



Focus on sustainability

It's our time

HUGE GROUP LTD

**Reviewed Provisional Condensed
Consolidated Financial Results**

For the year ended
29 February 2020

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

01 Strategic Performance

Comments from Chief Executive Officer, James Herbst



Most of FY2020 was characterized by a poor local macroeconomic environment. This poor economic backdrop has been exacerbated in the first half of the 2021 reporting period (**FY2021**), which might prove to be an 'annus horribilis' for society as a whole. In the past 12 months, the economy has faltered and suitable opportunities for growth have become more challenging. Notwithstanding, Huge has continued to deliver satisfactory growth in revenue and earnings. In the face of these challenges, Huge has demonstrated its defensive attributes and its capacity to withstand unprecedented and exceptional shocks.

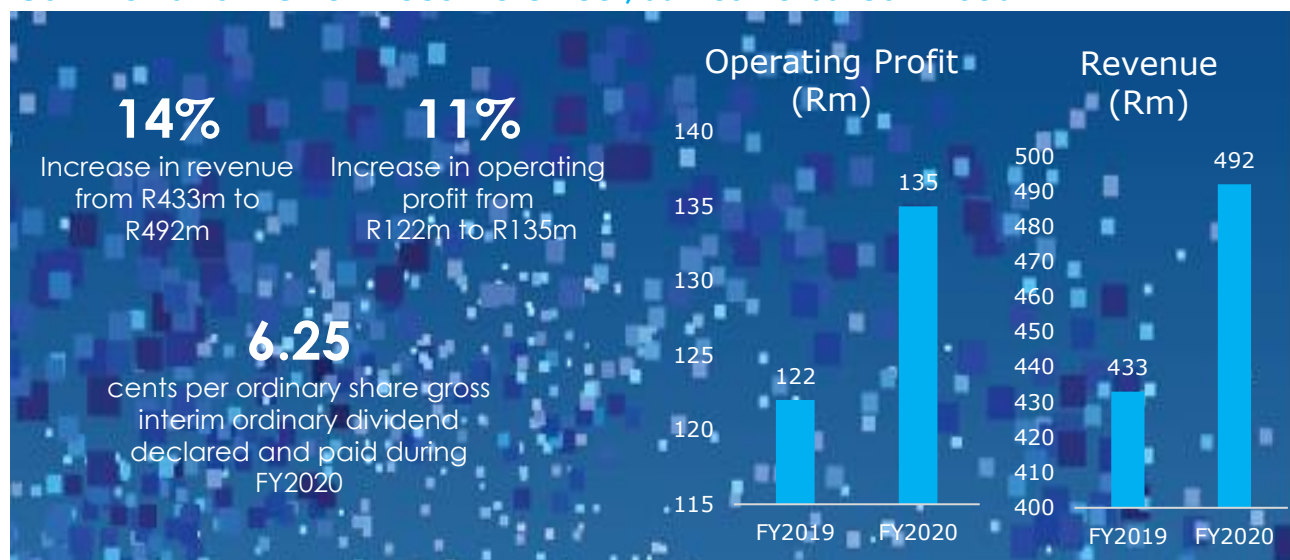
Huge's achievements in FY2020 have been facilitated by the addition of new executives. The new position of Chief Operating Officer was created at the start of FY2020 and Andy Openshaw was appointed to it. This role is key in creating the link between the Board, the Chief Executive Officer and the Managing Directors of the various operating companies. The Board notes the positive impact that Andy has made in this role and the work he has undertaken in FY2020 has created the platform for organic growth. Samantha Sequeira was appointed as Chief Financial Officer at the start of FY2020 and the work she has undertaken in strengthening the financial reporting processes at Huge has been nothing short of remarkable. With the reporting foundation laid, Huge can now turn its attention to building the financial management foundations and assurance processes it needs to sustain its growth.

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.

01 Strategic Performance

Comments from Chief Executive Officer, James Herbst continued



Operational overview

Group revenue increased by 14%. While the Telecom Grouping enjoyed a 19% increase in revenue, the Fintech Grouping's revenue gains were modest at 5%. Also, a large part of the Telecom Grouping's revenue increases came through business combinations which did not come without some short-term costs of having to absorb a proportionately higher base of overheads. In the result, Group operating expenses increased by 25%, two-thirds of which is attributable to the business combinations. The remaining portion of the increase in Group operating expenses relates firstly to the settlement of a long outstanding dispute with Telemasters Holdings Limited, which together with impairments of assets previously related to this matter, increased operating costs and secondly increased consulting fees and legal fees related to, amongst other things, the various business combinations undertaken by the Group during FY2020. The increases in operating expenses brought about through the business combinations does present a cost efficiency and cost saving opportunity in the short to medium term through a rationalisation of overhead structures. The disproportionate increase in overheads brought about by the business combinations can be justified because they were concluded without outflows of cash resources and/or without the issue of shares. Group gross profit margins continue to strengthen as the Group reduces costs relating directly to its revenue generation and this is encouraging. High gross margins are testimony to business models which have the prospect of generating substantial growth because there is scope to increase revenues for marginal sacrifices of margin by taking advantage of the elasticity of demand in the prices at which a company sells its services. Group EBITDA of R178 million was generated during FY2020.

The Corporate Office Grouping remains in its infancy, having only been established in the 2018 reporting period. The Corporate Office Grouping is needed to support the Growing Huge Strategy. It includes Group consulting and professional fees, all Group 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, the intention is for the Corporate Office Grouping to be self-funded by fees generated from acquisitions and the oversight of the Group's operating companies.

01 Strategic Performance

Comments from Chief Executive Officer, James Herbst continued

The Group continues to enjoy the support of Futuregrowth Asset Management Proprietary Limited through the ZAR200 Million Term Facility Agreement concluded in December 2018 (the **Facility**).

As at 29 February 2020, the Group's net debt position is R133 million, while it still has access to R20 million in funding. At 28 February 2019, the Group's Debt to EBITDA ratio is 0.75. In terms of the Facility, the Group's Debt to EBITDA ratio may not exceed 2.5 times. The Company 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.

The effective tax rate applicable to Group profit before tax is c. 19% and it is expected that the Group will continue to enjoy this level of effective tax for the medium term.

Future Prospects

Huge's customer real estate informs its investment case, provides a foundation for sustainable annuity revenue and earnings which are defensive in nature and creates a platform for growth and opportunity.

In fortifying the sustainability of the Group, the Board has sought to build an executive team which can support and execute the Growing Huge Strategy, which includes growing by acquisition. The Board is of the view that the changes which have taken place will augment this strategy.

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

The Board continues to explore initiatives to participate in the digital world relating to payments by leveraging its real estate of 48 000 customers and circa 180 000 connected devices.

Huge Connect provides Huge with a platform to pursue high growth opportunities in the area of payments, which is a gateway into Fintech where Huge can create, in partnership with financial institutions, disruptive and innovative solutions for its customer real estate.

The ability to withstand the challenges imposed by Covid-19 will test the viability and sustainability of many companies, including some of Huge's SME customers. Going forward, a key focus for all companies will be balance sheet management, retaining customers and protecting employees.

