 758	19 550 522	–	19 550 522
		213 295 745	–	**213 295 745**	**215 546 609**	**(21 238 535)**	**194 308 074**

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.

The Group's management considers that all of 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.

Loans to Group companies and shareholders are assessed in accordance with IFRS 9. The expected credit losses are calculated using historical and forward-looking potential default risks. Each entity within the Group has the necessary means to settle its obligations and no risk of default or concern has been identified through the IFRS 9 credit loss allowance process. No credit loss allowance has therefore been raised on these related party balances.

Reconciliation of provision for impairment of trade and other receivables

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.

Cash and cash equivalents

The Group held cash and cash equivalents of R17 284 931 at 28 February 2021 (FY2020: R39 261 357). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Standard & Poor's ratings.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Group did not recognise an impairment allowance for cash and cash equivalents. At 28 February 2021 the Group's assessment of expected credit losses of cash and cash equivalents was not material and therefore no impairment allowance was raised.

40. Events after the reporting period

Share Repurchase Programme

The Company repurchased 143 300 Shares amounting to R903 422 at an average price of 630 cents per Share. The Shares will be delisted during FY2022.

COVID-19

The Board has assessed the potential impact on Huge's performance and liquidity in the short to medium term. The going concern assumption, as adopted in the preparation of the interim financial statements, remains applicable. The Board will continue to monitor this position as more data becomes available and if circumstances change.

Other matters

The Directors are not aware of any other significant matters or circumstances arising after the end of the reporting period, which are or will not otherwise be dealt with in the AFS and which affect the financial position of the Group or the results of its operations up to the date of this Report.

41. Going concern

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

The Board has not identified any events or conditions that individually or collectively cast significant doubt on the ability of the Company and the 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.

42. Supplementary Information

MTN Migration

The MTN migration was fully completed by 25 November 2020.

Resignation of non-executive Director

Huge announced on 23 September 2020 that Steve Tredoux, an independent non-executive Director, resigned from the Board. The Board wishes to extend its gratitude to Mr Tredoux for his significant contribution to the Company over twelve years and wishes him all the best for his future endeavours.

Dividends

The Board is cognisant that these are very uncertain times. The Board requires more time to determine whether or not there might be circumstances that might have a negative impact on the businesses within the Group and its cashflows which could negatively impact the Company's decision to declare and pay dividends. The Board is of the view that it is prudent to wait for some time to elapse before making any final decision regarding a dividend declaration for the year ended 28 February 2021.

Litigation

Litigation occurs 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.

The Board is closely monitoring the dispute between Huge Cellular and Cell C Service Provider Company Proprietary Limited (Cell C SPC) and the claims that Cell C SPC have made (the Cell C SPC Claims) against Huge Cellular. The Cell C SPC Claims are the subject of an arbitration, the outcome of which is unknown. The details of the arbitration are subject to legal privilege. If any claim relating to the Cell C SPC Claims is made against Huge, Huge will make the disclosures required in terms of IAS37.

Normalised statements and notes

In the prior year, shareholders of Huge approved the granting of options to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. IFRS requires Huge to create a share-based payment equity reserve equal to the independent calculation of the value of the options and to do so by making non-cash charges in the statement of profit or loss and other comprehensive income of R 34.6 million in the current reporting period, an additional R7.4 million in FY2022 and a marginal amount in FY2023. These charges are non-cash charges that have no effect on the operating performance of our underlying companies. To deal with similar accounting transactions like this share-based payment expense, Huge has introduced, and will continue to use, additional measures of EPS and HEPS which better reflect normalised profit for a period based on operating performance. The normalised statement of profit or loss and other comprehensive income as well as the normalised earnings and headline earnings per share can be found below on pages 166 to 169.

Included in the normalised statements and notes below are the normalised statement of profit or loss and other comprehensive income, normalised segment report and the normalised earnings and headline earnings per share.

Supplementary Information (continued)

NORMALISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2021

This normalised statement of profit or loss and other comprehensive income is the responsibility of the Board and is provided to shareholders to illustrate the operating performance of the Group had the Group not had to raise the R34 609 702 IFRS2 share-based payment expense relating to the Executive Share Option Agreements. Due to its nature, it may not fairly present profit or loss and other comprehensive income. Further detail relating to the Executive Share Option Agreements can be found in note 21 (share-based payment reserve).

