huge group annual report 2009

huge
group

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The reports and statements set out below comprise the financial statements presented to the shareholders:

CHAIRMAN'S REPORT

A YEAR OF CHALLENGES

This is my first report as Chairman of Huge Group, having taken over the position from our previous non-executive Chairman, Chief Lediga, on 12 of November 2008. I would like to take this opportunity to thank Mr Lediga for his invaluable contribution to the successful launching and growth of Huge Group during our first year as a listed entity.

General Performance

Despite a trying first full year of operation, compounded by a global recession, Huge Group remains firmly committed to building a leading Information and Communications Technology based group that is capable of unlocking significant value for all our stakeholders.

While our net profit for the period under review is well below expectations, largely due to the accounting treatment of certain corporate transactions, our gross profit and underlying revenue figures are nonetheless encouraging, and show the fundamental strength and potential of the group going forward.

The group's principal subsidiary remains Huge Telecom, which contributes more than 90% of our revenue. The past year has seen Huge Telecom bed down the acquisition of CentraCell, which effectively doubled its annual annuity turnover. Commensurately, the past period has also been one of tremendous maturation for Huge Telecom, as it has needed to take the significant step from a R300 million company to a R600 million one, and this of course impacts all levels of the company's operations and structure. The principal driver behind this major change in Huge Telecom has been our CEO James Herbst, who took over operational control of this entity from me in November 2008. I can report with pleasure that Mr Herbst has done a superb job in this regard, and Huge Telecom is now ideally positioned to become a major new force in the managed telecommunications market, and as such now also represents a significant threat to the incumbent market leaders.

Our start-up subsidiary, Eyeballs Mobile Advertising, has spent the better part of this year refining its product to be globally applicable, and is on track to launch commercially on 1 October 2009. We continue to believe that Eyeballs will become a fantastically successful company, and that it represents significant value waiting to be unlocked.

Acquisitions

There were no strategic acquisitions in the period under review. However, we are pleased to report the acquisition in March 2009 of a further 52% of Eyeballs Mobile Advertising from existing shareholders, which transaction was concluded subsequent to the end of the financial year, which raises our holding in Eyeballs from 25% to 77%. At the same time we have granted the founder of Eyeballs, Nathan Lewin, through the Nash Lewin Trust, a call option to acquire 10% of Eyeballs, in return for Mr Lewin's ongoing involvement in the development of the company.

Corporate Activity

We undertook significant corporate activity prior to the stock market crash in November 2008; this included a maiden dividend to shareholders, share buybacks, capital expenditure, the purchasing of exposure to Huge Group stock through contracts for difference and single stock futures contracts, restraint of trade payments to key employees, and an unsuccessful bid to purchase iTalk Cellular. The effects of these operations was a net outflow of cash flow amounting to R92 million, which with the market collapse in November 2008, made the management of cash flow extremely challenging, principally due to variation margin calls on the CFD and SSF contracts, caused by a falling share price.

We have spent the past six months focusing on our cash flow management, and I am pleased to note that we are now in a much more favourable position than at the beginning of 2009. We have of course significantly adjusted our corporate strategies, and are now focused on cash retention, and will continue to be so focused for the foreseeable future.

Economic conditions

The past year has seen South African businesses enter, endure, and on the whole survive the onslaught of an unprecedented global recession, and this has provided the backdrop to much of the activities of Huge Group during this time. I believe South African businesses are by no means "out of the woods" in the greater context, and I think we can expect to see a great deal of corporate casualties of the recession over the next twelve months. This has provided much of the rationale for our current group policies, which are based on conservatism and building internal strengths and efficiencies. This has also translated into a greater awareness and understanding of customer debt exposure in Huge Telecom, and a much more stringent evaluation of new business before it is taken on board; I believe we will see the rewards of this conservative approach in the next period in the form of minimal trading losses due to bad debt.

Regulatory Matters

We keep a close watch on the functioning of the industry regulator ICASA, and its attitude towards interconnect rates and other telecommunications regulatory issues. We have analysed our Managed Telecommunications model in detail in light of this, and remain confident that a drop in interconnect rates, while widely anticipated, will have no effect on our core business model.

We have been involved in ongoing discussions with the JSE since the beginning of the 2009 calendar year with a view to resolving a dispute concerning the regulatory treatment of certain SSF trades which were undertaken by the group on 16 October 2008. The intricacies of the issues pertaining to these transactions are covered in detail in the Directors' Report. We have been engaged with the JSE over the past few months to resolve this outstanding issue, and we hope to achieve a satisfactory result to this in the near future.

Black Economic Empowerment

The current extent of our BEE shareholding in the group is approximately 11,9% before the implied repurchase transactions and, 13,5% after taking the repurchase transactions into account. We have not been able to increase this during the period under review largely due to the unfavourable market conditions during the latter part of 2008. The increase in our BEE shareholding remains a primary objective of the group.

Governance and King Codes

I am very pleased to report that Huge Group Limited enjoys a very high standard of corporate governance, and that commitment to this is embraced and lived by all our directors. In particular, our non-executive team of Ken Jarvis, Brian McQueen and Don Tredoux, and bolstered recently by the addition of Steve Tredoux, provide robust and valuable input into all spheres of the business, and as such our governance is continually assessed and appraised by independent third parties.

Our board and committees are all functioning smoothly, and are up to date with all their statutory requirements. I am pleased to congratulate Ken Jarvis, who has recently been nominated and appointed as our Lead Independent Director. We thank him for agreeing to assume this responsibility. Further to this we make judicious ongoing use of several leading and respected firms for advice, primarily in the legal, compliance and reputation management arenas.

All aspects of our Governance are detailed in full in the accompanying Report on Corporate Governance.

Appreciation

I would like to extend my sincere thanks to all our directors and staff, without whom we could not have weathered a very difficult and trying year. Our board has performed admirably and provided a great level of support. Our staff at all levels have risen selflessly to the challenges of transforming Huge Telecom from a relatively small company to one double the size, and ready to take on the future. It is often said that a company's people are its greatest resource, and I can confirm that at Huge Group this is entirely true – we have a team that brims with huge ideas and huge commitment.