Huge believes that, through the continued execution of the Growing Huge Strategy, the Group is well positioned to meet this challenge. The ambition of Huge becoming a top 100 listed company remains achievable.

02 Our Huge story

Key performance highlights

Total revenue increased by
14%
from R433 million to R492 million

EBITDA increased by
20%
from R149 million to R178 million

Operating profit increased by
11%
from R122 million to R135 million

Basic earnings per share increased by
1%
from 56.84 cents to 57.58 cents

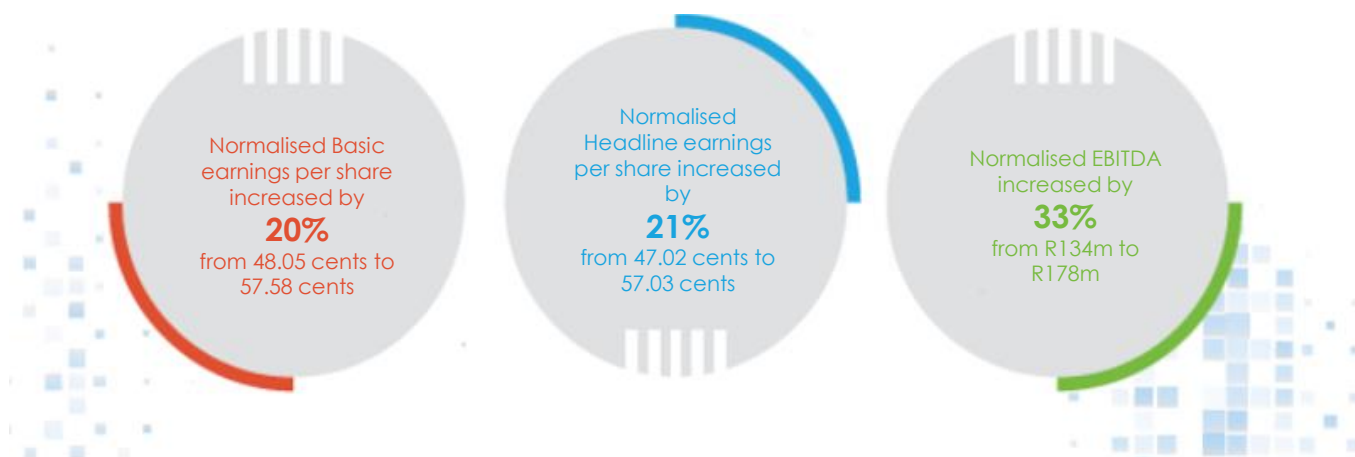
Headline earnings per share increased by
2%
from 55.81 cents to 57.03 cents

Normalised operating profit increased by
26%
From R107m to R135m

Net tangible asset value per share increased by
17%
from 122 cents to 143 cents

02 Our Huge story

Key performance highlights



The normalised performance measures highlighted above have been provided to shareholders to demonstrate the performance of the Group for the year ended 29 February 2020 (**FY2020**) when measured against the performance of the Group for the year ended 28 February 2019 (**FY2019**) by excluding donation income of R14.4 million from the performance for FY2019. The normalised performance measures have not been reviewed but they have been disclosed to provide shareholders with a better indication of the underlying operating performance of the Company, its subsidiary companies and joint venture (the **Group**). The normalised performance measures have been prepared for illustrative purposes only and because of their nature may not fairly present the Company's and the Group's statement of comprehensive income. The presentation of the normalised performance is the responsibility of the board of directors of Huge (the **Board**).

03 Company Profile

Huge Group, a company listed on the Main Board of the JSE Limited (the JSE).

It has five principal operating subsidiary companies:

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



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. It has over 30 000 merchants as customers. The company has also expanded into other markets, including connectivity for ATMs, integrated points of sale, 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 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.



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 corporate organisations of any size and residential consumers, who require a fixed location telephony service.



Pansmart is a provider of Panasonic PABXs to the South African market. It was granted a distribution license by Panasonic in 2016 and has since expanded its market share, complemented by a full technical and sales competency.

04 Independent Auditor's Review Report on the Reviewed Condensed Consolidated Provisional Financial Results



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To the shareholders of Huge Group Limited

Independent auditor's review report on the reviewed condensed consolidated interim financial results

We have reviewed the provisional condensed consolidated financial statements of Huge Group Limited, contained in the accompanying preliminary report, which comprise the provisional condensed consolidated statement of financial position as at 29 February 2020 and the provisional condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Director's Responsibility for the Reviewed condensed consolidated interim financial results

Directors' Responsibility for the Provisional Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these provisional condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

04 Independent Auditor's Review Report on the Reviewed Condensed Consolidated Provisional Financial Results



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Emphasis of Matter

Without qualifying our opinion above, we draw attention to the fact that Management took a view in preparing the consolidated financial statements of Huge Group Limited for the year ended 28 February 2019 that the Connectnet Incentive Trust is an entity controlled by the Group. As a result of Management's conclusion that the Connectnet Incentive Trust is an entity controlled by the Group in terms of IFRS 10, a donation to the value of R14 470 932, which was recognized as income in the separate financial statements of the Connectnet Incentive Trust was consolidated as income of the Group. This donation would not have been included in the consolidated income of the Group if the Connectnet Incentive Trust had been determined to not be an entity controlled by the Group. Our opinion in our Audit Report on the consolidated and separate financial statements for the year ended 28 February 2019 was that the Connectnet Incentive Trust was not an entity controlled by the Group. Accordingly, the opening consolidated retained income as at 1 March 2019 is overstated. As at 29 February 2020, the effect of the consolidation of the Connectnet Incentive Trust has reduced the overstatement of retained income to R7 629 949 and this overstatement will continue to reduce in the coming financial reporting period. The current misstatement is however not material in the current financial reporting period.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the provisional condensed consolidated financial statements of Huge Group Limited for the year ended 29 February 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa.

Moore Johannesburg Inc

Moore Johannesburg Inc.
Registered Auditors

Per: CA Whitefield
Partner
Registered Auditor

29 May 2020
Johannesburg

50 Oxford Road
Parktown
Johannesburg
2193

05 Reviewed Condensed Consolidated Statement of Comprehensive Income

For the year ended 29 February 2020

The Board is pleased to present the reviewed provisional condensed consolidated financial results of the Group for FY2020.

	Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
Figures in Rand		
Total revenue	492 145	432 662
Gross profit	338 895	257 320
Other income	10 418	17 447
Operating expenses	(154 617)	(123 943)
Movement in credit loss allowances	(17 121)	(2 197)
EBITDA	177 575	148 627
Depreciation and amortisation	(35 927)	(26 592)
Depreciation on right-of-use assets	(6 866)	-
Operating profit	134 782	122 035
Interest income	3 717	3 505
Gain on sale of investment	-	1 530
Share of (losses) / earnings from equity accounted investments	20	(19)
Gain on sale of property, plant and equipment	1 575	-
Impairment on investment in joint venture company	(458)	-
Reversal of impairment of financial assets	-	509
Finance costs	(19 432)	(15 339)
Finance costs on lease liabilities	(2 141)	-
Profit before taxation	118 063	112 221
Income tax credit / (expense)	(22 739)	(21 715)
Net profit for the period	95 324	90 506
Non-controlling interest	(301)	3 087
Net profit attributable to owners of the company	95 023	93 593
Earnings per share information		
Basic earnings per share (cents)	57.58	56.84
Normalised basic earnings per share (cents)	57.58	48.05
Diluted basic earnings per share (cents)	57.42	56.55
Normalised diluted basic earnings per share (in cents)	57.42	47.81

05 Reviewed Condensed Consolidated Statement of Financial Position

As at 29 February 2020

Figures in Rand	Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 ¹ (12 months) R'000
Assets		
Non-current assets		
Property, plant and equipment	272 983	226 682
Right-of-use asset	16 830	-
Goodwill	622 165	609 821
Intangible assets	22 520	13 431
Investment in joint venture	-	597
Investment in associates	25	10
Loans to associate companies	70 704	62 401
Loans receivable	336	8 454
Contract assets	4 901	14 912
Investments at fair value	404	45 006
Finance lease receivable	-	1 777
Deferred tax	29 552	20 432
	1 040 420	1 003 523
Current assets		
Inventories	60 039	18 800
Loans to group companies	-	4 208
Loans to shareholders	-	13
Loans receivable	204	10
Trade and other receivables	69 257	65 093
Finance lease receivables	-	608
Contract assets	2 168	-
Current tax receivable	4 224	1 891
Cash and cash equivalents	40 153	23 958
	176 045	114 581
Total assets	1 216 465	1 118 104
Equity and Liabilities		
Equity		
Share capital	611 884	605 893
Share based payment reserve	3 906	7 038
Change in control reserve	52 474	(4 761)
Retained earnings	287 573	223 474
Equity attributable to equity holders of parent	955 837	831 644
Non-controlling interest	(60 253)	5 667
	895 584	837 311

05 Reviewed Condensed Consolidated Statement of Financial Position

As at 29 February 2020

	Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 ¹ (12 months) R'000
Figures in Rand		
Liabilities		
Non-current liabilities		
Loans payable	18 258	-
Interest bearing liabilities	120 937	96 536
Finance lease liabilities	-	4 455
Lease liabilities	14 509	-
Deferred income	-	6398
Deferred tax	43 181	37 539
	196 885	144 928
Current liabilities		
Loans payable	600	-
Interest bearing liabilities	51 583	73 989
Current tax payable	8 292	6 246
Finance lease liabilities	-	3 175
Lease liabilities	6 308	-
Deferred income	6 092	10 479
Trade and other payables	50 230	39 225
Bank overdraft	891	2 751
	123 996	135 865
Total liabilities	320 881	280 793
Total equity and liabilities	1 216 465	1 118 104
Number of ordinary shares in issue ('000)	175 627	175 627
Net asset value per share (cents)	509.94	476.76
Net tangible asset value per share (cents)	142.86	121.88

¹ Refer to prior period restatement below for additional detail relating to the adjustments made in FY2019.

05 Reviewed Condensed Consolidated Statement of Changes in Equity

for the year ended 29 February 2020

	Share capital	Share premium	Share based payment reserve	Change in control reserve	Accumulated profit	Non-controlling interest	Total equity
Figures in Rand	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Audited Balance as at 1 March 2018	17	618 755	-	-	128 774	(3 016)	744 530
Profit for the year	-	-	-	-	93 593	(3 087)	90 506
Issue of shares	-	225	-	-	-	-	225
Capital raising expenses	-	(729)	-	-	-	-	(729)
Treasury shares	-	(12 375)	-	-	-	-	(12 375)
Share-based payment	-	-	7 038	-	-	-	7 038
Common control transaction	-	-	-	(4 761)	-	-	(4 761)
Derecognition of non-controlling interest	-	-	-	-	(133)	133	-
Business combinations	-	-	-	-	1 241	11 637	12 878
Audited Balance as at 28 February 2019	17	605 876	7 038	(4 761)	223 475	5 667	837 312
Profit for the year	-	-	-	-	95 023	301	95 324
Issue of shares	-	180	-	-	-	-	180
Capital raising expenses	-	(720)	-	-	-	-	(720)
Distribution of treasury shares ¹	-	6 593	(6 593)	-	-	-	-
Share-based payment	-	-	3 462	-	-	-	3 462
Share buy-back ²	-	(63)	-	-	-	-	(63)
Dividends	-	-	-	-	(30 924)	-	(30 924)
Business combinations ³	-	-	-	57 235	-	(57 235)	-
Business combinations ⁴	-	-	-	-	-	(8 987)	(8 987)
Reviewed Balance as at 29 February 2020	17	611 866	3 907	52 474	287 574	(60 254)	895 584

05 Reviewed Condensed Consolidated Statement of Changes in Equity

for the year ended 29 February 2020

¹ The distribution of treasury shares relates to 468 038 Huge ordinary shares which were held as an investment by the CI Trust and which were distributed by the CI Trust to its share beneficiaries during FY2021. A total of 728 678 Huge ordinary shares have been distributed by the CI Trust to its share beneficiaries up to the end of FY2020.

² Following the announcement on SENS on 15 January 2020, the Company repurchased 12 500 Huge ordinary shares up to the end of FY2020 and this amounted to R62 500 at an average price per share of R5.00. Subsequent to the end of FY2020, the Company purchased an additional 7 500 Huge ordinary shares and this amounted to R30 725 at an average price per share of R4.10.

³ The movement in the change in control reserve relates to a business combination involving Huge, Huge Connect and Windfall 111 Properties Proprietary Limited (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 in issue are held by it. The equity attributable to the holders of the parent has been adjusted for Windfall's non-controlling interest.

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

During FY2020:

No Huge ordinary shares were issued during the current reporting period.

During FY2019:

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

05 Reviewed Condensed Consolidated Statement of Cash Flows

for the year ended 29 February 2020

	Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
Figures in Rand		
Profit before taxation	118 063	112 221
Adjusted for non-cash movements	55 612	31 293
Adjusted for working capital movements	(61 833)	(44 339)
Net finance costs	444	864
Tax paid	(19 384)	(25 865)
Cash flows from operating activities	92 902	74 174
Purchase of property, plant and equipment	(70 742)	(110 946)
Proceeds from disposal of property, plant and equipment	1 938	36 575
Purchase of intangible assets	(5 992)	(4 114)
Business combinations	(12 340)	(4 218)
Change in degree of control	-	(4 761)
Purchase of investment in associate	-	(5)
Loans to group companies repaid	-	10
(Withdrawal)/Purchase of investment at fair value	44 602	(45 006)
Advances of loans receivable at amortised cost	(530)	(968)
Repayment/(Advance) of loans to shareholders repaid	13	(13)
Share buy-back	(63)	-
Cash flows from investing activities	(43 114)	(133 446)
Proceeds from share issue	-	(12 375)
Capital raising expenses	(720)	(729)
Interest-bearing liabilities receipts/(payments)	5 000	64 624
Dividends paid	(30 924)	-
Lease receipts/(payments)	(5 090)	24
Cash flows from financing activities	(31 734)	51 544
Net cash movement for the period	18 054	(7 728)
Cash at the beginning of the period	21 207	28 935
Total cash at the end of the period	39 261	21 207