		Group		Company	
Figures in Rand	Note(s)	**2021**	2020	**2021**	2020
Revenue	26	469 857 500	492 144 782	23 050 000	–
Cost of sales	27	(177 148 633)	(154 078 831)	–	–
Depreciation and amortisation[1]	27	(16 010 593)	(29 829 958)	–	–
Impairment of inventory[2]	27	(31 233 433)	–	–	–
Gross profit		**245 464 841**	**308 235 993**	**23 050 000**	**–**
Other income	28	6 719 184	10 418 252	480 910	379 389
Waiver of loans[3]		18 605 878	–	–	–
Decommissioning of telephone lines[4]	4	(11 529 788)	–	–	–
Selling and administration expenses		(44 925 864)	(63 824 045)	(583 931)	(526 367)
Depreciation on right-of-use assets	5	(5 626 563)	(6 865 550)	(1 050 381)	(1 050 381)
Employee costs		(93 469 081)	(96 061 016)	–	–
Movement in credit loss allowances[5]	39	(14 751 923)	(17 121 368)	–	–
Operating profit	29	**100 486 684**	**134 782 266**	**21 896 598**	**(1 197 359)**
Finance income	30	1 285 322	3 717 046	6 244 038	6 719 462
Dividends received	30	–	–	38 334 818	515 075 000
Profit/(loss) from equity accounted investments		(25 011)	20 111	(29 911)	29 911
Profit on sale of property, plant and equipment		1 938 751	1 575 202	–	–
Impairment of investment in subsidiary company[6]		–	–	–	(314 875 274)
Impairment of investment in joint venture company		–	(458 811)	–	–
Reversal of impairment provision on loans to subsidiary company[7]	11	–	–	21 238 535	–
Finance costs	31	(14 208 196)	(19 432 428)	(10 995 782)	(14 388 084)
Finance costs on lease liabilities	5&31	(1 477 930)	(2 140 617)	(357 189)	(427 976)
Profit before taxation		**87 999 620**	**118 062 769**	**76 331 107**	**190 935 680**
Income tax (expense)/income	32	(10 975 695)	(22 739 080)	7 403 486	7 351 365
Profit for the year		**77 023 925**	**95 323 689**	**83 734 593**	**198 287 045**
Attributable to:					
Owners of the parent		73 178 358	95 022 679	83 734 593	198 287 045
Non-controlling interest	22	3 845 567	301 010	–	–
		77 023 925	**95 323 689**	**83 734 593**	**198 287 045**
Other comprehensive income	33				
Items that will not be reclassified to profit and loss:					
Gain on revaluation of property, plant and equipment[8]		30 364 813	–	–	–
Decommissioning of telephone lines[9]		(2 142 700)	–	–	–
Income tax effect		(8 502 157)	–	–	–
	33	**21 862 656**	–	–	–
Total comprehensive income		**98 886 581**	**95 323 689**	**83 734 593**	**198 287 045**
Attributable to:					
Owners of the parent		95 041 014	95 022 679	83 734 593	198 287 045
Non-controlling interest		3 845 567	301 010	–	–
		98 886 581	**95 323 689**	**83 734 593**	**198 287 045**
Earnings per share information					
Basic earnings per share	34	**44.52**	57.58	–	–
Diluted earnings per share	34	**44.18**	57.42	–	–

Supplementary Information (continued)

1 *During the current reporting period the, Group conducted a residual value review of its telephone line network asset, which resulted in changes to the residual value of the telephone lines and thus a change in estimate. As a result, no depreciation has been raised in the current year. Depreciation will only be raised on the telephone line network asset register when its residual value subsequently decreases to an amount below the asset's carrying amount. Refer to note 4 (property, plant and equipment) as well as accounting policy 5.3 (change in estimates and assumptions) for further details.*

2 *Refer to note 17 (inventories), note 27 (cost of sales) and accounting policies 1.3 (significant judgements and sources of estimation uncertainty) for further details.*

3 *Refer to note 12 (loans receivable/payable) for further details.*

4 *Decommissioning of telephone lines relates to the impairment of telephone lines owned by the Group, under the Telecom Grouping, as a result of customer contract cancellations during the reporting period. Refer to note 4 (property, plant and equipment) as well as accounting policy 5.3 (change in estimates and assumptions) for further details.*

