Huge Group Limited

Reviewed Provisional Condensed Consolidated Financial Results

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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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

Commentary

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.

As at 28 February 2021, the Group's net debt position is R135 million, while it still has access to R80 million in funding. At 28 February 2021, the Group's Debt to EBITDA ratio is 1.49. In terms of the ZAR200 Million Term Facility Agreement (the **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.

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 comprehensive income. 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.

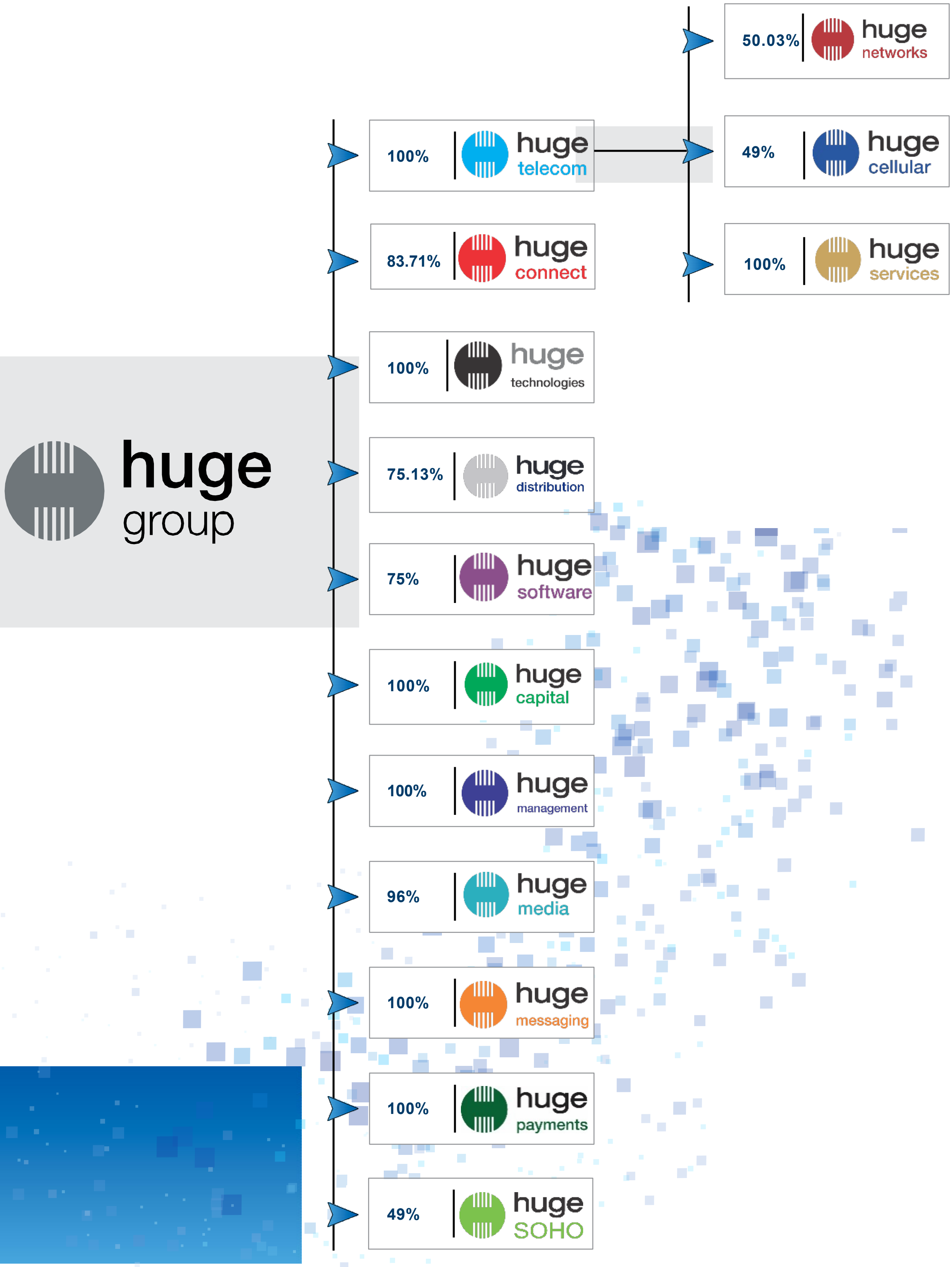
Normalised EPS for the period was flat whilst normalised HEPS for the period was 11% higher when compared to the prior comparative period. While gross margins declined in the most part due to revenue declines of 5%, and once off impairments of work-in-progress and inventories (resulting from the impact of the pandemic), these charges were offset by repeatable cost savings and once-off waivers of loan claims by fellow shareholders. The higher credit loss allowance occasioned by the fraud previously reported will now decline to more acceptable levels.

The Group continues to enjoy the support of Futuregrowth Asset Management Proprietary Limited through the Facility.

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.

Group Organogram



Company Profile

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 Group ecosystem.
- Empower and support our partners who lead the businesses.
- Facilitate collaboration between our entities.

Huge Group 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.

Currently, 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. It has over 21 000 merchants as customers. 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.

Company Profile (continued)

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 connectivity devices for its own use and for sale to third parties. It owns proprietary billing and rating software, known as the Huge Integrated Value Engine (the **HIVE**).