06 Segment Report

for the year ended 29 February 2020

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 IAS 34. The revenue generated from the products and services provided by the various Group companies to all customers is done so on a countrywide basis, with no geographical differentiation

Operating Segments:

In terms of Huge's segment report, for FY2020 the **Telecom Grouping** comprised the following companies:

- 100% held Huge Telecom, the holding company of which is Huge
- 50.03% held Huge Networks, the holding company of which is Huge Telecom
- 100% held Huge Technologies Proprietary Limited, the holding company of which is Huge
- 96% held Huge Media Proprietary Limited, the holding company of which is Huge
- 100% held Huge Messaging Proprietary Limited, the holding company of which is Huge
- 100% held Huge Services (formerly Gonondo Telecom Proprietary Limited), the holding company of which is Huge Telecom
- 50.3% held Pansmart, the holding company of which is Huge

In terms of Huge's segment report, for FY2020 the **Fintech Grouping** comprised the following companies:

- 83.704% held Huge Connect, the holding company of which is Huge
- 100% held Huge Payments (formerly IntelPay Proprietary Limited), the holding company of which is Huge (the effective date of this transaction was 1 April 2019)

In terms of Huge's segment report, for FY2020 the **Corporate Office Grouping** comprised the following companies:

- Huge itself
- 75% held Huge Software Proprietary Limited, the holding company of which is Huge
- 100% held Huge Management (formerly Huge Mobile), the holding company of which is Huge
- The Connectnet Incentive Trust (the CI Trust), the beneficiaries of which are certain employees, directors and/or consultants of the Connectnet Broadband Wireless Group, which comprises Huge Connect and Huge Networks.

Changes to the Operating Segments:

For FY2020, Huge Management (previously Huge Mobile) formed part of the Corporate Office Grouping. For FY2019, Huge Management formed part of the Telecom Grouping. The results of Huge Management are not regarded as material in FY2020 and FY2019. The changes to the Operating Segments did not require any restatement of segment information due to this immateriality. As a result of business combinations concluded during FY2020 involving Huge Payments, Huge Services and Pansmart, Huge Services and Pansmart were included in the Telecom Grouping and Huge Payments was included in the Fintech Grouping

06

Segment
Report

for the year ended 29 February 2020

	Reviewed 29 February 2020	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Figures in Rand	R'000	R'000	R'000	R'000
Total revenue	492 145	321 930	167 652	2 563
Gross profit	338 895	214 610	122 306	1 979
Other income	10 418	9 569	654	195
Operating expenses	(171 738)	(83 664)	(48 147)	(39 927)
EBITDA	177 575	140 515	74 813	(37 753)
Depreciation and amortisation	(35 927)	(23 181)	(12 402)	(344)
Depreciation on right-of-use assets	(6 865)	(2 857)	(2 958)	(1 050)
Operating profit/(loss)	134 783	114 477	59 453	(39 147)
Investment income	3 718	893	1 018	1 807
Profit/(loss) from equity accounted investments	20	(5)	-	25
Gain on sale of property, plant and equipment	1 575	35	1 540	-
Impairment on investment in joint venture company	(459)	(459)	-	-
Finance costs	(19 321)	(4 831)	(102)	(14 388)
Finance costs on lease liabilities	(2 252)	(1 228)	(596)	(428)
Profit/(loss) before income tax	118 063	108 882	61 312	(52 131)

	Audited 28 February 2019	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Figures in Rand	R'000	R'000	R'000	R'000
Total revenue	432 662	269 954	160 354	2 354
Gross profit	257 320	145 990	109 372	1 958
Other income	17 447	1 967	1 009	14 471
Operating expenses	(126 140)	(62 748)	(35 510)	(27 882)
EBITDA	148 627	85 209	74 871	(11 453)
Depreciation and amortisation	(26 592)	(16 196)	(10 184)	(213)
Operating profit/(loss)	122 035	69 013	64 687	(11 666)
Investment income	3 505	1 072	1 642	791
Gain/(loss) on sale of investment	1 530	(13)	-	1 543
Loss from equity accounted investments	(19)	(19)	-	-
Reversal of impairment of financial assets	509	509	-	-
Finance costs	(15 339)	(5 210)	(17)	(10 112)
Profit/(loss) before income tax	112 221	65 352	66 312	(19 444)

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Independent Review

The Directors take full responsibility for the preparation of the condensed consolidated provisional financial statements. The condensed consolidated provisional financial statements have been reviewed by Moore Johannesburg Incorporated, and can be reviewed under point 4 of the Reviewed Provisional Condensed Consolidated Provisional Results. The auditor has performed their review in accordance with International Standard on Review Engagements (ISRE) 2410. The review conclusion is available for inspection at the Company's registered office and on the Company's website at www.hugegroup.com.

Basis of Preparation

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

The reviewed provisional condensed consolidated financial results are prepared on the historical cost basis, with the exception of certain financial instruments subsequently measured at fair value. Details of the Group's significant accounting policies, which are consistent with those applied in the previous reporting period are listed below. Where accounting policies have changed this is also disclosed below.

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

The reviewed provisional condensed consolidated financial results for the year ended 29 February 2020 were prepared under the supervision of the Chief Financial Officer of the Company, S Sequeira (CA(SA)), and will be included in the 2020 Integrated Report to be issued to shareholders on or before 28 June 2020.

Significant accounting judgements, estimates and assumptions

In preparing these reviewed provisional condensed consolidated financial results, management has made significant judgements in applying the Group's accounting policies. There are also key sources of estimation uncertainty. The Group's accounting policies are consistent with those applied to the consolidated financial statements for the year ended 28 February 2019, with the exception of the judgements and estimates related to the adoption of IFRS 16 Leases (**IFRS 16**).

Significant accounting policies

The accounting policies used in the preparation of these reviewed provisional condensed consolidated financial results comply with IFRS and are consistent with those used in the preparation of the financial results of the Group for the year ended 28 February 2019, with the exception of IFRS16 Leases which was adopted in the period under review, which is the period commencing on 1 March 2019.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Adoption of IFRS 16

IFRS16 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 assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. Cash generated from operations includes the interest portion of the lease liability payments and the capital portion of the lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

The Group has adopted IFRS 16 retrospectively from 1 March 2019 and elected the modified retrospective approach. The Group has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 March 2019.

Leasing activities and significant accounting policies

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

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 March 2019, the Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases relating to low value assets (e.g. premises and IT equipment) and for short-term leases, i.e. leases that at 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 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 implicitly and 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 identified.
- 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 the 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, where 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.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Adoption of IFRS 16 continued

The right-of-use asset is initially measured at cost comprising of 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.