Future Prospects

The managed telecommunications market in South Africa continues to be a growing and essential part of the South African business landscape. Huge Telecom, after its restructuring and rationalisations, many of which were undertaken during the current period under review, is ideally positioned to take advantage of this new foundation, and to increase its market share in the next period. We reaffirm our strategic belief here that there is significant benefit to remaining a "manager of all technologies, and an owner of none". As such, we will remain true to our strategy of being both network and technology agnostic, and will leave the aspirations of becoming "alternate telcos" to other players.

Eyeballs Mobile Advertising represents a significant opportunity for Huge Group in the fledgling mobile advertising industry, which is really only now starting to take shape. Eyeballs has developed an enabling technology that is unequalled in this space, and has the potential to become a market leader here.

We also expect the general market conditions to improve significantly in the run-up to the 2010 Soccer World Cup in South Africa, and this should present some opportunities for corporate activity towards the end of 2010.

Yours sincerely,

Anton Potgieter
Executive Chairman

Compliance Statement
The board members, management and employees of Huge Group Limited fully support and are committed to compliance with, and applying best practice in terms of, the JSE Listings Requirements and the King II Report on Corporate Governance, in terms of which its shareholders and stakeholders are assured that the Company is being managed ethically and in compliance with legislation and best practices. The board of Huge Group Limited further confirms its commitment to the seven principles of corporate governance, namely discipline, transparency, independence, accountability, responsibility, fairness and social responsibility, as advocated in the second King Report on Corporate Governance.

Board of Directors
The board of directors of Huge Group Limited comprises of five executive and four non-executive directors, of which two are independent non-executive directors. The board recognises the need to move to a majority of non-executive directors, as advocated by the second King Report on Corporate Governance, and plans to address this in the coming period. All of the current non-executive directors are of sufficient standing that their views carry significant weight in the board's decisions. All of the current executive directors have attended the Director's Induction Program as stipulated by the JSE Listings Requirements.

The board is chaired by an Executive Chairperson. While the second King Report on Corporate Governance recommends a non-executive chairperson for AltX-listed companies, this is not a mandatory requirement for compliance. Nevertheless, the board takes cognisance of this recommendation, and plans to evaluate the position of executive chairperson on an ongoing basis.

The roles of Chairperson and Chief Executive Officer are separated, in line with best practice. The Chairman provides objective leadership to the board of directors, presides over board and shareholder meetings, and ensures the smooth functioning and governmental compliance of the board. The Chief Executive Officer leads the Executive Committee in the running of the business, and coordinates proposals developed by the Executive Committee for consideration by the board.

The board is responsible for:

- The formulation and adoption of Group Strategy;
- Risk management, including reputational risk;
- Acquisition and Divestment policies;
- Corporate Financing;
- Relations with Stakeholders;
- Internal controls to protect stakeholder wealth; and
- Corporate Governance.

Audit and Risk Committee
The board utilises a combined Audit and Risk Committee comprising: Mr BA McQueen (chairperson), Mr KD Jarvis, and Mr D Tredoux (recent), all of whom are non-executive directors, and J Williams and M Krastanov representing Arcay Moela Sponsors, the designated advisor, in accordance with AltX requirements. The Audit and Risk Committee meets at least twice per year. The company secretary is in attendance at the meetings.

The functions of the committee include the following:

- Monitor corporate risk assessment processes;
- Review internal control systems;
- Review external audit reports to ensure that, where major deficiencies or breakdown in controls and procedures have been identified, appropriate and prompt remedial action is instituted;
- Review the nomination, appointment, independence, performance and remuneration of the external auditor;
- Review theft and fraud, and monitor procedures designed to ensure that the company's fraud control plans are being implemented;
- Review and monitor compliance with taxation responsibilities, legal, regulatory and industry code responsibilities;
- Review and monitor compliance with Company policies and thereby promote an ethical business culture.

The objective of the committee is to assist the Board in discharging its duties relating to the safeguarding of assets, operation of adequate systems, control processes and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards. The responsibilities include the review of the full year's financial statements prior to submission to the board, and the committee thereby ensures that the annual financial statements of Huge Group Limited and its subsidiary companies are a true and fair presentation of the financial position at year-end.

The committee's responsibilities further include reviewing the scope, quality, independence and objectivity of the statutory audit, ensuring the integrity of the company's accounting and financial reporting system, evaluating the effectiveness of the management functions of the company and ensuring that appropriate systems are in place for monitoring risk, financial control, compliance with the law and codes of conduct and promoting the overall effectiveness of corporate governance within the Group.

The external auditors are invited to attend the committee meetings and have unrestricted access to both the committee and its chairperson. The committee advises on the appointment of the external auditors, the handling of non-audit functions by the auditors and fees in respect of non-audit services. The current auditors of the company are Horwath Leveton and Boner.

The combined Audit and Risk Committee is responsible for ensuring that all risks associated with the group's operations are effectively managed in support of the creation and preservation of stakeholder value.

In the current year there was no Internal Audit Committee. Currently the internal audit function of the group is performed by management who have skills in finance and internal controls. The need for an Internal Audit Committee will be re-assessed to determine if the function should be outsourced or if additional skills should be employed to perform this function.

Remuneration and Nomination Committee

The establishment of a Remuneration Committee is not mandatory under the AltX Listing Requirements. However, in line with the best practices of corporate governance, Huge Group Limited has a combined Remuneration and Nomination Committee in place. This committee comprises of: Mr KD Jarvis (chairperson), Mr BA McQueen and recently Mr SP Tredoux, who are non-executive directors, and Mr AD Potgieter and Mr JC Herbst, who are executive directors. While there are Executive Directors on the committee, this composition is nevertheless considered appropriate by the Directors as a Nominations Committee, as this committee is responsible for the appointment of both Non-Executive Directors and Senior Executives.

The committee makes recommendations to the board, on the company's framework of executive remuneration and its costs. The committee establishes a transparent procedure, policy and approach for the determination of remuneration packages for Directors and Senior Executives, taking cognisance of market-related packages, skill and experience. The committee strives to ensure that levels of remuneration are sufficient to attract and retain executives of the organisation, and that the levels of remuneration in place are in line with both industry standards and best practice.

At a Nominations level, the committee makes recommendations to the board on all new board appointments. The committee reviews the balance and effectiveness of the board, and in addition, it identifies the skills and individuals who might best be able to provide them. The committee is a mechanism for ensuring that the board remains effective and focused.

