INDEPENDENT AUDITOR'S REPORT

To the shareholders of Huge Group Limited

Qualified Opinion

We have audited the consolidated and separate financial statements of Huge Group Limited (the company and where applicable, the Group) set out on pages 79 to 151, which comprise the statement of financial position as at 28 February 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated and separate financial position of Huge Group Limited as at 28 February 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for the Qualified Opinion

Management have taken the view that the Connectnet Incentive Trust is an entity controlled by the Group. A donation, to the value of R 14 470 932 (being R1 200 000 in cash and R13 270 932 in Huge Group Limited shares), made by the Connectnet Vendors to Connectnet Incentive Trust, an entity deemed to be controlled by management, has been treated as other income in the consolidated statement of profit or loss and other comprehensive income.

Based on our professional judgement, the Connectnet Incentive Trust is not deemed to be an entity controlled by the Group and therefore the Trust should not be consolidated as currently reflected in the consolidated financial statements. Furthermore, based on management's assumption that the Trust is an entity controlled by the Group, the donation income reflected in the consolidated statement of profit or loss and other comprehensive income, in our opinion, is not permitted and should not have been accounted for in the statement of profit or loss and other comprehensive income as other income.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters identified at a Group level

Key audit matter	Audit response
Assessment of goodwill impairment and the related impairment of the investment in subsidiaries (refer to note 5)	
As required by the applicable accounting standards, management must conduct annual impairment tests on goodwill to assess the recoverability based on the discounted cash flow model of the cash generating units. As disclosed in note 5, there are several key sensitive judgements made in determining the inputs into these models which include: • Revenue projections • The discount rate • Fixed and variable cost allocations Accordingly, the impairment test of goodwill is a key audit matter. There was no impairment of the goodwill relating to any of the investments in subsidiary companies. Refer to note 5 for detail of the key assumptions with respect to the goodwill impairment assessments	We focussed our testing with regards to the impairment of goodwill on the key assumptions made by management and the expert. Our audit procedures included, amongst others: • Confirmed the independence of the expert. • Critically evaluating whether the model used by the expert in calculating the value in use of the cash generating units complied with IAS 36 Impairment of Assets. • Validated the assumptions used to calculate the discount rates and long-term growth rates. • Analysed the future projected cash flows, with respect to the capital expenditure, EBITDA and working capital, used in the valuation model, to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash generating unit. • Performing sensitivity analysis on the key assumptions. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates, operating margins and commodity prices against historical performance in order to test the accuracy of management's projections • Assessed the related disclosures requirements relating to the calculation around the impairment of goodwill in terms of the IFRS.
Assessment of the capitalisation of assets, the assessment of the useful lives and residual values for property, plant and equipment and intangible assets (refer to note 4)	
Property, plant and equipment and intangible assets represents a significant proportion of the Group's asset base. Property, plant and equipment and intangible assets are subject to estimates and assumptions made the determine the carrying amounts, including whether and when to capitalise or expense certain costs, and the useful life of the assets in order to calculate the depreciation and amortisation respectively. These amounts are material to the Group and therefore a key audit matter. Refer to note 4 as well as the accounting policies on page 102 which detail the accounting policies in terms of property plant and equipment and intangible assets	Our audit procedures included, amongst others: • We assessed the capitalisation policies which were formulated by management based on expert opinions. • Confirmed independence of the experts. • Through substantive procedures we assessed the capitalisation policy of the Group against IAS 16. • Obtained an understanding of the assessed useful life of the assets and considered management's judgements and estimates, including the appropriateness of existing and revised asset lives and residual values applied by measuring these against the actual periods in use and industry trends for similar assets.

Revenue recognition – first time application of IFRS 15, accuracy of revenue recognition and disclosure of the first-time application of IFRS 15 as well as the assessment of the related information technology systems and integration (refer to note 26)

The application of IFRS 15 is complex in the telecommunications industry and is subject to several judgements and estimates.

The accuracy of revenue recognition is inherently subject to a higher risk of error as a result of the complexity of the billing systems and accounting for contractual arrangements with multiple contractual obligations with customers.

The accuracy, completeness and validity of the revenue recorded is reliant on internally developed software and the integration of this software with the accounting software.

Due to the significant nature of the revenue, reliance on the billing system is deemed to be a key audit matter.

Refer to page 88 for the accounting policy adopted by the Group with respect to revenue recognition as well as note 26 with respect to the revenue of the Group.