Figures in Rand	Reviewed 29 February 2020 R'000	Reviewed 1 March 2020 R'000
Right-of-use asset and corresponding lease liabilities		
Equipment	95	1 388
Premises	14 610	7 568
Network infrastructure	188	401
Leases previously accounted for as Operating leases	14 893	9 357
IT equipment	979	315
Motor vehicles	958	5 253
Leases previously accounted for as Finance leases	1 937	5 568
Total right-of-use assets	16 830	14 925
Current liability	6 308	5 392
Non-current liability	14 509	9 533
Total lease liabilities	20 817	14 925

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.

Amounts recognised in the Statement of Comprehensive Income:

Figures in Rand	Reviewed 29 February 2020 R'000
Equipment	387
Premises	5 791
Network infrastructure	213
IT equipment	-
Motor vehicles	475
Total depreciation charge of right-of-use assets	6 866
Interest expense on lease liabilities	2 141
Expenses relating to short-term leases included under operating expense	6 582

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Adoption of IFRS 16 continued

The lease liability is initially measured as the present value of the lease payments that are payable 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 pay 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.

Lease payments included in the measurement of the lease liability comprise of 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 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.

Renewal and termination options

Several 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 relevant lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to 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 is capable of being exercised, 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 that is within the control of the lessee.

Several 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.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Adoption of IFRS 16 continued

Lease and non-lease components

Several 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.

Transition

At transition, for leases classified as operating leases under IAS 17 (IAS 17), lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate for the remaining lease terms, as at 1 March 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contained options to extend or terminate the lease.
- Relied on previous assessments on whether leases are onerous contracts as opposed to performing an impairment review on 1 March 2019.

The Group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts concluded before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 7 Determining whether an Arrangement Contains a Lease (IFRIC 4).

The Group classified a number of leases relating to vehicles as finance leases under IAS 17. For finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 March 2019 were determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impacts on financial statements

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities of R9.357 million. The Group held finance lease liabilities, already reported under IAS 17, in the amount of R5.567 million.

When measuring the lease liabilities, the group discounted the lease payments using its incremental borrowing rate at 1 March 2019. The weighted average rate applied is 10.8%.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Adoption of IFRS 16 continued

	Reviewed 01 March 2019 R'000
Figures in Rand	
Operating lease commitment at 1 March 2019	15 513
Discounted using the incremental borrowing rate at 1 March 2019	13 838
Less: Recognition exemption for short-term leases	(356)
Add: Existing finance lease liabilities previously reported under IAS 17	7 630
Add: Extension and termination options reasonably certain to be exercised	4 332
Less: Leases which were concluded before year-end but commenced after year end	(10 498)
Lease liabilities recognised at 1 March 2019	14 946

As of a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised R16 830 373 of right-of-use assets and R20 816 549 million of lease liabilities as at 29 February 2020.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs instead of the operating lease expenses of R8 519 745 which would have been recognised under IAS 17. During the reporting period ended 29 February 2020, the Group recognised R6 865 550 of depreciation charges and R2 140 618 of interest costs from these leases.

Earnings per share decreased by 0.29 cents per share for the reporting period ended 29 February 2020 as a result of the adoption of IFRS 16. Due to the impact of the reducing finance charges over the life of the lease, the impact of adopting IFRS 16 is initially dilutive, before being accretive in later periods.

Cash from operating activities includes interest paid on lease liabilities of R2 140 618 and cash used in financing activities includes R6 146 765 related to the capital portion of the lease liability repayments. The cash flows were previously recognised as net cash generated from operations.

Policy applicable before 1 March 2019

As a lessee, until 1 March 2019, the Group classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Assets held under finance leases were capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, was included in the statement of financial position under other non-current/current liabilities. Each lease payment was allocated between the liability and finance charges.

Finance charges, which represented the difference between the total lease commitments and fair value of the assets acquired, were charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

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

Information on standards issued by the IASB, but not effective for the current reporting period, has been provided below where it is currently being assessed whether they will have a material impact on the Group.

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

Standard	Effective date on or after
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020

Standards Early Adopted

No standards were early adopted in the current reporting period.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Disaggregation of Revenue

Figures in Rand	Telecom Grouping		Fintech Grouping		Corporate Office Grouping		Total Operating Segments	
	29	28	29	28	29	28	29	28
	February	February	February	February	February	February	February	February
	2020	2019	2020	2019	2020	2019	2020	2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
South Africa	321 693	269 573	158 176	145 668	2 563	2 354	482 432	417 595
Africa	237	381	9 476	14 686	-	-	9 713	15 067
	321 930	269 954	167 652	160 354	2 563	2 354	492 145	432 662
Major goods/service lines								
Network devices	17 296	70 868	1 814	1 457	-	-	19 110	72 325
Network services	290 249	199 086	165 838	158 897	-	-	456 087	357 983
Software licence fees	530	-	-	-	2 563	2 354	3 093	2 354
Communication equipment	13 855	-	-	-	-	-	13 855	-
	321 930	269 954	167 652	160 354	2 563	2 354	492 145	432 662
Timing of revenue recognition								
Goods transferred at a point in time	29 449	692	1 814	1 457	-	-	31 263	2 149
Services transferred over time	292 481	269 262	165 838	158 897	2 563	2 354	460 882	430 513
	321 930	269 954	167 652	160 354	2 563	2 354	492 145	432 662

Share based payment

Executive option scheme

The Company concluded Executive Option Agreements (the **Option Agreements**) with James Herbst (the Chief Executive Officer), Andrew Openshaw (the Chief Operating Officer) and Samantha 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 3 days prior to the end of the current reporting period the computed share-based payment for the current reporting period of R345 115 was quantitatively immaterial and qualitatively all the required disclosures are detailed below.

The Option Agreements contemplate the granting by the Company of a right to subscribe for Huge ordinary shares at a strike price equal to the 30-day volume-weighted average price (**VWAP**) of a Huge ordinary share on the Effective Date, which is R5.21 per share (the **Strike Price**).

The Option Agreement concluded with James Herbst contemplates the granting by the Company of a right to subscribe for 7 500 000 Huge ordinary shares at the Strike Price with a market value of R39.825 million.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Share based payment continued

Executive option scheme continued

The Option Agreement concluded with Andrew Openshaw contemplates the granting by the Company of a right to subscribe for 7 500 000 Huge ordinary shares at the Strike Price with a market value of R39.825 million.

The Option Agreement concluded with Samantha Sequeira contemplates the granting by the Company of a right to subscribe for 750 000 Huge ordinary shares at the Strike Price with a market value of R3.9825 million.

A valuation of the Options was performed as 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 Huge ordinary share on the Effective Date was R5.65.
- The exercise price of the Huge ordinary shares underlying the Options is R 5.31 per share.
- The Options vest in 3 equal tranches on 1 March 2020, 1 March 2021 and 1 March 2022.
- The Options are capable of being exercised over a period of 5 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 Huge ordinary 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 Huge ordinary share over the most recent 12-month period is 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.
- The Company's average historic dividend yield is 2.35%.