The committee meets when necessary, but at least once a year, and such meetings normally coincide with the board meetings.

The financial statements include the details of Executive and Non-Executive Directors' remuneration and other benefits in accordance with the requirements of the Companies Act 1973 and the JSE Listings Requirements.

Board and Committee meetings and attendance

The board meets when necessary, but at least six times a year. Proper advance notice of meetings is given to all directors, and all directors receive comprehensive and properly collated board packs, containing all relevant documents, in good time for board members to study in order to make informed decisions.

Director	Position	Appointed	Board meetings attended	% Board meetings attended	Audit and risk committee		Nomination and remuneration committee	
						Meetings attended		Meetings attended
FE Lediga*	Non-executive Chairman	Aug 2007	8/8	100%	Member	0/0	Member	0/0
KD Jarvis ‡	Non-executive Director	Sept 2008	3/5	60%	Member	0/2	Member	0/1
BA McQueen ‡	Non-executive Director	Aug 2007	9/12	75%	Member	1/2	Member	0/1
D Tredoux	Non-executive Director	Aug 2008	2/6	33%	Member	1/2		
AD Potgieter	Executive Chairman	Nov 2008	12/12	100%			Member	1/1
JC Herbst	CEO	Nov 2008	12/12	100%			Member	1/1
VM Mokholo	Executive Director	Aug 2007	12/12	100%				
M Pillay	Executive Director	Mar 2008	12/12	100%				
SP Tredoux	Executive Director	Mar 2008	9/12	67%				
JA Morelis*	Executive Director	Mar 2008	6/8	75%				
MR Nordien*	Executive Director	Aug 2007	1/1	100%				
J Williams	Designated Advisor		6/12					
MJ Krastanov	Designated Advisor		5/12	100%	Member	2/2		
N Botha	Designated Advisor		1/12					

* Resignations
Chief Lediga – Nov 2008
JA Morelis – Nov 2008
MR Nordien – March 2008
‡ Independent

Executive Committee ("EXCO"):
The Executive Committee assists the Chief Executive Officer, to whom the daily running of the group's main subsidiary Huge Telecom has been delegated by the board, to efficiently and effectively manage Huge Telecom and to implement strategic plans as approved by the Board.

The committee consists of the Chief Executive Officer, the Financial Director, the Managing Director: Operations and the Managing Director: Sales, who represent the main business and operational units in the company. They are assisted by a Management Committee consisting of directors and managers responsible for Information Technology, Revenue Assurance, Product and Development, and Human Resources. The main objective of these committees is to assist the Chief Executive Officer to guide and control the overall direction of the business and to act as a medium of communication and coordination between the various business units. Direct reporting and feedback is given to the Board of Directors.

Executive Committee meetings are held weekly.

Accounting and Controls:
The external auditors, Horwath Leveton Boner, are responsible for reporting on whether the financial statements are fairly presented in conformity with International Financial Reporting Standards. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosures. The preparation of the financial statements is the responsibility of the directors. The Audit Committee sets the principles for recommending the use of the external auditors for non-audit services.

The board has established controls and procedures to ensure the accuracy and integrity of the accounting records and to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that the financial statements may be relied upon for maintaining accountability for assets and liabilities and preparing the financial statements. The board acknowledges the continued growth of the company over the past year and the need to rigorously review the adequacy of the accounting and internal controls and will thus as far as it is possible implement the recommendations of the external auditors. To this end, additional head office accounting skills have subsequently been employed and over the next fiscal year the financial function will continue to be strengthened.

Employee Development and Employment Equity:
The company strives to promote a culture that provides all employees with opportunities to advance to their optimal levels of career development. The company upholds and supports the objectives of the Employment Equity Act and has an established Employment Equity Plan effective in its main operating subsidiary, Huge Telecom. The company furthermore strives to provide a secure, healthy and participative social and working environment for its staff and associates. The Group upholds and supports the objectives of the Employment Equity Act No 55 of 1993. Huge Group Limited has implemented various initiatives that provide opportunities for all levels of staff, and in so doing continues to strengthen its positioning as an employer of choice, whilst at the same time enhancing its participation in making South Africa more internationally competitive. The Group's employment policies are designed to provide equal opportunities, without discrimination, to all employees.

Insider Trading:
The company enforces a restricted period for dealing in its shares, in terms of which any dealings in shares by all directors and senior personnel is disallowed by the board from the time that the reporting period has elapsed to the time that results are released and at any time that such individuals are aware of un-published price sensitive information, whether the company is trading under cautionary announcement as a result of such information or not.

Company Secretary:
The company secretary is required to provide the members of the board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the board is aware of all legislation relevant to or affecting the affairs of the company. The company secretary is required to ensure that the company complies with all applicable legislation regarding the affairs of the company, including the necessary recording of meetings of the board, board committees and shareholders of the company and ensuring that proper procedures are followed in all board matters. The directors have unfettered access to the company secretary.

Code of Conduct:
The company has a formal Code of Conduct, which incorporates a Code of Ethics. The Code applies throughout the group and ensures that best business practices are applied on a constant basis. The Code is distributed to all employees of the company and its subsidiaries and prescribes the ethical standards required of employees in their interaction with one another and all stakeholders.

In adhering to its code of ethics, the board is guided by the following broad principles:

- Businesses should operate and compete in accordance with the principles of free enterprise;
- Free enterprise is constrained by the observance of relevant legislation and generally accepted principles regarding ethical behaviour in business;
- Ethical behaviour is predicated on the concept of utmost good faith and characterised by integrity, reliability and a commitment to avoid harm;
- Business activities will benefit all participants through a fair exchange of value or satisfaction of need; and
- Equivalent standards of ethical behaviour are expected from individuals and companies with whom business is conducted.

Communication:
Huge Group Limited is committed to ongoing and effective communication with its stakeholders. It subscribes to a policy of open and timeous communication in line with the requirements and guidelines of the JSE and the principles of good corporate governance. Communication to the public and to shareholders embodies the principles of balanced reporting, clarity and openness. Positive and negative aspects of both financial and non-financial information are provided. The board encourages shareholders to attend its forthcoming Annual General Meeting, the notice of which is contained in this annual report. This provides shareholders the opportunity to ask questions of the board.

