huge group

unlocking business opportunity

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2010

HUGE GROUP LIMITED
(Registration number 2006/023587/06)
Share code: HUG ISIN: ZAE000102042
("Huge" or "the Group" or "the Company")

UNAUDITED INTERIM RESULTS OF HUGE FOR THE SIX MONTHS ENDED 31 AUGUST 2010 AND UPDATE ON THE PREVIOUSLY ANNOUNCED SSF TRANSACTIONS

HIGHLIGHTS FOR 31 AUGUST 2010

- Financial turnaround continues to improve profitability
- Basic earnings per share up 274.8%
- Headline earnings per share up 272.5%
- Long term debt of only R1.3 million
- Net asset value per share up 19.1% to 272.3c per share

The board of directors of Huge is pleased to present the unaudited interim results for the six months ended 31 August 2010.

UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 31 AUGUST 2010

Condensed Consolidated Statements of Financial Performance

	Unaudited 31 August 2010 (6 months) R	Unaudited 31 August 2009 (6 months) R	Audited 28 February 2010 (12 months) R
Revenue	275 371 023	282 009 503	573 516 182
Gross profit	52 590 049	51 076 777	119 495 995
Other income	614 916	2 038 892	830 975
Operating expenses	(57 440 528)	(49 986 018)	(117 045 158)
Operating (loss)/profit from operations	(4 235 563)	3 129 651	3 281 812
Investment income	3 202 968	-	4 485 384
Net change in fair value of financial instruments	13 705 772	(9 434 325)	8 360 236
(Loss)/Income from equity accounted investments	(483 934)	329 780	166 284
Finance costs	(1 419 221)	(4 977 125)	(8 038 923)
Profit / (loss) before taxation	10 770 022	(10 952 019)	8 254 793
Income tax expense	(1 676 910)	5 198 665	(187 087)
Net profit / (loss) for the period	9 093 112	(5 753 354)	8 067 706
Non controlling interest	464 005	(101 263)	961 153
Net profit / (loss) attributable to owners of the Company	9 557 117	(5 854 617)	9 028 859

Earnings before interest, taxation, depreciation and amortisation	21 388 735	27 297 667	36 865 712
Basic earnings per share (cents)	9.49	(5.43)	8.58
Headline earnings per share (cents)	9.42	(5.46)	8.79
Diluted earnings per share (cents)	9.49	(5.43)	8.58
Diluted headline earnings per share(cents)	9.42	(5.46)	8.79
Dividends	-	-	-
Total number of shares in issue (`000)	95 901	106 167	102 113
Weighted number of shares in issue (`000)	100 752	107 858	105 199
Earnings/(loss) attributable to ordinary shareholders	9 557 117	(5 854 617)	9 028 859
Adjusted for:			
Profit on disposal of property, plant and equipment	(66 600)	(37 168)	(59 957)
Net loss on further acquisition of Eyeballs Mobile Advertising	-	-	366 773
Tax effect	-	-	(86 346)
Headline earnings/(loss)	9 490 517	(5 891 785)	9 250 892

Condensed Consolidated Statement of Financial Position

	Unaudited 31 August 2010 R	Unaudited 31 August 2009 R	Audited 28 February 2010 R
Assets			
Property, plant and equipment	36 856 468	50 143 113	43 573 867
Goodwill	215 153 482	223 475 925	215 153 482
Intangible assets	22 196 773	6 612 873	22 106 583
Investments in joint venture	383 042	563 885	540 291
Investment in associates	2 063 986	2 062 025	2 390 672
Investments	389 409	336 840	389 409
Loans to associate companies	234 972	-	-
Deferred tax	3 996 975	14 955 720	9 497 797
Current assets			
Inventories	28 200 363	23 648 593	14 825 421
Trade and other receivables	135 770 718	101 409 112	108 069 904
Loans to associate companies	1 710 925	1 096 064	1 637 478
Current tax receivable	1 797 816	1 797 816	2 488 386
Cash and cash equivalents	13 540 511	-	11 430 271
Total assets	462 295 440	426 101 966	432 103 561