In undertaking the valuation of the Options above, a core valuation was determined as follows:

- First tranche of the Option: R 2.52 per share.
- Second tranche of the Option: R 2.67 per share.
- Third tranche of the Option: R 2.80 per share.

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Financial instruments – Fair value disclosures

Categories of financial instruments

Categories of financial assets

Reviewed 29 February 2020 (12 months)	Fair value through profit or loss R'000	Financial assets at amortised cost R'000	Total R'000	Fair value R'000
Loans to associate companies	–	70 704	70 704	70 704
Loans receivable	–	540	540	540
Investments at fair value	404	–	404	404
Trade and other receivables	–	44 321	44 321	44 321
Cash and cash equivalents	–	40 153	40 153	40 153
	404	155 718	156 122	156 122

Audited 28 February 2019 (12 months)	Fair value through profit or loss R'000	Financial assets at amortised cost R'000	Leases R'000	Total R'000	Fair Value R'000
Loans to associate companies	–	66 608	–	66 608	66 608
Loans to shareholders	–	13	–	13	13
Loans receivable	–	8 464	–	8 464	8 464
Investments at fair value	45 006	–	–	45 006	45 006
Finance lease receivables	–	–	2 385	2 385	2 385
Trade and other receivables	–	51 149	–	51 149	51 149
Cash and cash equivalents	–	23 959	–	23 959	23 959
	45 006	150 193	2 385	197 584	197 584

Categories of financial liabilities

Reviewed 29 February 2020 (12 months)	Financial liabilities at amortised cost R'000	Leases R'000	Total R'000	Fair value R'000
Trade and other payables	32 404	–	32 404	32 404
Interest-bearing liabilities	172 520	–	172 520	172 520
Lease liabilities	–	20 817	20 817	20 817
Bank overdraft	891	–	891	891
	205 815	20 817	226 632	226 632

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Categories of financial liabilities continued

Audited 28 February 2019 (12 months)	Financial liabilities at amortised cost R'000	Leases R'000	Total R'000	Fair value R'000
Trade and other payables	17 480	21	17 501	17 501
Interest-bearing liabilities	170 524	–	170 524	170 524
Finance lease liabilities	–	7 630	7 630	7 630
Bank overdraft	2 748	–	2 748	2 748
	190 752	7 651	198 403	198 403

Exposure to credit risk

The exposure to credit risk has been included in order to provide users of these provisional statements with details relating to the movements in trade and other receivables movement and credit loss allowances, particularly in midst of the COVID-19 pandemic and particularly because of the implications of the lockdown on the Group's expected credit losses.

The loss allowance rate for active customers has increased due to a general delay in payments as well as payment holidays requested and granted by the Group. There has been a significant increase in handovers pending during the current reporting period. This has been assessed and the directors are comfortable with the loss allowance rate even though it has decreased when compared to the prior year. This has been evidenced in each specific trade receivable within this group as well as a trade receivables as a collective.

Reviewed 29 February 2020 (12 months) R'000	Estimated gross carrying amount at default R'000	Loss allowance rate R'000	Loss allowance R'000
Active	36 439	5.35%	1 950
Disconnected	367	71.39%	262
Payment plan	1 005	15.82%	159
Handover pending	12 319	35.64%	4 391
Suspended	16 968	94.40%	16 017
Total	67 098		22 779

Audited 28 February 2019 (12 months)	Estimated gross carrying amount at default R'000	Loss Allowance rate R'000	Loss allowance R'000
Active	50 832	0.98%	498
Disconnected	442	2.94%	13
Payment plan	86	20.93%	18
Handover pending	1 257	91.41%	1 149
Suspended	1 478	100.00%	1 478
Total	54 095		3 156

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Related Party Disclosures

Relationships

Subsidiary companies

Huge Connect
Huge Management (formerly Huge Mobile)
Huge Media
Huge Messaging
Huge Networks
Huge Payments (formerly IntelPay)
Huge Services (formerly Gonondo)
Huge Software
Huge Technologies
Huge Telecom
Pansmart

Associate Companies

Huge Cellular
Huge Soho

IFRS10 Controlled Entities

The CI Trust

Members of key management

James Herbst
Andy Openshaw
Samantha Sequeira

Directors of subsidiary companies

Andre Lessing (resigned 31 May 2020)
Marius Oberholzer
Robert Burger
Craig Rowan (resigned 29 February 2020)
Louis Fourie

Shareholders behind non-controlling interests

Casa Da Luz Proprietary Limited (an associate of Duarte da Silva)
Windfall (an associate of Vincent Mokholo)

07 Notes to the Reviewed Condensed Consolidated Provisional Financial Results

for the year ended 29 February 2020

Related Party Disclosures continued

Loan account – owing (to)/by related parties

JC Herbst
Huge Cellular
Huge Soho
Windfall
Total

Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
-	(13)
68 297	64 201
2 407	2 408
-	10
70 704	66 606

Consulting fees paid to related parties

Casa Da Luz Proprietary Limited
VM Mokholo
Total

Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
720	838
200	-
920	838

Purchases from related parties

Huge Services (formerly Gonondo)
Huge Soho
Total

Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
-	470
1 753	120
1 753	590

08 Basic Earnings per share and Headline Earnings per share

for the year ended 29 February 2020

Basic and Headline Earnings per share

Reviewed

29 February 2020

Profit attributable to owners of the parent adjusted for:

Gain from bargain purchase on joint venture

Impairment of investment on joint venture

Gain on disposal of property, plant and equipment

Headline earnings

Gross R'000	Tax R'000	Net R'000
–	–	95 023
(138)	39	(99)
459	(128)	330
(1 575)	441	(1 134)
(1 254)	352	94 120

Audited

28 February 2019

Profit attributable to owners of the parent adjusted for:

Gain on disposal of investment of subsidiaries

Gain on disposal of property, plant and equipment

Headline earnings

Gross R'000	Tax R'000	Net R'000
–	–	93 593
(1 548)	433	(1 115)
(807)	226	(581)
(2 355)	659	91 897

Figures in Rand

Weighted average number of ordinary shares

Issued ordinary shares at 1 March

Weighted average ordinary shares issued during the year

Treasury shares held by Huge Telecom

Treasury shares held by the CI Trust

Weighted average number of ordinary shares in issue at 29 February (basic, and headline)

IFRS 2 share based dilutive effect

Weighted average number of ordinary shares in issue at 29 February (diluted)

Per share statistics (cents)

Earnings per share

Headline earnings per share

Diluted basic earnings per share

Diluted headline earnings per share

Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
175 159	175 383
263	141
(9 647)	(9 647)
(738)	(1 206)
165 037	164 671
462	834
165 499	165 505
58	57
57	56
57	57
57	56

08 Basic Earnings per share and Headline Earnings per share

for the year ended 29 February 2020

Normalised Basic and Headline Earnings per share

Unreviewed normalised calculation ²	Previously disclosed 28 February 2019 R'000	Adjustment R'000	Tax effects R'000	Adjusted Total 28 February 2019 R'000
Figures in Rand				
Total comprehensive income attributable to owners of the parent adjusted for:	93 593	(14 472)	–	79 121
Gain on disposal of investment	(1 548)	–	(433)	(1 115)
Gain on disposal of property, plant and equipment	(807)	–	(226)	(807)
Headline earnings	91 238	(14 472)	659	77 425

Per share statistics (cents)

Figures in Rand	Reviewed 29 February 2020	Reviewed Normalised 28 February 2019
Earnings per share	57.58	48.05
Headline earnings per share	57.03	47.02
Diluted basic earnings per share	57.42	47.81
Diluted headline earnings per share	56.87	46.78

¹ In order to present the users of the financial statements with a fair comparison of earnings and headline earnings the Board has decided to include normalised earnings and headline earnings per share measure which involves removing the donation income of R14.472m received by the CI Trust in the prior reporting period from the comparatives.