Disclosure:
The annual report deals adequately with disclosures pertaining to financial statements, auditors' responsibility, directors' responsibility, accounting records, internal control, risk management, accounting policies, adherence to accounting standards, going-concern issues and adherence to codes of governance as well as the JSE Listings Requirements.

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of Huge Group Limited
We have audited the group and company annual financial statements of Huge Group Limited, which comprise the directors' report, the statements of financial position as at 28 February 2009, the income statements, statements of comprehensive income, the statements of changes in equity and statements of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 9 to 56.

Directors' responsibility for the financial statements
The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and company as of 28 February 2009, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Horwath Leveton Boner

Horwath Leveton Boner
Registered Auditor
Per RAR Fernandes
Partner

18 August 2009

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the South African Companies Act, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group and the company as at the end of the financial period, their financial position, financial performance and cash flows for the period then ended, in conformity with International Financial Reporting Standards and JSE listings requirements and applicable legislation. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and the company and all employees are required to maintain the highest ethical standards in ensuring the group and company's business is conducted in a manner that in all reasonable circumstances is beyond reproach. The focus of risk management in the group and the company is on identifying, assessing, managing and monitoring all known forms of risk across the group and the company. While operating risk cannot be fully eliminated, the group and the company endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the budget and cash flow forecast for the year to 28 February 2010 of Huge Group Limited. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the Huge Group Limited has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group and company's financial statements in accordance with the Companies Act of South Africa. The financial statements have been examined by the group and company's external auditors and their report is presented on page 8.

The financial statements set out on pages 9 to 56, which have been prepared on the going concern basis, were approved by the board on 18 August 2009 and were signed on its behalf by:

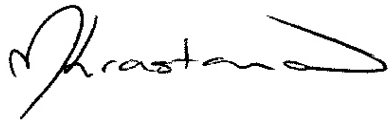
Anton Daniel Potgieter
Executive Chairman

James Charles Herbst
Chief Executive Officer

Johannesburg
18 August 2009

DECLARATION BY GROUP SECRETARY

In the capacity as group secretary, we hereby certify that the group has lodged with the Registrar of Companies for the financial period ended 28 February 2009, all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.



Arcay Client Support (Proprietary) Limited

18 August 2009

DECLARATION BY AUDIT COMMITTEE

The audit committee hereby certify that they have carried out the following functions for the year under review

- nominate and appoint a registered auditor under section 270 of the Companies Act.
- determine the terms of audit engagement and the fees to be paid to the auditor
- ensure that the appointment of the auditor complies with the Companies Act and any other legislation relating to the appointment of auditors.
- determine the nature and extent of any non-audit services which the auditor may provide to the company
- pre-approve any proposed contract with the auditor for the provision of non-audit services to the company
- receive and deal appropriately with any complaints (whether from within or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter; and
- perform other functions determined by the board

The audit committee hereby certify that they have determined the independence of the auditor by carrying out the following functions

- ascertain that the auditor does not, except as auditor or in rendering services approved by the audit committee, receive any remuneration or other benefit
- consider the extent of any consultancy, advisory or other work undertaken by the auditor
- consider whether the auditor's independence may have been prejudiced as a result of any previous appointment as auditor, and
- consider compliance with other criteria specified for independence by the Independent Regulatory Board for Auditors

Chairman of the audit committee

18 August 2009

DIRECTORS' REPORT

The directors submit their report for the period ended 28 February 2009. This report forms part of the audited financial statements.

1. Nature of the business

The group provides managed services focused on telecommunication spend to a wide customer base ranging from large corporate to small and medium enterprises, which services include cellular least cost routing, international least cost routing and call traffic management services, and operates principally within the borders of South Africa.

2. Financial results

The company is incorporated in South Africa. The results are presented in South African Rand. The financial position and financial performance of the company and the group are fully set out in the attached financial statements.

3. Authorised and issued share capital

Authorised capital

The authorised capital of the company comprises 1 000 000 000 ordinary shares of 0.01 cents each.

Issued capital

The ordinary issued share capital of the company was increased during the year by the allotment and issue of 5 000 000 shares. These shares were issued at R3 per share. The allotment was as follows:

Share issue date	Cash/Vendor	Number of shares issued	Share capital	Share premium
26 June 2008	Cash	5 000 000	R500	R14 999 500

Accordingly, at 28 February 2009, the issued share capital of the Company was 111 760 000 (2008: 106 760 000) shares of 0,01 cent each.

Treasury shares

During the year under review certain companies within the group purchased ordinary shares in Huge Group Limited to be held as treasury shares. The number of shares purchased was 5 593 237 at a cost of R7 755 435, or an average price of R1,38 per share and are held as treasury shares. Refer to note 8 of directors report.

Control of unissued share capital

The unissued ordinary shares of the company are the subject of a general authority granted to the directors in terms of section 221 of the Companies Act of South Africa. As this general authority remains valid until the next annual general meeting, which is to be held on 27 November 2009, members will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares of the Company's issued share capital under the control of the directors until the next annual general meeting.

Acquisition of the company's own shares

At the last annual general meeting held on 22 September 2008, shareholders gave the Company or any of its subsidiaries, a general approval in terms of sections 85 and 89 of the Companies Act, by way of special resolution, for the acquisition of its own shares. As this general approval remains valid until the next annual general meeting, which is to be held on 27 November 2009, members will be asked at that meeting to consider a special resolution to renew this general approval which will remain valid until the next annual general meeting.

Acquisition of the single stock futures and contracts for difference

The group trades in its own shares and it trades in single stock futures and contracts for difference over the ordinary shares of the company.

On 7 July 2007, the shareholders of the company passed a special resolution giving the directors of the company and the directors of a subsidiary of the company a general authority to repurchase up to a maximum of 20% of the shares of Huge Group Limited ("Huge") in issue, subject to:

- the articles of association of the company;
- the Companies Act, Act 61 of 1973, as amended ("the Act");
- the restrictions placed on such authority by the JSE Limited ("JSE"); and
- being in line with the board's strategy of repurchasing shares of the company.

Huge listed on the Alternative Exchange of the JSE Limited ("ALTx") on Wednesday, 8 August 2007.

On 11 June 2008 a full board of directors of the company resolved to open single stock futures ("SSF") and contracts for difference ("CFD") accounts with the Watermark Securities (Proprietary) Limited ("Watermark") with a view to purchasing exposure over the shares in the company. At or around this date the company's securities were trading between 340 and 415 cents.