5 *Movement in credit loss allowances in the current and prior reporting period relate mainly to an employee fraud that took place at Huge Connect. Billings have ceased and full credit loss allowance provisions have been raised against the outstanding trade and other receivable balance. Further detail relating to the employee fraud can be found in the FY2020 Integrated Report.*

6 *The impairment of investment in subsidiary companies relates to the sale of 16.29% of Huge Connect to Windfall during the previous reporting period. Refer to note 36 (business combinations) for further details relating to the issue of preference shares, impairment of ordinary equity and change in control reserve adjustments relating to this transaction.*

7 *A provision for impairment of loans owing by Huge Media to the Company was raised in previous reporting periods. This loan was settled during the current reporting period and the provision for impairment was subsequently reversed.*

8 *The gain on the revaluation of property, plant and equipment relates to the fair value adjustment on the telephone line network asset raised in the current period. Refer to note 4 (property, plant and equipment) and accounting policy 5.2 (change in accounting policy) for further details.*

9 *The revaluation adjustment is as a result of the decommissioning of the telephone lines in the current period. The revaluation portion of decommissioned lines is reversed against other comprehensive income and property, plant and equipment. Refer to note 4 (property, plant and equipment) for further details.*

Supplementary Information (continued)

NORMALISED EARNINGS AND HEADLINE EARNINGS PER SHARE

2021	Gross	Tax	Net
Profit attributable to owners of the parent adjusted for:	–	–	73 178 358
Impairment of plant and equipment[2]	11 529 788	(3 228 341)	8 301 447
Gain on disposal of property, plant and equipment	(1 938 751)	542 850	(1 395 901)
Headline earnings	**9 591 037**	**(2 685 490)**	**80 083 904**

1 *This normalised basic and headline earnings per share is the responsibility of the Board and is provided to shareholders to illustrate the performance of the Group had the Group not had to raise the R34 609 702 IFRS2: share-based payment expense relating to the Executive Share Option Agreements. However, because of its nature it may not fairly present basic and headline earnings per share.*

2 *Impairment of plant and equipment relates to the decommissioning of telephone lines owned by the Group which are held under property, plant and equipment, in the Telecom Grouping, as a result of customer contract cancellations during the reporting period.*

	Group		Company	
	2021	2020	**2021**	2020
Weighted average number of Shares				
Issued Shares	175 627 077	175 627 077	–	–
Less: Treasury Shares 1 March	(10 397 415)	(10 852 953)	–	–
Outstanding Shares 1 March	**165 229 662**	**164 774 124**	**–**	**–**
Weighted average Shares distributed to The CI Trust share beneficiaries during the year	371 347	262 871	–	–
Weighted average Shares sold by The CI Trust during the year	36 555	–	–	–
Share buy-back - treasury shares held by Huge[1]	(1 272 572)	–	–	–
Weighted average number of Shares in issue at 28 February (basic, and headline)	**164 364 991**	**165 036 995**	**–**	**–**
Share schemes that have a dilutive effect[2]	–	462 243	–	–
Share buy-back anti-dilutive[3]	1 272 572	–	–	–
Weighted average number of Shares in issue at 28 February (diluted)	**165 637 563**	**165 499 238**	**–**	**–**
Per share statistics (cents)			–	–
Normalised earnings per share	44.52	57.58	–	–
Normalised headline earnings per share	48.72	57.03	–	–
Normalised diluted basic earnings per share	44.18	57.42	–	–
Normalised diluted headline earnings per share	48.35	56.87	–	–

1 *The treasury shares held by Huge relate to the share buy-back that took place during the current reporting period. Refer to note 20 (share capital) for additional information.*

2 *The IFRS 2 share-based dilutive effect includes The CI Trust shares. The IFRS 2 share-based effect of the Executive Options was calculated and identified as an anti-dilutive effect for the prior and current reporting period and therefore there is no effect to the earnings and headline earnings calculation.*

3 *The share buy-backs undertaken during the current reporting year were calculated and identified as anti-dilutive for the current reporting period and therefore there is no effect to the earnings and headline earnings calculation. As the share buy-backs would result in an increase in earnings per share they are excluded from the weighted average number of Shares in issue for the computation of basic and headline earnings and thus need to be added back for the weighted average number of Shares in issue utilised in the diluted basic and diluted headline earnings per share computation.*

Supplementary Information (continued)

NORMALISED SEGMENT REPORT

This normalised segment report is the responsibility of the Board and is provided to shareholders to illustrate the performance of the Group had the Group not had to raise the R34 609 702 IFRS2 share-based payment expense relating to the Executive Share Option Agreements. However, because of its nature it may not fairly present the segment report. A comprehensive analysis and explanation on the Executive Share Option Agreements are provided in note 21 (share-based payment reserve).