² The normalised performance measures have been prepared for illustrative purposes only and because of their nature may not fairly present the Group's basic and headline earnings per share. The presentation of the normalised performance measures is the responsibility of the directors.

Huge Connect Business Combination

On 29 February 2020, Huge, which held 100% of Huge Connect, entered into an Implementation Agreement (the **Implementation Agreement**) with Windfall, an associate of Mr. Vincent Mokholo, who is a non-executive director of Huge, and a related party to Huge.

The Implementation Agreement contemplated the conclusion of various transaction agreements, including a Preference Share Subscription Agreement between Huge and Huge Connect, an Ordinary Share Subscription Agreement (the **Subscription Agreement**) between Huge Connect and Windfall and a Shareholders Agreement between Huge, Windfall and Huge Connect (the **Transaction Agreements**).

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. 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 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 Subscription Agreement, Windfall subscribed (the **Subscription**) for 36 ordinary no par value shares (the **Subscription Shares**) in the issued ordinary capital of Huge Connect, such that after the Subscription, Windfall owns 16.296% of the issued share capital of Huge Connect.

The subscription price for the Subscription Shares is an aggregate amount of R180 000 and was settled by Windfall in cash.

Huge Payments Business Combination

Huge concluded a sale of shares and claims agreement involving Huge Payments (formerly IntelPay Proprietary Limited) where it acquired 100% of the ordinary shares in issue and the shareholders claims on loan account against Huge Payments (the **Huge Payments Business Combination**). The consideration payable for the sale equity was the sum of R100 000. The Huge Payments Business Combination became unconditional on 27 March 2019. Goodwill of R3 268 169 arose on the acquisition. Goodwill is not deductible for income tax purposes.

Huge Services Business Combination

Huge Telecom concluded a sale of shares agreement with Adapt IT Proprietary Limited for the purchase of 50% of the ordinary shares of Huge Services (formerly Gonondo Telecom Proprietary Limited) not previously held by Huge Telecom (the **Huge Services Business Combination**). Huge Services was the subject of a joint venture between Huge Telecom and Adapt IT Proprietary Limited. Subsequent to the acquisition of the remaining shares in Huge Services, Huge Services became a wholly owned subsidiary company of Huge Telecom. The Huge Services Business Combination became unconditional on 16 September 2019. There was no goodwill that arose from the acquisition.

Pansmart Business Combination

Huge subscribed for 101 new ordinary shares in Pansmart for a subscription consideration of R100, such that after the subscription Huge's shareholding constituted 50.3% of the ordinary shares of Pansmart in issue. The subscription agreement, amongst other agreements, became unconditional on 13 May 2019. Huge also concluded a loan agreement in terms of which it advanced to Pansmart the sum of R13 151 309. Goodwill of R9 075 964 arose on the acquisition of a controlling interest in Pansmart. The goodwill relates primarily to synergies and economies of scale which are expected to be achieved as a result of including Pansmart in the Group. Goodwill is not deductible for income tax purposes.

Aggregate Business Combinations

The aggregate business combinations, which include the business combinations referenced above, which took place during the current reporting period are detailed below.

	Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
Figures in Rand		
Property, plant and equipment	266	1 964
Right of use asset	1 768	-
Intangible assets	5 309	2 023
Deferred tax asset	7 120	-
Finance lease receivables	-	2 385
Deferred expenditure	-	-
Inventories	4 190	188
Trade and other receivables	4 887	(77 527)
Cash and cash equivalents	731	(1 471)
Borrowings	-	(1 201)
Lease liabilities	(1 833)	-
Finance lease liabilities	-	(2 895)
Loan payable	(24 008)	-
Deferred tax liabilities	-	(247)
Loans from Group companies	-	59 955
Current tax payable	-	2 169
Dividend payable	-	11 698
Trade and other payables	(6 233)	3 744
Bank overdraft	-	(2 748)
Shares held by Windfall	(180)	-
Total identifiable net assets/(liabilities)	(7 983)	(1 963)
Non-controlling interest	(48 249)	(11 636)
Goodwill	12 344	16 378
Change in degree of control	57 235	(1 241)
Investment impaired in Huge Services	(276)	-
	13 071	1 538

09 Business Combinations

for the year ended 29 February 2020

Aggregate Business Combinations continued

	Reviewed 29 February 2020 (12 months) R'000	Audited 28 February 2019 (12 months) R'000
Figures in Rand		
Consideration (paid)/received		
Cash paid	(100)	-
Cash received	180	-
Equity – Renounceable Letters of Allocation non cash	-	1
Equity – Issue of shares non cash	-	(12 878)
Purchase consideration receivable	-	10
Cash loan advanced	(13 151)	-
	(13 071)	(12 867)
Net cash (outflow)/inflow		
Cash acquired	731	-
Cash liability assumed	-	(2 748)
Cash asset disposed	-	(1 471)
	(12 340)	(4 219)

10 Prior Period Restatement

for the year ended 29 February 2020

During the current reporting period, the Group discovered that amounts relating to the purchase of devices by Huge Connect and amounts relating to the recognition of deferred income by Huge Connect had been set off through a suspense account in the Statement of Financial Position. As a result of this set off, assets and liabilities were understated in the prior reporting period of FY2019. The understatements have been corrected by restating the FY2019 comparatives. The following tables summarise the impact of the restatements on the Group's consolidated financial statements for the FY2019 reporting period. The FY2019 reporting period was the only reporting period affected by this error and no further adjustments to any reporting periods are required in this regard.

There is no impact on the Group's basic or diluted earnings per share for FY2019. The impact on the Statement of Comprehensive Income includes the recognition of an income tax liability (as a result of the adjustment to deferred income) as well as the recognition of a deferred tax credit. The income tax liability and the deferred tax credit are equal and opposite.