An SSF is a futures contract that has a single JSE listed share as its underlying instrument. The value of a single stock futures contract in Rand is the price of the underlying share multiplied by one hundred. SSF contracts can be physically settled or cash settled. A long (purchased) position in a SSF receives all the returns of an equivalent long position in the underlying equity, making a profit if the share price rises but a loss if the share price falls, and pays a daily financing charge.

A futures contract is a legally binding agreement that gives you the right to buy or sell an underlying asset at a fixed price on a future date.

A CFD is a contract between two parties, stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at some time in the future. A long (purchased) position in a CFD receives all the returns of an equivalent long position in the underlying equity, making a profit if the share price rises but a loss if the share price falls, and pays a daily financing charge. A short (sold) position in a CFD receives a daily financing charge and pays away any returns should the share price rise, but will profit if the share price goes down. This is the equivalent to taking a short position in the underlying equity.

On 3 July 2008 the board of directors of the company resolved to repurchase ordinary shares in the company, either in accordance with its general authority granted by the shareholders on 7 July 2007, or in terms of a specific authority to be granted at a general meeting of shareholders, or to purchase exposure to its shares by making use of CFDs and the JSE's SAFEX (being the South African Futures Exchange) listed SSFs over the shares of Huge.

On 3 July 2008, the company released a SENS (Stock Exchange News Service) announcement stating that in terms of sale agreements, Huge Telecom (Proprietary) Limited ("Huge Telecom"), being a subsidiary of the company, would acquire 8 050 205 shares in the share capital of the company, at a price of 362 cents per share, from Independent Securities (Proprietary) Limited ("Independent") and would acquire 5 000 000 shares in the share capital of the company, at a price of 362 cents per share, from Praesidium Capital Management (Proprietary) Limited ("Praesidium") and its underlying investment funds, Independent and Praesidium being two material shareholders of the company ("the sale transactions"). The sale transactions were subject only to the obtaining of regulatory approvals before 31 August 2008. These regulatory approvals were not obtained before 31 August 2008, and the sale transactions lapsed due to the effluxion of time. At or around this date the company's securities were trading between 375 and 399 cents.

Notwithstanding the failure of the sale transactions, all the directors of the company, being desirous of continuing with the strategy of the company to repurchase its shares, and after receiving appropriate external third party professional and legal advice, resolved to use CFDs and SSFs to imitate the repurchase by the company of its own shares. The advice at the time was that the acquisition of CFDs and SSFs were not subject to any obligations under the Act or the JSE's Listings Requirements ("the Listings Requirements"). The CFD and SSF accounts were opened with Watermark in accordance with the resolution of the board of directors on 11 June 2008, and were opened in the name of Huge and Huge Telecom. Watermark was given a mandate to purchase exposure to CFDs and SSFs over the shares in Huge at no more than 362 cents per share and limited to a maximum of 20% of the issued share capital of the company. At the same time, Watermark Securities was also mandated to repurchase shares under its general authority at the same pricing levels.

CFD transactions undertaken

The company proceeded, with the assistance of Watermark, to use CFDs to imitate the repurchase of the following shares in the company. The following purchases were made:

Week commencing	Number of shares acquired	Price per share (in cents)	Value (R)
7 July 2008	5 000	360,00	18 000,00
14 July 2008	7 200	360,44	25 952,00
21 July 2008	850 785	362,68	3 085 634,95
28 July 2008	873 894	359,98	3 146 018,40
4 August 2008	6 982	330,00	23 040,60
11 August 2008	18 318	330,00	60 449,40
18 August 2008	50 000	320,00	160 000,00
25 August 2008	125 000	343,00	428 750,00
29 September 2008	395 300	359,46	1 420 945,00
6 October 2008	1 572 100	354,00	5 565 234,00

3. **Authorised and issued share capital (continued)**

SSF transactions undertaken

Huge Telecom, being a wholly owned subsidiary of the company, also proceeded with the assistance of Watermark, to use SSFs to imitate the repurchase of the following shares in the company:

Date	Number of shares Acquired (sold)	Price per share (in cents)	Value (R)
27 June 2008	106 100	341,63	362 472
30 June 2008	50 000	341,50	170 750
1 July 2008	93 300	355,00	331 215
2 July 2008	25 000	381,50	95 375
9 September 2008	(203 500)	400,90	(815 832)
16 September 2008	61 300	364,00	223 132
26 September 2008	80 000	373,72	215 424
7 October 2008	120 000	352,70	423 240
10 October 2008	25 000	354,00	88 500
13 October 2008	2 000	381,00	7 620

Deemed related party SSF transactions undertaken

On 15 October 2008, the clearing member of SAFEX through which Watermark clears its derivative transactions, being The Standard Bank of South Africa Limited ("Standard Bank"), informed Watermark that it had decided, in terms of clause 5.1 and clause 5.2 of the clearing agreement with Watermark, to increase the initial margin (otherwise known as the good faith margin or security deposit) by 250%. On the same day, Watermark informed Herbst and Potgieter that their initial margins had been increased by 250% and that such increase in initial margin had to be posted by no later than 12 pm on the following day.

Herbst and Potgieter were not in default of variation margin in terms of their SSF positions.

Herbst and Potgieter however decided not to lodge the requested increase in initial margin by 12 pm on 16 October 2008, as requested by Watermark.

On 16 October 2008, and to the best of Huge's knowledge and belief, Watermark acted in accordance with Section 12.20.2 of the Derivative Rules of the JSE ("the Rules") and closed out the SSF contracts over the shares in Huge held by Potgieter and Herbst by transferring from Potgieter and Herbst 40 000 and 40 455 SSF contracts respectively to the account of Watermark at an effective price of 370 cents per share as they no longer held an interest in the SSFs.

At 15h00 on 16 October 2008, Watermark contacted Huge (represented by Herbst and Potgieter) and offered to sell the 80 455 SSF positions in Huge to Huge. This offer was accepted by Huge. Huge was not obliged to acquire the 80 455 SSF positions held by Watermark and as such Herbst and Potgieter never laboured under a potential conflict of interest in agreeing to purchase the SSFs from Watermark on behalf of Huge.

On 16 October 2008, in accordance with the Listings Requirements, the company released a SENS announcement confirming the disposal by Herbst and Potgieter of 40 455 and 40 000 SSF contracts respectively, over the ordinary shares in Huge.