Equity and liabilities			
Share capital	9 590	10 617	10 211
Share premium	221 073 428	228 822 360	226 429 430
Reserves	1 215 038	296 467	1 215 038
Retained earnings	38 864 016	14 423 429	29 306 900
Equity attributable to equity holders of parent	261 162 072	-	256 961 579
Non controlling interest	257 492	888 476)	721 499
Non current liabilities			
Loans from shareholders	-	18 416 104	-
Finance lease obligations	1 293 153	7 025 385	4 171 704
Other financial liabilities	-	-	-
Deferred tax	-	-	3 885 162
Current liabilities			
Loans from associate companies	809 006	-	2 208 308
Loans from shareholders	4 425 603	-	8 973 884
Other financial liabilities	850 649	24 659 930	2 606 254
Finance lease obligations	5 547 100	4 833 657	5 199 529
Trade and other payables	187 229 291	107 820 791	147 046 550
Shareholders for dividends	14 952	14 952	14 952
Bank overdraft	-	20 666 750	-
Current tax payable	706 122	-	314 140
Total equity and liabilities	462 295 440	426 101 966	432 103 561
Number of shares in issue (`000)	95 901	106 167	102 113
Net asset value per share (cents)	272.32	228.57	251.64
Net tangible asset value per share (cents)	24.83	11.85	19.29

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 31 August 2010 R	Unaudited 31 August 2009 R	Audited 28 February 2010 R
Net profit (loss) for the period attributable to owners of the Company	9 557 117	(5 854 617)	9 028 859
Other comprehensive income			
- Gains on property revaluation	-	-	797 044
Taxation related to components of other comprehensive income	-	-	(537 865)
Other comprehensive income for the period net of taxation	-	-	259 179
Total comprehensive income/(loss) for the period attributable to owners of the Company	9 557 117	(5 854 617)	9 288 038

Condensed Consolidated Statement of Changes in Equity

	Unaudited 31 August 2010 R	Unaudited 31 August 2009 R	Audited 28 February 2010 R
Balance at 1 March	257 683 078	249 407 489	249 407 483
Total comprehensive income/ (loss) for the period	9 557 117	(5 854 617)	8 326 885
Issue of shares	-	-	-
Purchase of own shares	(5 356 623)	-	(2 393 334)
Share option reserve	-	-	659 392
Non controlling interest	(464 005)	(888 476)	1 682 652
Balance at 28 February/ 31 August	261 419 564	242 664 397	257 683 078

Condensed Consolidated Statement of Cash Flows

	Unaudited 31 August 2010 (6 months) R	Unaudited 31 August 2009 (6 months) R	Audited 28 February 2010 (12 months) R
Cash flows from operating activities	22 043 101	(25 393 896)	27 177 889
Cash flows from investing activities	(9 698 693)	(3 813 781)	(6 203 956)
Cash flows from financing activities	(10 234 168)	(5 244 217)	(23 370 152)
Net cash movement for the period	2 110 240	(34 451 894)	(2 354 871)
Cash at the beginning of the period	11 430 271	13 785 144	13 785 142
Cash and cash equivalents acquired		-	41 348
Total cash at the end of the period	13 540 511	(20 666 750)	11 430 271

SEGMENTAL REPORTING

The directors have considered the implications of IFRS 8: Operating Segments and are of the opinion that the current core operations of the Group are substantially similar to one another and that the risk and returns of these operations are likewise similar. Resource allocation and management of the current operations are performed on an aggregate basis and as such the business of the Group is considered to be a single aggregated business. The lines of revenue are disclosed separately to the chief operating decision maker, the Group’s CEO, and are therefore reported as such in terms of IFRS 8.