Key Performance Highlights

Current ratio increased by **16%** from 1.42 to 1.64

Net asset value per share increased by **12%** from 533 cents to 595 cents

Net tangible asset value per share increased by **35%** from 152 cents to 205 cents

Normalised operating expenses decreased by **14%** from R155 million to R133 million

Fixed annuity revenue makes up **73%** of total revenue

No staff retrenchments or salary cuts as a result of COVID-19

Provisional Financial Results

Reviewed Condensed Consolidated Statements

Provisional Financial Results (continued)

Independent Auditors Review Report on the Provisional Condensed Consolidated Financial Statements

MOORE

Moore Johannesburg

50 Oxford Road, Parktown
Johannesburg, 2193
PO Box 3094, Houghton, 2041

T +27 (0)10 599 0222
E mail@moorejhb.co.za

www.moore-southafrica.com

To the shareholders of Huge Group Limited

We have reviewed the Provisional Condensed Consolidated Financial Statements of Huge Group Limited, contained in the accompanying report on pages 9 to 30, which comprise the Provisional Condensed Consolidated Statement of Financial Position as at 28 February 2021 and the Provisional Condensed Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and selected explanatory notes.

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 provisional 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.

The Listings Requirements require provisional condensed financial statements contained in a provisional report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34, Interim Financial Reporting.

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 evaluate 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.

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 28 February 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional 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

31 May 2021
Johannesburg

50 Oxford Road
Parktown
Johannesburg
2193

Provisional Financial Results (continued)

NORMALISED REVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2021

The board of directors (the **Board** or the **Directors**) of Huge Group are pleased to present the reviewed condensed consolidated provisional results of the Company and its subsidiary companies and associates (the **Group**) for the financial year which commenced on 1 March 2020 and ended on 28 February 2021 (**FY2021**). These results have been compared to the twelve months of the financial reporting period which commenced on 1 March 2019 and ended on 28 February 2020 (**FY2020**).

This normalised condensed consolidated statement of 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 R34.61 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. Due to its nature, it may not fairly present comprehensive income. Further detail relating to the Executive Share Option Agreements can be found on page 26.

Figures in Rand	Reviewed 28 February 2021 (12 months) R'000	Audited 29 February 2020 (12 months) R'000
Total revenue	469 857	492 145
Cost of sales	(177 148)	(153 250)
Impairment of inventory[1]	(31 233)	-
Gross profit	**261 476**	**338 895**
Other income	6 719	10 418
Waiver of loans[2]	18 606	-
Decommissioning of telephone lines[3]	(13 846)	-
Operating expenses	(133 358)	(154 617)
Movement in credit loss allowances[4]	(14 752)	(17 121)
EBITDA	**124 845**	**177 575**
Depreciation and amortisation[5]	11 634	(35 927)
Depreciation on right-of-use assets	(5 627)	(6 866)
Operating profit	**130 852**	**134 782**
Interest income	1 285	3 717
Share of (losses) / earnings from equity accounted investments	(25)	20
Gain on sale of plant and equipment	1 939	1 575
Impairment on investment in joint venture company	-	(458)
Finance costs	(14 208)	(19 432)
Finance costs on lease liabilities	(1 478)	(2 141)
Profit before taxation	**118 365**	**118 063**
Income tax expense	(19 478)	(22 739)
Net profit for the period	**98 887**	**95 324**
Non-controlling interest	(3 846)	(301)
Net profit attributable to owners of the company	**95 041**	**95 023**
Normalised earnings per share information		
Normalised basic earnings per share (cents)	57.82	57.58
Normalised headline earnings per share (cents)	63.04	57.03
Normalised diluted basic earnings per share (cents)	57.38	57.42
Normalised diluted headline earnings per share (in cents)	62.55	56.87

[1] Refer to the Notes to the Provisional Financial Statements, pages 23 and 24 for further detail.
[2] Refer to the Notes to the Provisional Financial Statements, page 26 (Business Combinations) for further detail.
[3] Decommissioning of telephone lines relates to the disposal of telephone lines owned by the Group, under the Telecom Grouping, as a result of customer contract cancellations during the current reporting period.
[4] Movement in credit losses in the prior reporting period and current reporting period relate mainly to an employee fraud that took place at Huge Connect during FY2020. 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.
[5] The credit to depreciation and amortisation in the current reporting period relates to a change in estimate which is detailed in the Notes of the Provisional Financial Statements, page 24.

Provisional Financial Results (continued)

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2021

The board of directors (the **Board** or the **Directors**) of Huge Group are pleased to present the reviewed condensed consolidated provisional results of the Company and its subsidiary companies and associates (the **Group**) for the financial reporting period which commenced on 1 March 2020 and ended on 28 February 2021 (**FY2021**). These results have been compared to the twelve months of the financial year which commenced on 1 March 2019 and ended on 28 February 2020 (**FY2020**).

The condensed consolidated statement of comprehensive income includes the R34.61 million 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 9 is a better representation of the Group's operating performance.