Twelve days later, on 28 October 2008, the JSE addressed a letter to the company's Designated Advisor ("DA"), Arcay Moela Sponsors (Proprietary) Limited ("Arcay"), wherein the JSE conveyed its concerns that the company's acquisition of the SSF positions may constitute a specific repurchase of the company's securities (and more particularly a specific repurchase of the company's securities from a related party) as defined in section 5.69 of the Listings Requirements.

After careful consideration of all the events disclosed above, on 3 November 2008 Arcay responded to the JSE, conveying its view, and that of the company, that the transactions between the company and Watermark did not constitute a specific repurchase of the company's shares in terms of Section 85 of the Act, or Section 5.69 of the Listings Requirements due to a derivative instrument being purchased, as opposed to the repurchase of shares, and various options being available to the company: such as selling the SSF or rolling the contract indefinitely. In addition, the view was that the purchase of SSFs was not a related party transaction having been concluded between the company and Watermark under a pre-existing mandate, with any future repurchase of the underlying securities being from Nedbank Limited.

To the extent that the transactions were undertaken with a related party, Section 21.11(a) of the JSE's Listings Requirements (read with Section 10.6(c)), specifically caters for situations involving transactions with related parties that are less than 10% of the market capitalisation of the company at the time the transactions are undertaken, by deeming these transactions to be transactions not with related parties. It was only because the JSE ruled that the transactions in question were a repurchase of shares as opposed to a purchase of derivatives that these transactions fell into a related party category of transactions. In all other instances, the transactions would have been regarded as transactions not with related parties and not requiring the approval of shareholders in terms of the Listings Requirements.

On 7 November 2008, the JSE wrote to Huge and Arcay, and advised the parties that the SSF transaction undertaken constituted a specific repurchase of the company's securities as defined in terms of Section 5.69 of the Listings Requirements, that the transaction was concluded with related parties and that the company's acquisition of the SSF positions was in contravention of section 85 of the Act. Huge was informed on this date of its right to object to the JSE's decision as it was entitled to do in terms of section 1 of the Listings Requirements.

Huge exercised its right to object, and on 1 December 2008, Webber Wentzel, on behalf of the company, formally objected to the decision of the JSE.

On 12 December 2008, the board resolved, after due and careful enquiry into the SSF transactions undertaken by Huge Telecom and having taken advice from Webber Wentzel and Denys Reitz, that the SSF transactions were concluded in the best interests of the company and its shareholders, that the transactions concluded were in compliance with any applicable law, including, without being limited to, the Act, the company's memorandum and articles of association, the Listings Requirements and the Rules, and that the transactions were duly authorised and approved by the directors of the company, and to the extent necessary by the shareholders of the company.

In January 2009, the JSE requested the company to object to its decision directly as opposed to objecting through its attorneys.

On 22 January 2009, the company under signature of the Executive Chairman, formally objected again to the JSE's earlier decision but this time directly. The JSE consulted with the Issuer Services Advisory Committee and after consultation and consideration of all the facts and information at its disposal has decided to dismiss Huge's objection.

The JSE's contention
The JSE contends in a letter to the Designated Advisor of the company, dated 23 March 2009, that:

- in terms of the Contract Specifications of the SSFs and the provisions of the Rules, SSFs are physically settled SSF contracts (as opposed to cash settled SSF contracts) and impose an obligation on the parties to the instrument to deliver or receive the securities of Huge from another person at an agreed price on a future date;
- the true nature of Huge's acquisition of the SSF positions was a transaction concluded between the directors of Huge and the company in circumstances where the directors were unable to meet their obligations in the futures market;
- the brief interposition of Watermark as counterparty did not alter the true nature of transactions;
- the transactions amount to transactions between related parties, that fall within the ambit of the definition of a company's repurchase of its own securities and that Huge had to comply with the peremptory provisions of section 5.69 of the Listings Requirements.

The company's contention
The company's contention is embodied in the letter from Webber Wentzel to the JSE, dated 1 December 2008. The authority for the company's view is the case between Capitex Bank Limited v Quorus Holdings Limited and others 2003 (3) SA 302 (W), a document from the JSE's own web site on SSFs, and the following additional matters, namely:

- The company has already rolled its SSF contracts three times by entering into the DEC08 Huge SSF, the MAR09 Huge SSF and the JUN09 Huge SSF, without being obliged to take physical delivery of the underlying shares at expiry;
- Until the company obtains approval from its shareholders for the future specific repurchase of the underlying shares that form the basis of the SSF contracts, the company will be obliged, as too will the counterparty, to roll the SSF contracts on an indefinite basis. Hence, the company's options on the original purchase of the SSFs were only to either close out the positions or roll the positions;
- To the extent that the transactions are deemed to be undertaken with a related party, section 21.11(a) of the JSE's Listings Requirements (read with section 10.6(c)), specifically caters for situations involving transactions with related parties that are less than 10% of the market capitalisation of the company at the time the transactions are undertaken, by deeming these transactions to be transactions not with related parties. The shares underlying the derivatives transactions constituted 3,6% of the company's market capitalisation respectively;
- The true nature of the transaction was one between the company and Watermark. Herbst and Potgieter were not in default of variation margin but rather refused to provide additional initial margin requested by Standard Bank. The derivative accounts of Herbst and Potgieter the day before the SSF positions were transferred to Watermark show that Herbst held an additional R2 574 560 in his derivative accounts while Potgieter held an additional R5 767 305,78.

3. Authorised and issued share capital (continued)

Up until 6 October 2008, the company acquired approximately 4 000 000 shares in Huge at an average spot price of 356,86 cents per share using CFD's, a further 359 200 shares at an average spot price of 330,02 using SSFs, and further to that, on 16 October 2008, the company purchased 80 455 SSFs, representing 8 045 500 shares in Huge at an average spot price of 362 cents per share. The future price approximated the market price of the company's securities at the date of entering into the derivate contracts. On the same day that Herbst and Potgieter had exited their SSF positions, these contracts became available in the market. Following on from the mandate received from the board of Huge, Watermark purchased the contracts in compliance with the instructions received.