2021	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Revenue	469 857 500	294 988 231	167 424 099	7 445 170
Cost of sales	(177 148 633)	(121 228 387)	(55 514 111)	(406 135)
Depreciation and amortisation[1]	(16 010 593)	(1 893 715)	(14 116 878)	-
Impairment of inventory[2]	(31 233 433)	(22 801 756)	(8 431 677)	-
Gross profit	**245 464 841**	**149 064 373**	**89 361 433**	**7 039 035**
Other income	6 719 184	6 672 930	46 254	-
Waiver of loans[3]	18 605 878	18 605 878	-	-
Decommissioning of telephone lines[4]	(11 529 788)	(11 529 788)	-	-
Selling and administration expenses	(44 925 864)	(22 448 448)	(11 046 814)	(11 430 602)
Depreciation on right-of-use assets	(5 626 563)	(1 803 334)	(2 772 848)	(1 050 381)
Employee costs	(93 469 081)	(60 340 788)	(18 300 671)	(14 827 622)
Movement in credit loss allowances[5]	(14 751 923)	(5 057 506)	(9 536 017)	(158 400)
Operating profit/(loss)	**100 486 684**	**73 163 317**	**47 751 337**	**(20 427 970)**
Finance income	1 285 322	216 145	356 932	712 245
Loss from equity accounted investments	(25 011)	-	-	(25 011)
Profit on sale of property, plant and equipment	1 938 751	404 618	1 532 245	1 888
Finance costs	(14 208 196)	(3 205 156)	(7 257)	(10 995 783)
Finance costs on lease liabilities	(1 477 930)	(572 436)	(548 305)	(357 189)
Profit/(loss) before taxation	**87 999 620**	**70 006 488**	**49 084 952**	**(31 091 820)**

1 *During the current reporting period the Group conducted a residual value review of its telephone line network asset, which resulted in changes to the residual value of the telephone lines and thus a change in estimate. As a result, no depreciation has been raised in the current year. Depreciation will only be raised on the telephone line network asset register when its residual value subsequently decreases to an amount below the asset's carrying amount. Refer to note 4 (property, plant and equipment) as well as accounting policy 5.3 (change in estimates and assumptions) for further details.*

2 *Refer to note 17 (inventories), note 27 (cost of sales) and accounting policy 5.2 (change in estimates and assumptions) for further details.*

3 *Refer to note 36 (business combinations) for further details.*

4 *Decommissioning of telephone lines relates to the impairment of telephone lines owned by the Group, under the Telecom Grouping, as a result of customer contract cancellations during the reporting period.*

5 *Movement in credit loss allowances in the current and prior reporting period relate mainly to an employee fraud that took place at Huge Connect. Billings have ceased and full credit loss allowance provisions have been raised against the outstanding trade and other receivable balance. Further detail relating to the employee fraud can be found in the FY2020 Integrated Report.*

SHAREHOLDER ANALYSIS

	2021		2020	
	Number of Shares	**Number of Shareholders**	Number of Shares	Number of Shareholders
Public	87 402 603	987	84 036 755	723
Non-Public	86 261 163	19	91 590 322	22
	173 663 766	**1 006**	**175 627 077**	**745**