Eyeballs Mobile Advertising (Proprietary) Limited (“Eyeballs”) and Huge Media (Proprietary) Limited (“Huge Media”) represent separate operating segments but are still in the start up phases of their respective businesses and revenues are immaterial relative to the quantitative thresholds set out in IFRS 8.

The revenue lines are indicative of the products and services the Group provides. These products and services are distributed countrywide to all clients with no geographical differentiation.

Revenue by operating segment

	Unaudited 31 August 2010 (6 months) R	Unaudited 31 August 2009 (6 months) R	Unaudited 28 February 2010 (12 months) R
Airtime	249 871 646	243 307 822	496 657 976
Connection incentive bonus	13 676 680	29 110 100	57 555 950
Marketing incentive	3 610 740	3 605 730	7 216 320
Telephone managed services	2 254 914	1 844 998	3 469 679
SMS services	2 878 607	2 453 606	5 082 880
International airtime	1 475 913	1 179 062	2 492 624
Hardware rental and sales	690 524	508 186	1 040 753
Advertising income	40 375	-	-
Distributer income	871 624	-	-
Total revenue	275 371 023	282 009 503	573 516 182

All inter-segment revenues have been excluded.

COMMENTARY

COMPANY PROFILE

Huge is an investment holding company listed on the Alternative Exchange (AltX) of the Johannesburg Stock Exchange Limited (“JSE”). The Group is focused on building shareholder value. Its treasury operations are mandated to maximise the financial position of the Company in the debt and equity markets using cash and derivative based instruments.

Huge Telecom (Proprietary) Limited (“Huge Telecom”), a wholly owned subsidiary of Huge and the principal trading operation of the Group, is South Africa’s leading “Communication Expense Management” and “Managed Telecommunications” company.

Eyeballs (77% owned by Huge) is a technology provider whose “Eyeballs” technology consists of a software application that recipient users download and install on their mobile phones. It displays advertising and content images on the phone screen when calls are made or messages are received.

Huge Media’s (100% owned by Huge) strategy is to be a media owner focused on the advertising industry. It commenced commercial operation on 20 January 2010.

Further investor and shareholder information is available at www.hugegroup.com.

ACCOUNTING POLICIES

The condensed consolidated financial statements for the period ended 31 August 2010 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of International Accounting Standard 34, Interim Financial Reporting, as well as AC500 as issued by the Accounting Practices Board, the Listings Requirements of the JSE Limited and Schedule 4 of the Companies Act, Act 61 of 1973, as amended. The accounting policies applied to the six month period ended 31 August 2010 are consistent, in all material respects, with those used in the Annual Financial Statements of the prior periods.

CHANGE IN ACCOUNTING ESTIMATES

In the current period management revised the accounting estimate in providing for possible bad debts. The effect of this revision is a decrease in the provision for bad debts for the current period of R1.2 million, and an increase in the income tax expense of R0.3 million. The after tax effect of this change in estimate was approximately R0.9 million.

FINANCIAL OVERVIEW

GROUP’S FINANCIAL PERFORMANCE

Huge continues to focus on operational efficiencies, treasury management and cost containment in an effort to further increase operating profitability and shareholder value.

The Group has achieved considerable success in each of these areas in the last six months and continues to strive for further improvement.

INVESTMENT HOLDING ACTIVITIES

The Company has been acquiring its own shares under the general authority granted to the directors at the last four annual general meetings. The most recent of these AGM’s was held on Friday, 1 October 2010.