Figures in Rand	Reviewed 28 February 2021 (12 months) R'000	Audited 29 February 2020 (12 months) R'000
Total revenue	469 857	492 145
Cost of sales	(177 148)	(153 250)
Impairment of inventory	(31 233)	-
Gross profit	**261 476**	**338 895**
Other income	6 719	10 418
Waiver of loans	18 606	-
Decommissioning of telephone lines	(13 846)	-
Operating expenses	(133 358)	(154 617)
Executive share-based payment expense (IFRS2)[1]	(34 610)	-
Movement in credit loss allowances	(14 752)	(17 121)
EBITDA	**90 235**	**177 575**
Depreciation and amortisation	11 634	(35 927)
Depreciation on right-of-use assets	(5 627)	(6 866)
Operating profit	**96 242**	**134 782**
Interest income	1 285	3 717
Share of (losses) / earnings from equity accounted investments	(25)	20
Gain on sale of plant and equipment	1 939	1 575
Impairment on investment in joint venture company	-	(458)
Finance costs	(14 208)	(19 432)
Finance costs on lease liabilities	(1 478)	(2 141)
Profit before taxation	**83 755**	**118 063**
Income tax expense	(19 478)	(22 739)
Net profit for the period	**64 277**	**95 324**
Non-controlling interest	(3 846)	(301)
Net profit attributable to owners of the company	**60 431**	**95 023**
Earnings per share information		
Basic earnings per share (cents)	36.77	57.58
Headline earnings per share (cents)	41.98	57.03
Diluted basic earnings per share (cents)	36.48	57.42
Diluted headline earnings per share (in cents)	41.66	57.87

[1] Further detail relating to the Executive Share Option Agreements can be found on page 26.

Provisional Financial Results (continued)

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2021

Figures in Rand	Reviewed 28 February 2021 (12 months) R'000	Audited 29 February 2020 (12 months) R'000
Assets		
Non-current assets		
Plant and equipment	306 745	272 983
Right-of-use asset	12 014	16 830
Goodwill	607 694	607 694
Intangible assets	23 908	22 520
Investment in associates	-	25
Loans to associate companies	63 676	70 704
Loans receivable	633	336
Other receivables[1]	20 561	-
Contract assets	2 664	4 901
Investments	420	404
Deferred tax	43 644	29 552
	1 081 959	**1 025 949**
Current assets		
Inventories	82 105	60 039
Loans receivable	439	204
Trade and other receivables	63 712	69 257
Contract assets	1 623	2 168
Current tax receivable	509	4 224
Cash and cash equivalents	29 462	40 153
	177 850	**176 045**
Total assets	**1 259 809**	**1 201 994**
Equity and Liabilities		
Equity		
Share capital	599 947	611 884
Share-based payment reserve	34 610	3 906
Change in control reserve	52 474	52 474
Retained earnings	327 262	273 102
Equity attributable to equity holders of parent	**1 014 293**	**941 366**
Non-controlling interest[2]	(49 971)	(60 253)
	964 322	**881 113**

[1] 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. These consist of the arrangement fee owed by Otel Communications (Pty) Ltd (**Otel**) that arose on the merger between Huge Networks and Otel during FY2019 in accordance with the Arrangement Fee Agreement as well as the Otel Profit Warranty accrual which was recognised in accordance with the Otel Communications Sale of Business Agreement concluded in FY2019.

[2] Refer to the Notes to the Provisional Financial Statements, page 26 (Business Combinations) for further detail.

Provisional Financial Results (continued)

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2021

Figures in Rand	Reviewed 28 February 2021 (12 months) R'000	Audited 29 February 2020 (12 months) R'000
Liabilities		
Non-current liabilities		
Loans payable[1]	-	18 258
Interest bearing liabilities	100 777	120 937
Lease liabilities	10 969	14 509
Deferred tax	75 372	43 181
	187 118	**196 885**
Current liabilities		
Loans payable	300	600
Interest bearing liabilities	51 263	51 583
Current tax payable	1 515	8 292
Lease liabilities	4 864	6 308
Deferred income	34	6 092
Trade and other payables	38 216	50 230
Bank overdraft	12 177	891
	108 369	**123 996**
Total liabilities	**295 487**	**320 881**
Total equity and liabilities	**1 259 809**	**1 201 994**
Number of ordinary shares in issue ('000)[2]	162 098	165 230
Net asset value per share (cents)	594.90	533.27
Net tangible asset value per share (cents)	205.26	151.85

[1] The reduction in loans payable relates to the waiver of loans by The MIA Family Trust during FY2021. Further detail is provided on page 26 of the Notes to the Provisional Financial Statements (Business Combinations).

[2] The number of ordinary shares utilised for the calculation of net asset value per share and net tangible asset value per share excludes treasury shares held by the Group amounting to 11 566 081 (FY2020: 10 397 415).

Capital

The Group continues to enjoy the support of Futuregrowth Asset Management through the ZAR200 Million Term Facility Agreement concluded in December 2018. As at 28 February 2021, the Group's net debt position is R135 million. At 28 February 2021, the Group's debt to normalised sustainable EBITDA ratio is 1.11. 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. With R17 million cash reserves (post share repurchases of R18 million), the Group is in a favourable position for fuelling sustainable growth. The effective tax rate applicable to Group profit before tax is circa 23%.

Provisional Financial Results (continued)