Non-Public Shareholder Analysis	**2021** **Number of Shares**	**Number of Shareholders**	2020 Number of Shares	Number of Shareholders
Shareholders related to directors of Huge	318 370	2	268 370	1
Shareholders related to directors of major subsidiaries	50 813	2	32 253	2
Beneficial direct holdings relating to directors of Huge	**369 183**	**4**	**300 623**	**3**
Shareholdings related to directors of Huge	-	-	–	–
Shareholdings related to the directors of major subsidiaries	12 315 642	5	17 004 667	6
Beneficial indirect holdings relating to directors of Huge	**12 315 642**	**5**	**17 004 667**	**6**
Shareholdings related to directors of Huge	24 504 958	4	24 445 549	4
CNet Empowerment (Pledged)	-	-	1 706 728	1
CNet Empowerment	2 724 454	1	1 017 726	1
Associates of directors of Huge	200 000	3	200 000	3
Associates of directors of major subsidiaries	-	-	30 114	1
Non-beneficial indirect holdings relating to directors of Huge	**27 429 412**	**8**	**27 400 117**	**10**
Treasury shares (Huge Telecom)	9 646 926	1	9 646 926	1
Treasury shares (The CI Trust)	-	-	737 989	1
Treasury shares relating to entities controlled by Huge	**9 646 926**	**1**	**10 384 915**	**2**
Praesidium Hedge Fund	36 500 000	1	36 500 000	1
TOTAL	**86 261 163**	**19**	**91 590 322**	**22**

		2021		2020
Major Shareholders	**Number of Shares**	**% Shareholding**	Number of Shares	% Shareholding
Praesidium Hedge Fund	36 500 000	21.02%	36 500 000	20.78%
Pacific Breeze Trading 417[1]	14 260 891	8.21%	14 260 891	8.12%
Presec Prime Brokers	10 146 022	5.84%	-	-
Standard Chartered Bank	9 967 386	5.74%	9 967 386	5.68%
Eagle Creek Investments 223[1]	9 805 567	5.65%	9 805 567	5.58%
Huge Telecom	9 646 926	5.55%	9 646 926	5.49%
Government Employees Pension Fund	8 623 618	4.97%	9 089 587	5.18%
	98 950 470	**56.98%**	**89 270 357**	**50.83%**

1 *A non-beneficial holding related to JC Herbst.*

SHAREHOLDER ANALYSIS (continued)

Shareholder Analysis and Information	2021 Number of Shareholders	2021 Number of Shares	2020 Number of Shareholders	2020 Number of Shares
Individuals	883	15 468 088	599	16 511 544
Nominees and Trusts	17	21 144 273	22	23 297 423
Close Corporations	6	793 293	2	7 350
Companies, financial and other institutions	100	136 258 112	122	135 810 760
	1 006	**173 663 766**	**745**	**175 627 077**

Size of Shareholding	2021 Number of Shareholders	2021 Number of Shares	2020 Number of Shareholders	2020 Number of Shares
0 – 1000	664	91 664	349	87 564
1001 – 5000	117	333 809	139	509 604
5001 – 100 000	147	3 821 553	171	3 918 741
100 000 – 1 000 000	50	19 555 381	57	22 798 629
1 000 001 +	28	149 861 359	29	148 312 539
Total	**1 006**	**173 663 766**	**745**	**175 627 077**

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 2021 will be held on Tuesday, 31 August 2021 at 11h00 by electronic communication, 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 **Companies 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 (**shares**) are listed.

ELECTRONIC PARTICIPATION

Huge considers the health and safety of its stakeholders as being paramount. The board of directors of the Company (the **Board**) is of the view that it would be in the best interests of stakeholders to convene the AGM by electronic communication only.

Huge has engaged the services of The Meeting Specialist (**TMS**) to host the AGM on an electronic communication platform which will facilitate the remote participation and voting by shareholders. TMS will be available to assist shareholders in registering to participate and vote on the electronic communication platform in accordance with the Companies Act. While voting during the AGM will be permitted, shareholders are strongly encouraged to submit votes by proxy before the AGM. Shareholders wishing to participate in the AGM should instruct their CSDP or broker to issue them with the necessary letter of representation.

Shareholders who wish to participate in the AGM by way of the electronic communication platform are required to contact TMS at JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, Johannesburg, PO Box 62043, Marshalltown, 2107, or proxy@tmsmeetings.co.za, as soon as practically possible, but by no later than 11h00 on Monday, 30 August 2021.

Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the JSE, Huge nor TMS. Neither the JSE, Huge nor TMS can be held accountable in the case of a loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder from participating in and/or voting at the AGM.