The dates of the acquisitions of the shares are set out below:

Transaction Date	Purchaser	Number of ordinary shares acquired	Price per share	Total value of transaction
01 Jun 2010	Huge	3 200 000	75.00	2 416 924.78
10 Jun 2010	Huge	74 500	75.00	56 275.37
11 Jun 2010	Huge	320 330	80.00	257 271.17
15 Jun 2010	Huge	836 910	80.00	668 058.89
18 Jun 2010	Huge	8 015	81.00	6 519.44
20 Jun 2010	Huge	12 000	86.00	10 329.87
21 Jun 2010	Huge	106 000	84.00	89 415.47
28 Jun 2010	Huge	244 600	89.00	219 945.11
29 Jun 2010	Huge	72 000	98.00	71 047.34
30 Jun 2010	Huge	1 337 750	116.00	1 560 836.09
Total		6 212 105		5 356 623.53

On a net basis the Group has repurchased exposure over 15 859 031 ordinary shares giving the Company the future prospect of reducing the number of ordinary shares in issue to 95 900 969.

TELECOMMUNICATIONS ACTIVITIES

Huge Telecom is the Group’s principal revenue generator.

Total turnover generated in the six months ended 31 August 2010, showed a decrease of 2.3% to R275.3 million, from the R282.0 million generated during the six months to the end of August 2009.

The decline in total turnover is a direct result of the decisions of the major mobile network operators (MNOs) to cease paying connection incentive bonuses (CIB). CIB revenues earned by Huge Telecom in the current period were R13.7 million compared to R29.1 million in the prior period. Although the loss of CIB revenue will affect Huge Telecom’s revenue line, the Group has identified cost containment measures in respect of this revenue item, which will largely eliminate the impact on operating profit margins over the medium to longer term.

Excluding the effects of lost CIB revenue, overall Group revenue reflects an improvement in the current period. Cellular airtime sales increased 2.7% from R243.3 million to R249.9 million. Sales of other products and services increased 23.4% from R9.6 million to R11.8 million. The directors of Huge Telecom believe that the significant investment which it made in new executive and senior management skills will support a continuation of this positive trend.

Gross profit for the first six months of the year amounted to R52.6 million, an increase of 3.0% from the R51.0 million recorded in the first half of the 2009 financial year.

The increase in gross profit margins was primarily due to further improvements in the management of Huge Telecom’s directly controllable input costs. The revenue assurance department that was established in the prior reporting period to enhance the management of airtime available for sale was instrumental in continuing to reduce the airtime lost through expiry.

MEDIA ACTIVITIES

Eyeballs continued to develop its proprietary in-application mobile phone advertising technology, in support of its technology provider strategy.

The Eyeballs technology is available for all Symbian Smartphones (which includes most Nokia phones and several LG, Samsung and Sony Ericsson models). The BlackBerry version was successfully released, as planned, in June 2010. Other operating systems will continually be considered based on the size of the addressable market. Currently, Blackberry installations account for four out of five successful downloads.

The technology was independently valued at R16 million on the acquisition of a controlling interest in Eyeballs by the Group and is recognized as a technology-related intangible asset of the Group in terms of IAS38: *Intangible Assets* and IFRS 3: *Business Combinations*.

Huge Media, a wholly owned subsidiary of Huge, which was established with the objective of taking the Eyeballs' technology to market under the consumer brand name "Goodyz" has acquired more than 65 000 installed users since its commercial launch in late January 2010. To date Goodyz has served 43 million user impressions, of which 28.7 million were available to be sold for advertising. At an expected retail rate, based on similar retail rates of other types of media, of 15 cents per advertising impression the revenue generating capability of Huge Media is substantial.

GROUP OPERATING EXPENSES

Group operating expenses incurred during the period increased by R7.5 million from R49.9 million to R57.4 million.

This increase is predominantly attributed to employment costs, which increased from R30.4 million to R38.0 million. Because Huge Telecom's fixed overhead platform has the capacity to support a twofold increase in volumes, the Group can leverage the existing overhead platform to increase operating profit margins. These investments in skills to support significant growth in throughput, which were initiated in the previous financial year, resulted in increased employment costs. The Huge directors continue to regard these investments as a catalyst for sustainable profit growth. The positive effects of the investment have already been felt.