We assessed the Group's process for estimating the impact of IFRS 15 as follows:

Our audit procedures included, amongst others:

- Assessed the independence of management's expert.
- Assessed the report provided to management by the external expert against the company's accounting policy and revenue recognition criteria.
- Assessed the appropriateness and accuracy of management's assumptions and judgements in preparing the accounting policy for revenue recognition in terms of IFRS 15.
- Considered whether the processes and calculations established by management and the estimates and assumptions made in respect of the disclosure for the first-time adoption of IFRS 15 are sufficiently documented.

Assessed the integration of the billing system into the accounting software as follows:

- Performed an IT audit on the general and application controls relating to the billing system.
- Assessed the revenue reports through a reconciliation of the revenue as per the billing system to the revenue accounted for in the accounting system.
- Assessed the completeness of the call data records within the billing system through IT audit procedures.
- Compared the contract revenue from the billing system to the customer contracts and cash receipts.
- Assessed the costs incurred which were incremental to obtain the revenue contracts and assessed the capitalisation of these costs in terms of IFRS 15

INDEPENDENT AUDITOR'S REPORT (continued)

The requirement to consolidate the Connectnet Incentive Trust in terms of IFRS 10 and related accounting treatment of the Trust donations received.

In the previous financial year, vendors of Connectnet Broadband Wireless Proprietary Limited established the Connectnet Incentive Trust (the Trust) and made donations of Huge Group Limited ordinary shares and cash. The donations made by the Connectnet Vendors were treated as income in the Trust. Management's judgement initially resulted in the Trust being consolidated in terms of IFRS 10, which resulted in other income of R14 million being accounted for.

The consolidation of the Trust was assessed as a significant transaction and was therefore deemed as a key audit matter.

Refer to pages 86 and 87 for the accounting policy adopted by the Group with respect to business combinations and share based payments as well as note 21 with respect to the share-based payments

Our audit procedures included, amongst others:

We assessed the accounting treatment of the Trust through the assistance of a JSE accredited IFRS specialist follows:

- Considered whether this arrangement falls within the scope of IFRS 2 (Share-based payment);
- Considered whether the Trust is an entity controlled by Huge Group and if applicable when control was obtained;
- Considered the accounting treatment and disclosure of the Huge Group Limited shares held by the Trust in financial statements of the Huge Group Limited;
- Considered the accounting treatment of the cash and shares donated by the previous Shareholders of Connectnet (current Shareholders of Huge Group) to the Trust

The following conclusions were reached on the above matter:

- It was concluded the arrangement does fall within the scope of IFRS 2 and that there was a requirement to account for a share-based payment.
- It was concluded that the Trust is not an entity controlled by Huge Group Limited and therefore there was no requirement to consolidate the Trust.
- If the trust were to be assessed as being an entity controlled by the Group, consideration was given as to the understanding that shares are held in trust for the benefit of the identified employees and it is questionable whether such shares indeed meet the definition of an asset. In the event it is determined the Trust is holding the shares as principal and not as an agent, a financial asset should be recognised, the Trust then should recognise a financial liability representing its obligation to deliver the shares to the designated beneficiaries.
- The cash portion of the donation is permitted to be accounted for as other income in Trust, however on consolidation of the Trust the cash, the cash is seen to be funds received from shareholders and should be accounted for in equity.

Key audit matters identified at a Group level

Key audit matter	Audit response
Purchase price allocation on the acquisition of the business combination of Otel Communications and Otel Business	
During the year, Huge Networks Proprietary Limited, a subsidiary of Huge Group Limited, completed the acquisition of the business of Otel Communications and Otel Business. This transaction gave rise to the need to perform a purchase price allocation. There is a significant amount of management judgement and estimation in calculating the purchase price allocation of these transactions as a result of the fair value measurement of the assets and liabilities. Due to the significance of this, this is conserved a key audit matter. Refer to page 86 for the accounting policy adopted by the Group with respect to business combinations as well as notes 105 and 106 with respect to the business combination as well as the goodwill of the Group	Our audit procedures included, amongst others: • Considered the independence and qualifications of the expert; • Tested the methodology and assumptions used by the expert in arriving at the fair value of the assets and liabilities; • Reviewed the source documentation used by the expert in order to verify the validity of the fair value estimations as calculated by the expert; • Recalculated the purchase price allocation and goodwill allocation on the transactions; • Assessed the disclosure requirements of the acquisition in terms of the IFRS. We focussed our testing on the fair value evaluation of the assets and liabilities, the calculation of the purchase price allocation and the key assumptions made by managements independent expert.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report included in the corporate governance section of the Integrated Report, and the Company Secretary Certification as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the director determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in

INDEPENDENT AUDITOR'S REPORT (continued)

accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Moore Stephens MWM Inc. has been the auditor of Huge Group Limited for one year.

Moore Stephens MWM Inc

Moore Stephens MWM Inc
Registered Auditors

Per: A Schalekamp
Partner

28 June 2019