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Companies Act, the Board has set the record dates for the purposes of determining which shareholders are entitled to receive notice, participate in, and vote:

	2021
Record date to receive the notice of AGM	Friday, 09 July
Last date to trade to be eligible to participate in and vote at the AGM	Tuesday, 17 August
Record date to be eligible to participate in and vote at the AGM	Friday, 20 August

Kindly note that in terms of section 63(1) of the Companies Act, shareholders (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 license 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 shareholder and shall be entitled to vote. It is requested that forms of proxy be forwarded so as to reach TMS 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 form of proxy to TMS 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 proxy exercising such shareholder’s rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM.

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.
- 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, unless otherwise specified.

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.

PRESENTATION TO SHAREHOLDERS

In terms of the requirements of the Companies Act and the Company's 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 2021
- Directors' Report
- Independent Auditor's Report
- Audit Committee Report
- Social and Ethics Committee Report

A complete set of the AFS, together with the abovementioned reports, are set out in the Integrated Report of which this notice of AGM forms part.

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 Companies Act, the Chairman of the Social and Ethics Committee will report to shareholders at the AGM.

ORDINARY RESOLUTION NUMBER 1

Re-appointment of the independent auditor

"Resolved that Moore Johannesburg Incorporated and CA Whitefield as the designated audit partner, following the recommendation of the current Audit Committee of the Company, be re-appointed as the independent auditor of the Company, until the conclusion of the next AGM."

Explanatory note

In terms of section 90(1) of the Companies Act, each year at its AGM, the Company must appoint an auditor who complies with the requirements of section 90(2) of the Companies Act. Following a detailed review, which included an assessment of its independence, the current Audit Committee of the Company has recommended that Moore Johannesburg Incorporated be re-appointed as the independent auditor of the Company.

ORDINARY RESOLUTION NUMBER 2 (2.1 TO 2.2)

Re-election of directors

"Resolved, to re-elect, by way of separate resolutions, the following non-executive directors who retire by rotation and who are eligible and available for re-election."

2.1 DR Gammie (Independent non-executive director)

2.2 VM Mokholo (non-executive director)

A brief CV of each director appears on pages 38 and 39 of the Integrated Report of which this notice of AGM forms part.

Explanatory note

In terms of the Company's 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 3 (3.1 TO 3.3)

Election of Audit Committee members

"Resolved, to elect, by way of separate resolutions, the following independent non-executive directors as members of the Company's Audit Committee."

3.1 DR Gammie (Chairman)(subject to resolution 2.1)

3.2 CWJ Lyons (Independent non-executive director)

3.3 BC Armstrong (Independent non-executive director)

A brief CV of each director appears on pages 38 and 39 of the Integrated Report of which this notice of AGM forms part.

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 Companies Act. The Board has reviewed the proposed composition of the Audit Committee against the requirements of the Companies Act and Regulations and has confirmed that, if elected, the membership of the Audit 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 Companies Act.

ORDINARY RESOLUTION NUMBER 4

General authority to allot and issue equity securities (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 AGM, the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue up to 30% 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 Companies 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) or rights that are convertible into a class already in issue;

(ii) The securities (including ordinary shares) are issued to public shareholders, as defined in terms of the Listings Requirements, and not to related parties;

(iii) This authority shall not endure beyond the next AGM of the Company, nor shall it endure beyond 15 (fifteen) months of the date of this meeting, whichever period is shorter;

(iv) Upon any issue of securities (including ordinary shares) which, together with prior issues during the last 15 (fifteen) months from the date on which the resolution is passed or until the next AGM (whichever period is shorter), 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 providing full details thereof in terms of the Listings Requirements;

(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) as at the date of this notice of AGM, which, in the case of the Company's listed ordinary shares is 48 629 305 ordinary shares, which is 30% of 171 744 611 listed ordinary shares less 9 646 926 ordinary shares held as treasury shares, as at the date of this notice. Any securities (including ordinary shares) issued under this authority during the period of its validity must be deducted from the above number of ordinary shares 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 such securities (including ordinary shares) measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed or determined between the Company and the party subscribing for the securities (including ordinary shares)."

Explanatory note

In terms of the Listings 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.

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 contained on pages 48 to 49 of the Integrated Report of which this notice of AGM forms part".

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 49 to 51 of the Integrated Report of which this notice of AGM forms part".