The JSE has subsequently ruled that in terms of section 5.69 of the Listings Requirements, the purchase of the contracts constituted a related party specific repurchase of the company's securities, as the SSFs were deemed to be purchased from two directors of the company, namely Herbst and Potgieter.

Accordingly the company was advised by the JSE to issue a circular and obtain shareholder approval for the future specific repurchase of the underlying securities.

The view of the company's legal advisors is that the ruling of the JSE is not necessarily correct. However, in compliance with the JSE's ruling the company will be issuing a circular to shareholders to request that :

- to the extent required by the Act ratify the purchase of CFDs and SSFs in the prior year;
- to obtain specific approval for the possible future repurchase of the underlying shares being the subject matter of the SSF transactions undertaken as well as the deemed related party SSF transactions undertaken.

The CFDs and SSFs were acquired utilising internal cash flows of the group. At the date of this directors' report, R44 422 252 of initial and variation margin had been funded, leaving a R840 470 funding requirement for the balance of the repurchase of the underlying securities.

In the event that the shares are repurchased, the shares will be held as treasury shares by a subsidiary of Huge, limited to a maximum of 10% of the company's issued share capital, and shall not be cancelled. Any shares repurchased above 10% will be cancelled.

The directors of Huge, after considering the effect of the above proposed future repurchases, are of the opinion that:

- the company and the group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of this directors' report;
- that the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of this directors' report;
- that the share capital and the reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of this directors' report; and
- that the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of this directors' report.

In the continued pursuit of the company's repurchase programme, and subsequent to 16 October 2008, the company acquired an additional 5 593 237 ordinary shares in Huge at a weighted average price of 1,38, which purchase price was paid for by the company in cash.

4. Directors

The directors of the company during the period and to the date of this report are as follows:

Name		
Anton Daniel Potgieter	Appointed	(01/11/2008)
Brian Alexander Mcqueen	Appointed	(01/08/2007)
Donovan Tredoux	Appointed	(02/08/2008)
Fentse Emmanuel Lediga	Resigned	(12/11/2008)
James Charles Herbst	Appointed	(01/11/2008)
Julian Arie Morelis	Resigned	(12/11/2008)
Kenneth Delroy Jarvis	Appointed	(01/09/2008)
Manogaran Pillay	Appointed	(26/03/2008)
Michelle Meth	Appointed	(01/03/2009)
Stephen Peter Tredoux	Appointed	(26/03/2008)
Vincent Mokhele Mokholo	Appointed	(01/08/2007)

5. **Interests of directors and officers**
The register of interests of directors in contracts held in terms of Section 234 of the Companies Act, is available to the public on request at the companies registered offices.

6. **Directors' interest in share capital**
2009

Director	Indirect non-beneficial	Indirect beneficial	Direct beneficial	Total	%
James Charles Herbst	9 435 000	330 600	151 257	9 916 857	8,87
Anton Daniel Potgieter	–	7 164 325	5 134 400	12 298 725	11,00
Vincent Mokhele Mokholo	10 104 274	2 526 069	–	12 630 343	11,30
Julian Arie Morelis	–	–	28 000	28 000	0,03
Stephen Peter Tredoux	–	–	35 000	35 000	0,03
Donovan Tredoux	–	–	676 100	676 100	0,60
				35 585 025	**31,84**

Ordinary Share dealings during the financial year (number of shares)	Bought	Sold
James Charles Herbst	–	2 001 000
James Charles Herbst via Pacific Breeze Trading 417 (Proprietary) Limited	1000	–
Vincent Mokhele Mokholo held via Mojaho Trading	4 001 000	4 000 000
Anton Daniel Potgieter	5 163 400	–
Anton Daniel Potgieter held via Luigi's Trust	–	5 000 000
Julian Arie Morelis	3 932 000	3 904 000
Donovan Tredoux	73 000	–
Stephen Peter Tredoux	35 000	–

Single Stock Futures dealings during the financial year (number of contracts)	Bought	Sold
James Charles Herbst	–	4 657
James Charles Herbst via Eagle Creek Investments 223 (Proprietary) Limited	40 000	33 000
James Charles Herbst held via Pacific Breeze Trading 417 (Proprietary) Limited	40 450	40 450
Vincent Mokhele Mokholo held via Mojaho Trading	40 000	40 000
Anton Daniel Potgieter	50 000	90 000
Julian Arie Morelis	10 000	10 000

Post year end and up until the date of this report the only trades by directors have been by James Charles Herbst via Eagle Creek Investments 223 (Proprietary) Limited. These trades have been the conversion of single stock futures back into equity. The number of shares traded is 333 333 and 330 600 respectively.

2008

Director	Indirect non-beneficial	Indirect beneficial	Direct beneficial	Direct non-beneficial	Total	%
James Charles Herbst	5 434 000	3 630 600	–	2 617 957	11 682 557	11,68
Anton Daniel Potgieter	–	11 164 325	4 134 400	–	15 298 725	15,30
Mogamad Rhamees Nordien	–	2 525 869	–	–	2 525 869	2,53
Vincent Mokhele Mokholo	7 577 605	2 525 869	–	–	10 103 474	10,10
					39 610 625	**39,61**

Ordinary Share dealings during the financial year (number of shares)	Bought	Sold
James Charles Herbst	1 467 352	3 316 095
Anton Daniel Potgieter	163 400	–
Anton Daniel Potgieter held via Luigi's Trust	–	3 000 000

Single stock futures dealings during the financial year (number of contracts)	Bought	Sold
James Charles Herbst	40 962	36 306
James Charles Herbst via Eagle Creek Investments 223 (Proprietary) Limited	36 306	–
Anton Daniel Potgieter	40 000	

7. Shareholder analysis

2009

	Number of shareholders	% Holding	Number of shares
Public	378	45,75	51 132 551
Non-public	23	54,25	60 627 449
	401	**100,00**	**111 760 000**
Directors		31,84	
Staff		3,03	

Beneficial holder	Number of shares	% holding	Ultimate shareholder
Mojaho Trading (Proprietary) Limited	12 630 343	11,30	Mojaho Trading (Proprietary) Limited
Syfrets Securities (Proprietary) Limited	12 309 279	11,01	Huge Telecom (Proprietary) Limited
Luigi's Trust	7 164 325	6,41	Anton Daniel Potgieter
The Walkie Talkie Trust	7 020 564	6,28	The Walkie Talkie Trust
Syfrets Securities (Proprietary) Limited	6 327,449	5,66	Various Shareholders