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2021

Figures in Rand	Share Capital R'000	Share Premium R'000	Share-based payment reserve R'000	Change in control reserve R'000	Accumulated Profit R'000	Non-Controlling interest R'000	Total Equity R'000
Audited Balance as at 1 March 2019	**17**	**608 772**	**4 142**	**(4 761)**	**209 004**	**5 666**	**822 840**
Profit for the year	-	-	-	-	95 023	301	95 324
Issue of shares	-	180	-	-	-	-	180
Capital raising expense	-	(720)	-	-	-	-	(720)
Share buy-back	-	(63)	-	-	-	-	(63)
Share-based payments raised	-	-	3 462	-	-	-	3 462
Distribution of treasury shares previously held[1]	-	3 698	(3 698)	-	-	-	-
Dividends	-	-	-	-	(30 924)	-	(30 924)
Business Combinations	-	-	-	57 235	-	(57 235)	-
Business Combinations	-	-	-	-	-	(8 986)	(8 986)
Audited Balance as at 29 February 2020	**17**	**611 867**	**3 906**	**52 474**	**273 103**	**(60 254)**	**881 113**
Profit for the year[2]	-	-	-	-	60 431	3 846	64 277
Capital raising expense	-	(60)	-	-	-	-	(60)
Share buy-back[3]	-	(17 659)	-	-	-	-	(17 659)
Share-based payments raised	-	-	1 222	-	-	-	1 222
Executive share-based payments raised[4]	-	-	34 610	-	-	-	34 610
Distribution of treasury shares previously held[1]	-	2 458	(2 458)	-	-	-	-
Sale of treasury shares previously held[5]	-	819	-	-	-	-	819
Share-based payment reserve reclassification[6]	-	2 505	(2 670)	-	165	-	-
Business combinations[7]	-	-	-	-	(6 437)	6 437	-
Reviewed Balance as at 28 February 2021	**17**	**599 930**	**34 610**	**52 474**	**327 262**	**(49 971)**	**964 322**

[1] The distribution of treasury shares relates to 560 089 (FY2020: 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 1 288 768 Huge ordinary shares have been distributed by the CI Trust to its share beneficiaries up to the end of FY2021.

[2] Profit for the year takes into account the R34.61 million IFRS2 Share-based payment expense relating to the Executive Share Option Agreements. Further detail relating to the Executive Share Option Agreements can be found on page 26. Normalised profit for the year amounts to R95 041 154.

[3] Following the announcement on SENS on 15 January 2020, the Company repurchased 3 869 966 Huge shares up to the end of FY2021 and this amounted to R17 607 820 at an average price per share of 454.99 cents. 1 963 311 of these shares were delisted during the 2021 financial period and the remaining are to be delisted subsequent to 28 February 2021.

[4] Refer to the Notes to the Provisional Financial Statements, page 26 for further detail.

[5] The sale of treasury shares previously held relates to 177 900 Huge ordinary 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.

[6] 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.

[7] 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 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 comprehensive income.

Provisional Financial Results (continued)

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2021

Figures in Rand	Reviewed 28 February 2021 (12 months) R'000	Audited 29 February 2020 (12 months) R'000
Profit before taxation[1]	**83 755**	**118 063**
Adjusted for non-cash movements	63 309	56 430
Adjusted for working capital movements	(87 829)	(61 905)
Net finance costs	1 225	2 585
Tax paid	(4 442)	(19 384)
Cash flows from operating activities	**56 018**	**95 789**
Purchase of plant and equipment	(29 916)	(70 742)
Proceeds from disposal of plant and equipment	3 413	1 938
Purchase of intangible assets	(3 708)	(5 992)
Business combinations	-	(12 340)
Loans to associate companies advanced	(5 040)	-
Loans to associate companies repaid	1 804	-
Withdrawal of investment	-	44 602
Advances of loans receivable at amortised cost	321	(530)
Repayment of loans to shareholders repaid	-	13
Sale of treasury shares previously held	819	-
Share buy-back	(17 659)	(63)
Cash flows from investing activities	**(49 966)**	**(43 114)**
Capital raising expenses	(60)	(720)
Proceeds from Interest-bearing liabilities	20 000	42 113
Repayment of Interest-bearing liabilities	(40 480)	(40 000)
Dividends paid	-	(30 924)
Advance of loans receivable	(810)	-
Lease receipts/(payments)	(6 678)	(5 090)
Cash flows from financing activities	**(28 028)**	**(34 621)**
Net cash movement for the period	**(21 976)**	**18 054**
Cash at the beginning of the period	39 261	21 207
Total cash at the end of the period	**17 285**	**39 261**

[1] Profit before taxation takes into account the R34.61 million IFRS2: Share-based payment expense relating to the Executive Share Option Agreements. Further detail relating to the Executive Share Option Agreements can be found on page 26.

Reporting

Segment Report

The Board has 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 of 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; and
- 75.13% held Huge Distribution (formerly Pansmart), the holding company of which is Huge.

In terms of Huge's Segment Report, the **Fintech Grouping** comprises of 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; and
- 100% held Huge Capital, the holding company of which is Huge.

In terms of Huge's Segment Report, the **Corporate Office Grouping** comprises of 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 of Huge Connect and Huge Networks; and
- 100% held Huge Management Company, 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, Eswatini 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 the disaggregated revenue note on page 20 for further details.

Segment Report (continued)

NORMALISED SEGMENT REPORT

For the year ended 28 February 2021

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 R34.61 million 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 is provided in on page 26.

Figures in Rand	Reviewed 28 February 2021 R'000	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000
Revenue	469 857	294 988	167 424	7 445
Gross profit[1]	**261 475**	**150 958**	**103 478**	**7 039**
Other income[2]	25 325	25 110	46	169
Selling and administration expenses[3]	(147 203)	(92 878)	(28 559)	(25 766)
Movement in credit loss allowances[4]	(14 752)	(5 058)	(9 536)	(158)
EBITDA	**124 845**	**78 132**	**65 429**	**(18 716)**
Depreciation and amortisation[5]	11 634	27 031	(14 905)	(492)
Depreciation on right-of-use assets	(5 627)	(1 804)	(2 773)	(1 050)
Operating profit/(loss)	**130 852**	**103 359**	**47 751**	**(20 258)**
Interest income	1 285	216	357	712
Share of losses from equity accounted investments	(25)	-	-	(25)
Gain on sale of plant and equipment	1 939	405	1 532	2
Finance costs	(14 208)	(3 205)	(7)	(10 996)
Finance costs on lease liabilities	(1 478)	(573)	(548)	(357)
Profit/(loss) before taxation	**118 365**	**100 202**	**49 085**	**(30 922)**

[1] Included in cost of sales is an amount of R31.23 million relating to the impairment of inventory that impacted the Telecom Grouping (R22.8 million) and the Fintech Grouping (R8.43 million). Refer to the Notes to the Provisional Financial Statements, pages 23 and 24 for further detail.