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. In the event that either the Remuneration Policy or the Remuneration Implementation Report, or both, have been voted against by 25% (twenty-five per cent) or more of the voting rights exercised by the shareholders, the Company will issue an invitation to shareholders who voted against these resolutions to engage with the Company. Details of such invitation will be communicated in the voting results announcement.

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 Companies Act, the following remuneration shall be payable to non-executive directors of the Company in respect of the year ended 28 February 2021, for their services as directors."

	Fees payable for the financial year ended 28 February 2021		**Proposed fees payable in financial year ended 28 February 2022**	
	Monthly retainer	Meeting attendance fees	Monthly retainer	Meeting attendance fees
Chairman of the Board	R60 000	R18 000	R60 000	R18 000
Chairman of the Audit Committee	R45 000	R18 000	R45 000	R18 000
Chairman of the Risk Committee	R45 000	R18 000	R45 000	R18 000
Chairman of any other Committee	R35 000	R18 000	R35 000	R18 000
Member	R31 000	R18 000	R31 000	R18 000

A non-executive director of two or more committees or a non-executive director who is chairman of the Board and who is a chairman of a committee will be paid the higher of the applicable fees. The fees are not aggregated per role, per non-executive director. These fees are exclusive of Value-Added Tax, where applicable. The increase in fees for FY2021 took effect in November 2020.

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 Companies Act, which stipulate that remuneration 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 47 to 51 of the Integrated Report of which this notice of AGM forms part.

SPECIAL RESOLUTION NUMBER 2

Authority for the Company to grant financial assistance in terms of section 45 of the Companies Act

"Resolved as a special resolution that, in terms of section 45 of the Companies 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 Companies 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 Companies 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 is hereby authorised in terms of section 48(8) of the Companies 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 Company's MOI, the provisions of the Companies 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. If applicable and subject to section 48(8)(b) of the Companies Act, the acquisition of securities (including ordinary shares) as treasury shares 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 securities (including ordinary shares) and provided further that the resolution of the Board and the resolution of the board of directors of any subsidiary company of the Company 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 effected 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 (reported trades are prohibited);
- At any point in time, the Company or the subsidiary company of the Company only appoints one agent to effect 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% 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 effected;
- 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% of the number of securities (including ordinary shares) in issue at the time the general authority for this special resolution is granted and for each 3% in aggregate of the initial number acquired thereafter."

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. On or about 17 March 2021, the Company released an announcement providing shareholders an update on the continuation of the repurchase programme for the FY2021 reporting period and made in accordance with the authority granted by shareholders at the Company's AGM held on Thursday, 8 October 2020.

The Company, or any of its subsidiary companies, operating under the general authority granted by special resolution 3, may continue to repurchase or acquire, as the case may be, ordinary shares, taking to account 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 170

Share capital of the Company – page 131 to 132

MATERIAL CHANGES

Other than the facts and developments reported in the Integrated Report, there have been no material changes in the financial or trading position of the Company and its subsidiary companies between the date of signature of the audit report and the date of this notice of AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

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

By order of the Board

Rokeya Hansa
Company Secretary

Johannesburg
14 July 2021

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 DEMATERIALISED SHAREHOLDERS AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON TUESDAY, 31 AUGUST 2021 AT 11H00, BY ELECTRONIC COMMUNICATION.

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 Company's meeting scrutineers 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 R R0,0001 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 Tuesday, 31 August 2021 at 11h00 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 3):

	Number of votes		
	For	Against	Abstain
Ordinary Resolution Number 1 – Re-appointment of the independent auditor			
Ordinary Resolution Number 2.1 – Re-election of a director: DR Gammie			
Ordinary Resolution Number 2.2 – Re-election of a director: VM Mokholo			
Ordinary Resolution Number 3.1 – Election of Audit Committee member and Chairman: DR Gammie			
Ordinary Resolution Number 3.2 – Election of Audit Committee member: CWJ Lyons			
Ordinary Resolution Number 3.3 – Election of Audit Committee member: BC Armstrong			
Ordinary Resolution Number 4 – 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 – Authority for the Company to grant financial assistance in terms of section 45 of the Companies Act			
Special Resolution Number 3 – General authority to repurchase (acquire) securities (including ordinary shares)			

Every person entitled to vote and who is present at the AGM shall be entitled to either:

(a) One vote, 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
(b) 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 5).