The level of bad debts in the current period continued to decline, showing a decrease of R2.3 million versus the comparative reporting period as a result of the Group's continued focus on the management, analysis and categorisation of the debtors' book of Huge Telecom. The current provision of R10.6 million is considered to be an adequate bad debt provision. Management continues to believe that a normalised bad debt to revenue ratio of 1% represents the inherent risks in a business such as Huge Telecom. Huge Telecom's current policy in providing for possible bad debts is as follows:

a. 50% of all debtors older than 180 days with an active, status;
b. 50% of all "disconnected" debtors;
c. 70% of all "handed over" debtors;
d. 100% of all "liquidated" debtors;
e. 20% of all debtors on an agreed "payment plan";
f. 30% of all "suspended" debtors;

GROUP NET CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The gain on single stock futures (SSFs) and contracts for difference (CFDs) increased the pre-tax earnings of the Group by R13.7 million in the six month period ended 31 August 2010 – this compared to the loss of R9.4 million in the comparative prior period.

GROUP PROFIT

The Group reported net profit before taxation of R10.7 million for the six month period ended 31 August 2010, reflecting an increase of 198% compared to the loss of R11.0 million reported in the six months ended 31 August 2009.

The Group achieved net profit after tax for the six months ended 31 August 2010 of R9.6 million, up 263% from the 31 August 2009 results.

BALANCE SHEET CONSIDERATIONS

The increase in inventories is a result of recent change in suppliers of airtime to Huge Telecom. Management expects significant destocking in the second half of the financial year.

The increase in inventories and accounts receivable balances is supported by a similar increase in accounts payable, thereby positively impacting cash and cash equivalents. Cash generated from operating activities during the six month period ended 31 August 2010 amounted to R22.0 million, which compares favourably to earnings before interest, taxation, depreciation and amortisation (EBITDA), which amounted to R21.4 million.

Long-term debt, including finance lease obligations and loans from shareholders, declined R7.5 million during the period under review.

The board of directors has considered the impact of the termination of CIB revenue and is of the opinion that over the medium term cost containment measures and alternative strategies identified by the Company will largely eliminate the negative effects of the termination of CIB revenue. Accordingly, the directors are of the view that no impairment of goodwill is required in the current period.

FUTURE PROSPECTS

While the Group anticipates increasing returns from its investment in Huge Telecom in the medium to long term, factors outside the control of the directors, such as the termination of CIBs, negatively impacted the profitability of the Company in the current period. Accordingly, Huge Telecom is focussing on ensuring that the company has the required flexibility to navigate any short term industry changes.

Investor interest in the Eyeballs technology is growing and is indicative of the underlying value of this investment.

Investment Holding Activities

The Group will continue to consider the purchase of shares in the Company that trade at a discount to its fair value by making use of its general authority to repurchase shares. This general authority is limited to a maximum of 20% of the issued ordinary share capital and will be used by Huge to unlock long-term value for shareholders.

Telecommunication Activities

Huge Telecom remains committed to its strategy of providing a complete spectrum of managed telecommunication services to South African businesses. During the period under review, it continued to improve its positioning to benefit directly from the increased demand for managed services including Communications Expense Management.

Huge Telecom continues to monitor developments in the telecommunications industry to ensure that its business model is appropriate, optimal and sustainable.

The recent decisions of the major MNOs to cease payment of CIBs only to those customers acquiring SIM cards for use in providing managed telecommunications or traditional LCR (least cost routing) services has been considered by the company.

Although CIB is treated as turnover from an accounting perspective, it is better reflected as a reduction in the wholesale input cost of terminating minutes on the networks of the MNOs. This reduction in cost can be aggregated with the retail discounts currently enjoyed by the company.

Accordingly, the termination of CIB by the major MNOs has had the effect of raising the input price of wholesale suppliers in the industry by approximately 30%, which effect is totally opposite to the stated objectives of the Department of Communications (DOC) and ICASA (the Independent Communications Authority of South Africa) of lowering call termination charges in South Africa.