[2] Included in other income is a waiver of loans amounting to R18.61 million which benefitted the Telecom Grouping during the current year. Refer to the Notes to the Provisional Financial Statements, page 26 (Business Combinations) for further detail.

[3] Included in selling and administration expenses is the decommissioning of telephone lines related to the disposal of telephone lines owned by the Group, under the Telecom Grouping, as a result of customer contract cancellations during the current reporting period. This amounted to R13.85 million.

[4] Movement in credit losses in the prior reporting period and current reporting period relate mainly to an employee fraud that took place in the Fintech Grouping during FY2020. Billings have ceased and full credit loss allowance provisions have been raised against the outstanding trade and other receivable balances. Further detail relating to the employee fraud can be found in the FY2020 Integrated Report.

[5] The credit to depreciation and amortisation in the current reporting period relates to a change in estimate which is detailed in the notes of the Provisional Financial Statements, page 24. This benefitted the Telecom Grouping in the current year.

Figures in Rand	Audited 29 February 2020 R'000	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000
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
Selling and administration expenses	(154 617)	(82 372)	(32 307)	(39 938)
Movement in credit loss allowances	(17 121)	(1 292)	(15 840)	11
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	(6 866)	(2 858)	(2 958)	(1 050)
Operating profit/(loss)	**134 782**	**114 476**	**59 453**	**(39 147)**
Interest income	3 717	892	1 018	1 807
Share of gains/(losses) 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	(458)	(458)	-	-
Finance costs	(19 432)	(4 942)	(102)	(14 388)
Finance costs on lease liabilities	(2 141)	(1 117)	(596)	(428)
Profit/(loss) before taxation	**118 063**	**108 881**	**61 313**	**(52 131)**

No amendments have been made to the comparative FY2020 figures presented above as the normalised numbers are unadjusted and therefore, the same as the actuals.

Segment Report (continued)

SEGMENT REPORT

For the year ended 28 February 2021

Figures in Rand	Reviewed 28 February 2021 R'000	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000
Revenue	469 857	294 988	167 424	7 445
Gross profit	**261 475**	**150 958**	**103 478**	**7 039**
Other income	25 325	25 110	46	169
Selling and administration expenses	(147 203)	(92 878)	(28 559)	(25 766)
Executive share-based payment expense (IFRS2)[1]	(34 610)	-	-	(34 610)
Movement in credit loss allowances	(14 752)	(5 058)	(9 536)	(158)
EBITDA	**90 235**	**78 132**	**65 429**	**(53 326)**
Depreciation and amortisation	11 634	27 031	(14 905)	(492)
Depreciation on right-of-use assets	(5 627)	(1 804)	(2 773)	(1 050)
Operating profit/(loss)	**96 242**	**103 359**	**47 751**	**(54 868)**
Interest income	1 285	216	357	712
Share of losses from equity accounted investments	(25)	-	-	(25)
Gain on sale of property, plant and equipment	1 939	405	1 532	2
Finance costs	(14 208)	(3 205)	(7)	(10 996)
Finance costs on lease liabilities	(1 478)	(573)	(548)	(357)
Profit/(loss) before taxation	**83 755**	**100 202**	**49 085**	**(65 532)**

[1]This segment report includes the R34.61 million 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 on page 17, is a better representation of the segments' performance.

The **Telecom Grouping:**

- 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 national 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) is only down 1% from prior year and can be celebrated at a time of unprecedented uncertainty, exacerbated by the challenges experienced with FST and the Cell C dispute.
- Voice traffic revenue has shown a significant improvement in the months following June 2020 and are almost back to "pre-COVID" levels.
- The prior period's gross margin of 67% benefited from once-off credits to cost of sales. This period's gross margin of 51% reduced significantly due to the impairment on work-in-progress detailed on page 23. Removing this once-off impairment, reflects the more sustainable GP levels of 59%.
- A once-off acceleration of depreciation and amortisation of R5 million negatively impacted the Telecom Grouping in the prior period.

The **Fintech Grouping:**

- The prior period's gross margin of 73% benefited from once-off credits to cost of sales. This period's gross margin of 62% reduced significantly due to the impairment on inventory (devices) detailed on page 24. Removing this once-off impairment, reflects the more sustainable GP levels of 67%.
- Huge Connect increased the number of POS (point-of-sale) devices connected by 13% and is steadily growing its fixed annuity revenue stream (92% of which is fixed annuity revenue).
- 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.

Segment Report (continued)

SEGMENT REPORT

For the year ended 28 February 2021

The **Corporate Office Grouping**:

- The Corporate Office Grouping is needed to support the Growing Huge Strategy. It includes consulting and professional services and bears 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.
- Operating expenses for the financial period were 36% lower than the operating expenses for the prior financial period, primarily as a result of a cost reduction drive by the executive.
- The Company concluded Executive Share 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 Executive Share Option Agreements were approved by the shareholders of Huge on 26 February 2020 (the Grant Date). The options contemplated in the Executive Share Option Agreements (the Options) were approved three days prior to the end of FY2020. An IFRS2: share-based payment expense has been raised in the current year amounting to R34.61 million. The executives have not exercised any options.