This form of proxy 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 10 and 11)

Signed at on 2021

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.
2. Other shareholders should not use this form of proxy. 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.
3. Shareholders are requested to lodge this form of proxy with the Company's meeting scrutineers, The Meeting Specialist Proprietary Limited, JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, Johannesburg, P O Box 62043, Marshalltown, 2107, or proxy@tmsmeetings.co.za, by not later than 11h00 on Monday, 30 August 2021. 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 form of proxy to the meeting scrutineers 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 proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM.
4. This form of proxy shall apply to all the shares registered in the name of shareholders at the record date unless a lesser number of shares is inserted.
5. 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 the 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 the form of proxy may delegate the authority given to him/her in the 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 the form of proxy.
6. Unless revoked, the appointment of proxy in terms of the form of proxy remains valid until the end of the AGM even if such meeting or a part thereof is postponed or adjourned.
7. If:
   7.1 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
   7.2 the shareholder gives contrary instructions in relation to any matter; or
   7.3 any additional resolution/s which are properly put before the AGM; or
   7.4 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 proxy should vote or abstain from voting in any of the circumstances referred to in 7.1 to 7.4, then the proxy shall comply with those instructions.
8. If the form of proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then the form of proxy will not be effective unless:
   8.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   8.2 the Company has already received a certified copy of that authority.
9. Any alterations made to the form of proxy must be initialled by the authorised signatory/ies.
10. The form of proxy is revoked if the shareholder who granted the proxy:
    10.1 delivers a copy of the revocation instrument to the Company and to the proxy or proxies concerned, so that it is received by the Company prior to the proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM; or
    10.2 appoints a later, inconsistent appointment of proxy for the AGM; or
    10.3 attends the AGM in person.
11. If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own name may, instead of completing the 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 Company's meeting scrutineers, The Meeting Specialist Proprietary Limited, JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, Johannesburg, not later than 11h00 on Monday, 30 August 2021 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

Summary of rights established by section 58 of the Companies Act, 71 of 2008 (**Companies Act**), as required in terms of sub-section 58(8)(b)(i):

1. A shareholder may at any time appoint any individual, including a non-shareholder of the Company, as a proxy to participate in, speak and vote at a shareholders' meeting on his/her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1)(b)).
2. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 below or expires earlier in terms of paragraph 10.4 below (section 58(2)).
3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).
4. A proxy may delegate his/her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy (**proxy instrument**) (section 58(3)(b)).
5. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the Memorandum of Incorporation (**MOI**) of the Company at least 24 hours before the meeting commences.
6. Irrespective of the form of instrument used to appoint a proxy:
   6.1 the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58)4)(a));
   6.2 the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and
   6.3 if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).
7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
8. If the proxy instrument has been delivered to a company, as long as that appointment remains in effect, any notice required by the Companies Act or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so (section 58(6)(b)).
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).

10. If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of proxy instrument:
    - 10.1 the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is 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 connectivity, cloud, software and x-tech markets
Directors:	
Executive	James Herbst (*Chief Executive Officer*)
	Andy Openshaw (*Chief Operating Officer*)
	Samantha Sequeira (*Chief Financial Officer*)
Non-executive	Duarte da Silva *(Independent Chairman)*
	Brian Armstrong *(Independent)*
	Dennis Gammie *(Independent)*
	Craig Lyons *(Independent)*
	Vincent Mokholo
Registered address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg, Gauteng
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng
Postal address	PO Box 1585, Kelvin, 2054
Auditor	Moore Johannesburg Incorporated
Business address	50 Oxford Road, Parktown, Johannesburg 2193
Postal address	PO Box 3094, Houghton, 2041
Company Secretary	Rokeya Hansa
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg, Gauteng
Postal address	PO Box 1585, Kelvin, 2054
Sponsor	Nedbank Corporate Investment Banking, a division of Nedbank Limited 3rd Floor, Block F, 135 Rivonia Campus 135 Rivonia Road, Sandown, Sandton, 2196
Transfer secretaries	Computershare Services Proprietary Limited
Business address	Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Postal address	Private Bag X9000, Saxonwold, 2132
Email	Web.queries@computershare.co.za
Tax reference number	9378909155

CORPORATE INFORMATION (continued)

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 SL Sequeira CA(SA)
Published	14 July 2021

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