Huge welcomes the announcement made by ICASA on 29 October 2010 of an impending drop in interconnect rates between telecommunications providers in South Africa on the basis that the reductions in interconnect rates should reverse the effects of the termination of CIBs referred to above.

Huge Telecom, a significant wholesale client of the MNOs, supplies mobile voice services to 6,000 clients across South Africa, totalling some 500 million outbound mobile airtime minutes per annum. Because of this significant client base Huge Telecom has the bargaining power to negotiate favourable terms of trade.

The industry regulator, ICASA, announced that from 1 March 2011, peak mobile termination rates will drop to 73 cents per minute, from the current level of 89 cents per minute, the peak national fixed line termination rate will decline to 28 cents per minute, and the peak local fixed line termination rate will drop to 20 cents per minute. Further reductions are to be enforced in 2012 and 2013.

Huge expects that the Least Cost Routing industry will be an immediate beneficiary of the regulated price reductions. Huge expects market forces to drive price point parity in wholesale termination rates, with a positive impact on revenues and profits.

A reduction in input costs could translate into additional profit for Huge Telecom as well as downstream benefits for Huge Telecom’s clients.

Huge Telecom’s business model has deliberately avoided the large capital investments in infrastructure required by a VoIP (voice over Internet protocol) over legacy Diginet operation, whilst delivering a competitive offering as a leading player in its target market.

Huge Telecom welcomes lower termination rates on the basis that lower termination costs will drive down input costs, increase demand, and deliver growth in the voice traffic generated by Huge Telecom's 6,000 clients.

The current business models involving the provision of VoIP generally require the commissioning of Diginet leased lines, copper cables supplied by Telkom that serve the purpose of mimicking the copper last mile. New technologies are reducing the reliance on the copper last mile to homes and businesses, with an emphasis on a wireless last mile. Huge Telecom, with its 32,000 network and customer premises equipment components, is a current provider of the equivalent of a wireless last mile.

Huge Telecom believes that VOIP over a wireless environment will replace VOIP over a fixed line Diginet environment.

Huge Telecom will continue focusing on introducing alternative revenue streams that complement its business. It will also pursue opportunities to increase its client base to enhance capacity utilisation and further improve gross and operating profit margins.

Media Activities

Having established the commercial viability of its product set in South Africa, Eyeballs is exploring partnerships to deploy its offering in the international market. To this end, a number of international distribution agreements have already been signed.

It is the view of the board of directors of Eyeballs that the technology represents an international rather than local opportunity – notwithstanding its success to date in the South African market.

Huge Media continues to expand its base of installed users in the South African mobile advertising market. Vodacom, South Africa's largest mobile phone operator, currently has more than 2.5 million Smartphones on its network, up 65% over the prior year. On the basis that Vodacom estimated its share of the mobile market at 53% at the end of March 2010, Huge Media estimates that the market for mobile Smartphones in South Africa is approximately 4.7 million devices. As at the date of this report, and since its commercial launch in South Africa in January 2010, the Eyeballs technology has been installed successfully on approximately 64 000 compatible devices. Further South African growth in users is expected to be substantial.

GENERAL REPURCHASE OF SHARES FOR CASH

From 1 March 2010 to 31 August 2010 financial year Huge repurchased 6 212 105 shares. The Company has been unable to cancel these shares in accordance with Section 85 of the Companies Act (Act 61 of 1973), as amended, as errors have been identified on the CM15 forms previously submitted by the Company to CIPRO. The Company is in the process of submitting CM16 and CM14A forms to CIPRO with a view to correcting these errors. On confirmation from CIPRO that the updated CM16 and CM14A forms have been registered the Company will take the necessary steps to cancel the shares and terminate them from listing on the JSE. The cost of the shares acquired was R5 356 624 and the average price was 86.2 cents per share.