Segment Highlights

MTN migration **100%** Complete

Telecom Grouping Fixed Annuity as a % of total revenue grew by **11%**

Telecom Grouping annuity revenue makes up **62%** of total revenue

Fintech Grouping increased number of point-of-sale devices connected by **13%**

Fintech Grouping annuity revenue makes up **92%** of total revenue

Corporate Office Grouping decreased opex by **36%**

Disaggregation of Revenue

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.

Figures in Rand	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000	Total 28 February 2021 R'000
Region				
South Africa	294 827	158 441	7 445	460 713
Africa	160	8 984	-	9 144
	294 987	**167 425**	**7 445**	**469 857**
Major goods/service lines				
Network devices	7 780	1 979	-	9 759
Network services	272 443	165 446	-	437 889
Software licence fees	267	-	7 445	7 712
Communication equipment	14 497	-	-	14 497
	294 987	**167 425**	**7 445**	**469 857**
Timing of revenue recognition				
Goods transferred at a point in time	23 610	1 979	-	25 589
Services transferred over time	271 377	165 446	7 445	444 268
	294 987	**167 425**	**7 445**	**469 857**

Figures in Rand	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000	Total 29 February 2020 R'000
Region				
South Africa	321 693	158 176	2 563	482 432
Africa	237	9 476	-	9 713
	321 930	**167 652**	**2 563**	**492 145**
Major goods/service lines				
Network devices	17 296	1 814	-	19 110
Network services	290 249	165 838	-	456 087
Software licence fees	530	-	2 563	3 093
Communication equipment	13 855	-	-	13 855
	321 930	**167 652**	**2 563**	**492 145**
Timing of revenue recognition				
Goods transferred at a point in time	29 449	1 814	-	31 263
Services transferred over time	292 481	165 838	2 563	460 882
	321 930	**167 652**	**2 563**	**492 145**

Basic & Headline Earnings per share

NORMALISED BASIC & HEADLINE EARNINGS PER SHARE

For the year ended 28 February 2021

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Weighted average number of shares in issue	**164 365**	**165 037**
Normalised profit attributable to equity holders of the parent	95 041	95 023
Basic earnings per share (cents)	**57.82**	**57.58**

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Weighted average number of shares in issue	**164 365**	**165 037**
Normalised profit attributable to equity holders of the parent	95 041	95 023
Gain on disposals of plant and equipment	(1 939)	(1 575)
Decommissioning of telephone lines	13 846	-
Gain on bargain purchase of joint venture	-	(138)
Impairment of investment in joint venture	-	458
Taxation effects	(3 334)	351
Adjusted normalised profit attributable to equity holders of the parent	103 614	94 119
Headline earnings	**63.04**	**57.03**

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 R34.61 million IFRS2: share-based payment expense relating to the Executive Share Option Agreements. However, because of its nature it may not fairly present the basic and headline earnings per share.

Treasury Shares

As at 28 February 2021 the Company had 173 663 766 (FY2020: 175 627 077) ordinary shares in issue, of which 9 646 926 ordinary shares are held by Huge Telecom as treasury shares. Nil (FY2020: 737 989) ordinary shares are held by The CI Trust, which has been classified in terms of IFRS 10 as an entity controlled by Huge Connect and therefore by Huge Group. 1 919 155 (FY2020: 12 500) ordinary shares are held by Huge Group as a result of the share repurchase programme which will be cancelled and returned to authorised share capital after 28 February 2021.

Basic & Headline Earnings per share (continued)

BASIC & HEADLINE EARNINGS PER SHARE

For the year ended 28 February 2021

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Weighted average number of shares in issue	**164 365**	**165 037**
Normalised profit attributable to equity holders of the parent	95 041	95 023
Executive share-based payment expense (IFRS2)[1]	(34 610)	-
Profit attributable to equity holders of the parent	60 431	95 023
Basic earnings per share (cents)	**36.77**	**57.58**

[1] The basic earnings per share includes the R34.61 million 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 21 is a better representation of the Group's operating performance.

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Weighted average number of shares in issue	**164 365**	**165 037**
Profit attributable to equity holders of the parent	60 431	95 023
Gain on disposals of plant and equipment	(1 939)	(1 575)
Decommissioning of telephone lines	13 846	-
Gain on bargain purchase of joint venture	-	(138)
Impairment of investment in joint venture	-	458
Taxation effects	(3 334)	351
Adjusted profit attributable to equity holders of the parent	69 004	94 119
Headline earnings	**41.98**	**57.03**

The headline earnings per share includes the R34.61 million 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 headline earnings per share presented on page 21 is a better representation of the Group's operating performance.

Notes to the Provisional Financial Statements

Independent Review

The Board takes 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 viewed on page 8 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, 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 has been 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 Groups auditors. The reviewed provisional condensed consolidated financial results for the year ended 28 February 2021 were prepared under the supervision of the Chief Financial Officer of the Company, S Sequeira (CA(SA)), and will be included in the 2021 Integrated Report to be issued to shareholders on or before 30 June 2021.