	Reviewed 28 February 2019	Audited 28 February 2019	Reviewed 28 February 2019
Statement of Financial Position	Restated	Previously Reported	Adjustments
	(12 months)	(12 months)	(12 months)
Figures in Rand	R'000	R'000	R'000
Assets			
Non-current assets			
Deferred tax	20 432	16 453	3 979
Current assets			
Inventories	18 800	2 510	16 290
Liabilities			
Non-current liabilities			
Deferred income	6 398	-	6 398
Current liabilities			
Current tax payable	6 246	2 267	3 979
Deferred income	10 479	587	9 892

Statement of Comprehensive Income

	Reviewed 28 February 2019	Audited 28 February 2019	Reviewed 28 February 2019
	Restated	Previously Reported	Adjustments
	(12 months)	(12 months)	(12 months)
	R'000	R'000	R'000
Current tax	(18 742)	(22 720)	(3 979)
Deferred tax	(2 974)	1 005	3 979
Taxation	21 716	21 716	-

11 Supplementary Information

for the year ended 29 February 2020

Treasury shares

As at 29 February 2020, the Company had 175 627 077 ordinary shares in issue, of which 9 646 926 ordinary shares are held by Huge Telecom as treasury shares. 737 989 ordinary shares are held by the CI Trust, which has been classified in terms of IFRS10 as an entity controlled by Huge Connect and therefore by Huge. As a result of the consolidation of the CI Trust, its investment in Huge ordinary shares has been reclassified as treasury shares.

Litigation statement

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

12 Subsequent Events

for the year ended 29 February 2020

Share repurchase programme

Following the announcement on 15 January 2020 and up until 29 February 2020, the Company repurchased 12 500 Huge ordinary shares amounting to R62 500 at an average price per share of 500 cents. These shares were delisted on 30 April 2020.

After 29 February 2020 and up until 30 April 2020, the Company repurchased 7 500 Huge ordinary shares amounting to R30 725 at an average price per share of 410 cents. These shares were also delisted on 30 April 2020.

Performance Incentives

The payment of performance incentives to executive directors is based on measured and agreed objectives, the detail of which will be set out in the Remuneration Report in the 2020 Integrated Annual Report.

Covid-19

The directors have assessed the impact of the Covid-19 and the national lockdown on the individual subsidiary companies in the Group as well as the Group as a whole and although there has been an impact on the Group, the impact has largely been indirect and is not considered to be material at this stage and of a concern to the Group.

The onset of Covid-19 and the South African Government's declaration of a national state of disaster on 15 March 2020 will have a varying impact on all businesses in South Africa. These effects are expected to be wide ranging. In the short-term, the impact of the different levels of lockdown, both locally and globally, the travel restrictions and the restricted trade are likely to become more apparent by the time the Company reports its interim results for the six month period ending on 31 August 2020 (**HY2021**). The full extent of the longer-term impact on the sustainability of businesses both globally and locally remains to be assessed. Communications and connectivity, including telecommunication services, continue to be fundamental for commercial activity. As telecommunication services have been classified as an essential service necessary in the national and economic response to Covid-19, Huge's principle operating subsidiary companies have been able to continue operating during the national lockdown. Huge 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 has increased significantly over the past few years. This investment in annuity revenue provides a source of stability going forward, particularly as the impact of Covid-19 continues to affect the local and global economy. While the Group has seen a decline in telephone calls in its telephony services businesses since the onset of Covid-19, there has been an increase in data traffic. In addition, customers of Huge who were also classified as essential service providers have increased order quantities to bolster stock levels during the lockdown. This has had a positive impact on the Group's short-term revenue streams, which will be reflected in its HY2021 and FY2021 results.

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 the economic downturn, which is expected to endure for a lot longer period of time.

12 Subsequent Events

for the year ended 29 February 2020

Covid-19 continued

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;
- Telecommunication and connectivity products and services classified as essential services;
- Annuity, compounding nature of the businesses and their revenues provides 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 structure means the Group is able to be very responsive to challenges;
- Previous challenges have forced the Group to focus on sustainability and risk management;
- 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 should this occur;
- Cohesive teams with low employee turnover promote resilience;
- Mature and experienced executive and senior management teams at Board and operating company level.

Initial trends have revealed that the customer real estate has have remained robust with a minimal impact being felt on cash flows and with minimal credit losses being experienced. Small volumes of discounts have been requested and payment holidays have been granted, which have not had a material negative impact on cashflows. Although telephone calls made by customers have decreased because customers are no longer based at their office premises, the Group's annuity revenue has been a solid and growing foundation which has allowed Huge to be resilient during this time.

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. In support of this initiative, non-executive directors have made voluntary sacrifices relating to their fees, while the Chief Executive Officer and the Chief Operating Officer have foregone annual increases in their remuneration for FY2021. As the economic impact of lockdown endures, the Remuneration Committee will focus on ensuring that the objectives of the Remuneration Policy remain an important part of the Group's operational activities.

Working from home has provided more insight to remote work policies and has allowed operational processes to be re-evaluated and fine-tuned in line with Government guidelines. To date no employees of any of the Huge operating companies or any of their direct families have been infected with Covid-19. All the required guidelines as published by Government were implemented prior to the national lockdown and all of the additional guidelines announced for level 4 and level 5 have been fully implemented.

12 Subsequent Events

for the year ended 29 February 2020

Covid-19 continued

The health of Huger's employees is paramount to the Board and management. The onset of Covid-19 has required a focused effort on ensuring that employees remain healthy and are not unnecessarily exposed to risk. Huger's operating companies have been classified as essential service providers who are required to maintain the country's telecommunications and connectivity and, accordingly, management have been focused on ensuring that employees operating in public are limited to only those employees who are most critical to continue providing the essential services.

During level 4 of the national lockdown, only 22% of the Group's total employees operated outside the home environment. The balance of employees was provided with suitable business tools, including computer and telephony equipment, to ensure that they were able to continue working effectively and without public exposure. As the country progressed to level 4, management continued to limit the number of employees operating in public. This will continue to be the practice until such time as the state of national disaster changes and warrants a change in practice.

Internal policies have established strict processes and procedures for employees operating in public, as well as employees returning to work from the home environment. In ensuring that the health of employees operating in public is protected, the Group has acquired inter alia masks, hand sanitiser and digital thermometers. Daily health screenings are also undertaken.

While the effects of Covid-19 continue to unfold, there remains a degree of economic uncertainty. The Board however remains confident that given the factors set out above, it will reasonably be able to mitigate downside risk to the Group. The Board continues to monitor the effects of Covid-19 on the Group through formal risk management strategies and robust controls, which are reassessed and evaluated on an ongoing basis.

Other matters

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

13 Dividends

for the year ended 29 February 2020

Dividends

The Board is cognisant that these are very uncertain times. In particular, the Board requires more time to determine whether or not there might be second and third round effects relating to Covid-19 that might have a negative impact on the businesses of 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 a final dividend declaration for the year ended 29 February 2020.

Interim dividends declared and paid

The Board declared a gross cash dividend of 6.25 cents per ordinary share as an interim dividend which was paid out of retained earnings of the Company on 17 December 2019.

A dividend withholding tax of 20% was applicable to all shareholders who were not exempt from, or who did not qualify for a reduced rate of withholding tax. Accordingly, for those shareholders subject to withholding tax, the net dividend amounted to 5.00 cents per share.

14 Going Concern and Governance

for the year ended 29 February 2020

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, as detailed above, and 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.

Governance

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

Sponsor

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Directors

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

*Independent

Date of release

Johannesburg
29 May 2020