LEGAL AND REGULATORY REQUIREMENTS

Shareholders are referred to the condensed audited results of Huge for the year ended 28 February 2010, which results were released on SENS on 31 May 2010. The condensed audited results included a modified audit opinion as a result of the auditors identifying what they believed to be a reportable irregularity. The Company's directors continue to believe that, having regard to the information currently available, no reportable irregularity has taken, or is taking, place for the reasons set out in the SENS announcement.

CIRCULAR

Shareholders are referred to the previous announcements dated 27 November 2009, 29 March 2010, and 3 May 2010 updating shareholders on the progress made by the Company in producing the circular required by the JSE Limited ("the JSE") in terms of certain SSF transactions undertaken by the Company on 16 October 2008.

In terms of the SENS announcement dated 3 May 2010 it was anticipated by the directors that the circular would be approved by the JSE and posted by the Company to shareholders on or about 17 May 2010, with a general meeting of the Company scheduled to take place on or about 8 June 2010.

The Company was given permission, in terms of the JSE's approved process, to submit the circular for formal approval on 7 June 2010.

On the 30th September 2010 the JSE Limited wrote to the Designated Advisor to the Company, expressing its concern about the content of the circular in question and declining the approval thereof.

The 30 September 2010 Letter was extensive, incorporating 99 paragraphs and 23 pages of comment relating to the subject matter of the circular. The Company replied swiftly to the comments raised by the JSE by incorporating these paragraphs, where applicable, verbatim into the circular. The revised circular was emailed to the Designated Advisor on or about 7 October 2010 and forwarded to the JSE shortly thereafter.

On 14 November 2010 the JSE wrote to the Designated Advisor requesting them to cross reference the circular with the 30 September 2010 Letter. The amended circular, incorporating the requested cross-referencing, was delivered to the JSE on 17 November 2010. The Company accordingly awaits the approval of the JSE of the circular.

The failure to close the matter is of concern to the board of directors of the Company. However, the board of directors is committed to resolving the matter within the time frames and processes stipulated by the JSE.

The Company is therefore no longer in a position to estimate the date of approval by the JSE of the circular in question. Shareholders will be advised as soon as the circular has been approved by the JSE.

SUBSEQUENT EVENTS

No events material to the understanding of this report have occurred in the period between the period-end date and the date of this report.

CHANGES TO THE BOARD OF DIRECTORS AND COMPANY SECRETARY

With effect from 4 August 2010, Mr Manogaran Pillay resigned from the board of directors. Mr Pillay remains a director of Huge Telecom.

With effect from 6 October 2010 Mr Anton Daniel Potgieter resigned as Executive Chairman of the Company and from the office of Executive Chairman of the board of directors. Mr Potgieter remains an executive director of the Company and a member of the board.

With effect from 6 October 2010 Mr Stephen Peter Tredoux was appointed to the office of Chairman of the Company and the board of directors. Mr Tredoux remains a non-executive director of the Company.

With effect from 21 October 2010, Mrs Michelle Allison Meth resigned from the board of directors. Mr James Charles Herbst will be acting as interim financial director whilst the Company secures the services of a new financial director.

DIVIDENDS

No dividends will be declared.

GOVERNANCE

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

Designated Advisor:
Arcay Moela Sponsors (Proprietary) Limited
Number 3, Anerley Road, Parktown, 2193

Auditors:
KPMG Inc.
KPMG Crescent
85 Empire Road, Parktown, 2193

Registered office:
Block 2, Woodlands Drive Office Park, 5 Woodlands Drive, Woodmead, Johannesburg, 2191 (PO Box 16376, Dowerglen, 1610)

Transfer secretaries:
Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg

Directors:
SP Tredoux (Non-executive Chairman), KD Jarvis* (Lead Independent Director),
BA McQueen*, D Tredoux*, MR Beamish*, JC Herbst (CEO & Acting Financial Director),
AD Potgieter, VM Mokholo
*Non-executive

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