Change in accounting policies

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 March 2020, none of which had any material impact on the Group's financial results for the period. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, issued by the IASB, are effective for periods commencing on or after 1 January 2021. As at 28 February 2021, there were no changes to any of the interest rate benchmarks to which the Group is exposed. The Group will continue to assess the impact of interest rate benchmark reform as the revised benchmark rates are published. Full details on changes in accounting policies will be disclosed in the Group's audited consolidated annual financial statements for the year ended 28 February 2021, which will be available online on or before 30 June 2021.

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 reporting period ended 29 February 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 reporting period ended 29 February 2020, 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.

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 R22.8 million in the current year. The impairment is included in cost of sales.

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Carrying value of work-in-progress before impairment	**66 833**	**24 672**
Impairment of work-in-progress	(22 802)	-
Carrying value of work-in-progress after impairment	**44 031**	**24 672**

Notes to the Provisional Financial Statements

Impairment of inventory (continued)

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 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 R8.43 million 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.

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Carrying value of inventory (Devices) in the Fintech Grouping before impairment	**16 863**	**16 863**
Impairment of inventory	(8 432)	-
Carrying value of inventory (Devices) in the Fintech Grouping after impairment	**8 431**	**16 863**

Change in estimates

During 2021 the Group conducted a residual value review of its telephone line network asset register, which resulted in changes to the residual value of the telephone lines. The proven recoverability of the network asset should this be sold to a third party after its depreciable term of 10 years was determined. The telephone lines residual value, which management had previously assessed at R425 is R4 171. As a result, an adjustment of R31 275 173 has been raised against depreciation in the Condensed Consolidated Statement of Comprehensive Income. The effect of this change on expected depreciation is impracticable to estimate and has therefore not been included.

Impact of COVID-19

The Board has assessed the impact of COVID-19 and the national 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;
- Telecommunication and connectivity 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;
- Previous challenges have directed 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;
- Cohesive teams with low employee turnover promote resilience;
- Mature and experienced executive and senior management teams at Board and operating company level.

Notes to the Provisional Financial Statements

Impact of COVID-19 (continued)

Trends have revealed a minimal impact on cash flows and credit losses which are continuously monitored by the Group.

Going concern considerations

The going concern basis has been adopted in preparing the reviewed provisional condensed consolidated financial statements for the Group. 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.

Liquidity, credit and interest rate risk

The Group has sufficient funds and committed facilities available to address liquidity risk that may arise from customers experiencing cash flow constraints. In considering the impact on its SME customer base, Huge has reassessed its credit and risk policies pertaining to its customers and the impact on the recoverability of its debtors under IFRS 9, the impact of which is not significant to its financial results.

The majority of short-term debt relates to the R30 million facility held with Futuregrowth, which is intended to be refinanced, while the remainder relates to short-term leases. These are not expected to pose any liquidity risk. In order to ensure that short-term liquidity can be met, the Group has access to R80 million under the R200 million facility held with Futuregrowth.

Financial Instruments & Financial 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, it 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 quarterly reports from the Executive through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies which it sets.

Financial instruments at amortised cost

The fair values of financial instruments measured at amortised cost approximate their carrying amounts.

Employee share-based transactions

The CI Trust was established for the purposes of creating incentives for certain employees, directors and/or consultants of ConnectNet Broadband Wireless and Sainet Internet.

The allocation of these shares to share beneficiaries is governed by The CI Trust Deed.

During the 2021 financial period 560 089 shares (FY2020: 468 038) were transferred by The CI Trust to share beneficiaries at a grant price of R4.39 (FY2020: R7.90). The remaining 177 900 shares were sold to external parties at a price of R4.60 per share. These 177 900 shares were ceded as security for the loan between Huge and The CI Trust which was repaid during the current financial year.

All shares have been allocated to share beneficiaries and the CI Trust will be dissolved during the next reporting period.

Shares that have been allocated to share beneficiaries are not restricted.

Expense arising from share-based payment transactions

Total expenses of R1 221 899 (2020: R3 461 559) related to equity-settled share-based payment transactions were recognised in FY2021 and FY2020 respectively.

Notes to the Provisional Financial Statements

Executive Share Option Agreements

The Company concluded Executive 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**). The options contemplated in the Option Agreements (the **Options)** were approved three days prior to the end of FY2020, and at that time the share price was below the Strike Price (defined below) and 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 Huge shares at a strike price equal to the 30-day volume-weighted average price (**VWAP**) of a Huge share on the Effective Date, which is R5.31 per share (the **Strike Price**).

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 Huge share on the Effective Date was R5.65;
- The exercise price of the Huge 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 Huge share based on the then 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 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; and
- 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: R2.52 per share;
- Second tranche of the Option: R2.67 per share; and
- Third tranche of the Option: R2.80 per share.

Charges relating to the 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 the 2021 reporting period the xxecutives did not elect to exercise their options.

Share Repurchase Programme

Following the announcement on 15 January 2020, the Company repurchased 3 869 966 Huge Shares amounting to R17 607 820 at an average price of 454.99 cents per share under an approved share repurchase programme. 1 963 311 of these Shares were delisted during the 2021 financial period and 1 919 155 will be cancelled and returned to authorised share capital after 28 February 2021.

Business Combinations

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. 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.

Related Party Transactions & Balances

Relationships	At 28 February 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
Entitity 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 (the **Executive**)	JC Herbst AP Openshaw SL Sequeira

Related party balances

Loan accounts – Owing by related parties

Loan accounts – Owing by associate companies

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Huge Cellular	61 269	68 297
Huge Soho	2 407	2 407
Total	**63 676**	**70 704**

Consulting fees paid to related parties

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
Casa Da Luz Proprietary Limited[1]	-	720
VM Mokholo[2]	-	200
Total	**-**	**920**

[1] Casa Du Luz Proprietary Limited entered into a capital raising fee consulting agreement in prior years which came to an end in May 2020.
[2] VM Mokholo entered into a once-off consulting arrangement in relation to the Windfall transaction that took place in FY2020.

Related Party Transactions & Balances (continued)

Surety fees paid to related parties

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
JC Herbst[1]	-	1 159
Total	**-**	**1 159**

[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.

Loan accounts – Owing to related parties

Figures in Rand	**Reviewed 28 February 2021 (12 months) R'000**	Audited 29 February 2020 (12 months) R'000
GB Shiers	(150)	(450)
J Ingram	(150)	(450)
Total	**(300)**	**(900)**

Huge Telecom concluded sale of shares agreements (the **Sale Agreements**) with J Ingram, GB Shiers and EM Kerby. In terms of the Sale Agreements, Huge Telecom acquired all of the shares held by J Ingram, GB Shiers and EM Kerby in Huge Messaging (formerly Ambient Mobile Proprietary Limited). The loans are paid in equal monthly instalments and the balance will be fully settled in FY2022.

Supplementary Information

Subsequent Events

Share repurchase programme

Following the announcement on 17 March 2021, the Company repurchased 149 404 Huge shares amounting to R946 755 at an average price of 461.75 cents per share. The shares will be delisted during the course of the 2022 reporting period.

COVID-19

The Board has assessed the potential impact, including the 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 as circumstances change.

Charges relating to the 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 is R41 988 875 and the Company will create a share-based payment reserve of this amount by charging the Company's income statements over time. This period's expense amounts to R34 609 702 (FY2020: nil), leaving R7 379 273 to be charged to future income statements (R7 359 215 in the next 12 months and another R20 058 in FY2023).

Adapt IT Offer

Shareholders are referred to the Publication of the Offeror Circular announcement made to Adapt IT Shareholders and published on SENS on the 16th of April 2021 which details the offer by Huge as contemplated in section 117(1)(c)(v) of the Companies Act to acquire part or all of their Adapt IT Shares for an offer consideration of 0.9 Huge shares for every 1 Adapt share held. Shareholders are also referred to the announcement published on SENS on 28 May 2021 advising shareholders of Huge that it is increasing its offer to the shareholders of Adapt IT to acquire part or all of their shares from 552 cents to 909 cents per share, resulting in an increased swap ratio of 1.37

MTN Migration

The MTN migration was fully completed by 28 February 2021. Further details can be found in the commentary.

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 and it is prudent to preserve cash due to uncertainties relating to COVID-19. Ordinary shareholders are advised that 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 28 February 2021.

Litigation

The Company and Group engage in a certain level of litigation in the ordinary course of business. The Board has considered all pending and current litigation involving the Company and the Group and are of the opinion that, unless specifically provided, none of these will result in a loss to the Group.

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.

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 the Provisional Financial Results.

Supplementary Information (continued)

Other Matters

The directors are not aware of any other significant matters or circumstance arising since the end of the reporting period, not otherwise dealt with in these Provisional Financial Results, which affects the financial position of the Group or the results of its operations to the date of this report.

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

Nedbank Corporate and Investment Banking, a division of Nedbank Limited
Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196

Registered office

Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, 2076 (PO Box 1585 Kelvin, 2054)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
2nd Floor, Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196

Directors

Non-Executive: Dr DF da Silva (Chairman), SP Tredoux *, DR Gammie**, BC Armstrong**, CWJ Lyons** and VM Mokholo

* SP Tredoux resigned on 23 September 2020
** Independent

Executive

JC Herbst (Chief Executive Officer), AP Openshaw (Chief Operating Officer), SL Sequeira (Chief Financial Officer)

Date of release

Johannesburg
31 May 2021

Huge Group Limited
(Registration number 2006 023587 06
Share code: HUG ISIN ZAE000102042

Glossary

A2X Markets	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 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.
COVID-19	an infectious disease caused by a newly discovered coronavirus and which has been declared a pandemic by the World Health Organisation
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
Devices	High-end mobile phones
Directors	the board of directors of Huge
EBITDA	earnings before interest, taxation, depreciation and amortisation
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).
EPS	earnings per share
FRIP	Financial Reporting Investigation Panel
Futuregrowth	Futuregrowth Asset Management Proprietary Limited, registration number 1996/018222/07, financing agent of Huge
Group	Huge and its subsidiary companies
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

Glossary (continued)

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
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
JSE	the JSE Limited, a stock exchange licensed in terms of the Financial Markets Act 19 of 2012, on which the Company has a secondary listing
Listing Requirements	Listings Requirements the Listings Requirements of the JSE
The MIA Family Trust	means the trustees for the time being of The Mia Family Trust (Master's reference No. IT 4648/99), a trust duly registered in accordance with the laws of the Republic of South Africa, which holds 24.87% of the shares in Huge Distribution
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
MIA Loan	means loans that existed on acquisition of Pansmart on 13 May 2019
Normalised profit	is profit that excludes non-cash charges that have no effect on operating performance of the underlying companies within the Group
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
Windfall	Windfall 111 Properties Proprietary Limited, registration number 2013/169340/07, a private company controlled by Mr V Mokholo (a related party to Huge given that V Mokholo is a non-executive director of the Company)

huge
group

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