2008

	Number of shareholders	% Holding	No of Shares
Public	338	67,97	67 965 185
Non-public	26	32,03	32 034 815
	364	**100,00**	**100 000 000**
Directors		39,61	
Staff		3,46	

Major shareholders

Beneficial holder	Number of shares	% holding	Ultimate shareholder
Praesidium Capital Management (Proprietary) Limited	10 478 521	10,50	Hedge fund
The Headland Partnership	8 576 889	8,60	Hedge fund
Easy Nominees (Proprietary) Limited	10 839 519	10,80	Private client stock broker
Mojaho Trading (Proprietary) Limited	12 629 343	12,60	Mojaho Trading (Proprietary) Limited
The Walkie Talkie Trust	8 020 564	8,00	The Walkie Talkie Trust
Pacific Breeze Trading 417 (Proprietary) Limited	6 854 422	6,80	James Charles Herbst
Luigi's Trust	11 164 325	11,20	Anton Daniel Potgieter

8. Special Resolutions

A Special resolution was passed on 22 September 2008 granting the company general authority to repurchase its ordinary shares. Refer to note 3 of directors report.

9. Land and buildings

During March 2009 the group commissioned an independent valuation of its land and buildings in Cape Town known as units 6 and 8 Doncaster Office Park. The valuation was performed by Holgate Property Services who confirmed that the carrying value of the land and buildings is at a fair value. (Refer note 2)

10. Subsidiaries

The group's directly owned subsidiaries are:

– Centracell (Proprietary) Limited	100%
– Huge Telecom (Proprietary) Limited	100%
– Huge Cellular (Proprietary) Limited	100% (Dormant)

The intergroup loans are as follows:

Loan from Centracell (Proprietary) Limited to Huge Group Limited R14 238 395
Loan from Huge Group Limited to Huge Telecom Proprietary Limited R19 982 675

11. Subsequent events

Huge Group Limited increased its shareholding in Eyeballs Mobile Advertising (Proprietary) Limited, subsequent to the end of the financial year. The total shareholding in Eyeballs Mobile Advertising (Proprietary) Limited has been increased from 25% to 77%. The cost of the additional 52% in Eyeballs Mobile Advertising (Proprietary) Limited was R807 435. Eyeballs Mobile Advertising (Proprietary) Limited is a unique media platform that delivers rich advertising content to GSM mobile subscriber handsets in an unobtrusive and non-invasive manner, providing an extremely attractive alternative to SMS and MMS advertising which are often seen as spam. The technology developed by Eyeballs Mobile currently has intellectual property protection that provides it with a significant window of opportunity in the mobile advertising and media arenas.

12. Secretary

The secretary of the group is Arcay Client Support (Proprietary) Limited who were appointed on 10 September 2008.

13. Dividends

A dividend of 12 cents per share was declared and paid 26 September 2008. No further dividend has been proposed.

14. Pending litigation with Mr Julian Arie Morelis

On or about 6 July 2009 Julian Arie Morelis, a former director of the company, and one of the vendors of Centracell, which company was acquired by Huge during 2008, issued summons against Huge, claiming R4 500 000 plus interest thereon from 19 December 2007 to date of payment. The claim relates to a restraint of trade agreement that Mr Morelis alleges he concluded with Huge. Huge disputes the claim, is defending the action and will also be pursuing a counterclaim against Mr Morelis.

Other than as disclosed above, which litigation is not considered material by the company, neither the company nor the directors are aware of any proceedings which may be pending or threatened which may have or which have had in the 12 month period preceding the date of issue of this directors' report, a material effect on the position of the company.

STATEMENT OF FINANCIAL POSITION

as at 28 February 2009

Figures (R)	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Assets					
Non-Current Assets					
Property, plant and equipment	2	**59 627 060**	57 286 740	**–**	–
Intangible assets	3	**1 284 009**	1 101 654	**–**	–
Goodwill	4	**215 153 482**	215 153 482	**–**	–
Investments	5	**9 027 925**	1 806 133	**6 263 347**	365 833
Investments in subsidiaries	5	**–**	–	**235 099 236**	235 099 236
Deferred taxation asset	7	**9 652 736**	6 643 044	**3 209 561**	–
		294 745 212	281 991 053	**244 572 144**	235 465 069
Current Assets					
Inventories	8	**28 720 933**	6 464 508	**–**	–
Loans receivable	9	**6 124 364**	–	**6 096 064**	–
Loans to group companies	6	**–**	–	**19 982 675**	–
Trade and other receivables	10	**93 257 238**	86 192 346	**5 458 882**	1 000 000
Cash and cash equivalents	11	**13 785 144**	19 878 646	**2 953 706**	122 771
		141 887 679	112 535 500	**34 491 327**	1 122 771
Total Assets		**436 632 891**	394 526 553	**279 063 471**	236 587 840
Equity and Liabilities					
Equity					
Share capital	12	**10 617**	10 676	**11 176**	10 676
Share premium	12	**228 822 360**	221 577 736	**236 577 236**	221 577 736
Revaluation reserve		**296 467**	224 043	**–**	–
Retained income		**20 278 045**	26 252 023	**(17 229 242)**	5 021 974
		249 407 489	248 064 478	**219 359 170**	226 610 386
Liabilities					
Non-Current Liabilities					
Other financial liabilities	15	**1 516 202**	–	**–**	–
Shareholders' loans	13	**17 035 069**	13 923 297	**16 835 069**	7 861 947
Finance lease obligations	14	**9 484 917**	9 289 064	**–**	–
Deferred taxation liability	7	**–**	1 535 125	**–**	–
		28 036 188	24 747 486	**16 835 069**	7 861 947
Current Liabilities					
Other financial liabilities	15	**25 702 333**	22 373 978	**20 000 000**	–
Loans from group companies	6	**–**	–	**14 238 395**	–
Finance lease obligations	14	**4 534 184**	4 544 000	**–**	–
Shareholders for dividends		**14 952**	–	**14 952**	–
Trade and other payables	16	**125 732 940**	89 403 542	**5 222 575**	64 278
Current taxation payable		**3 204 805**	5 393 069	**3 393 310**	2 051 229
		159 189 214	121 714 589	**42 869 232**	2 115 507
Total Equity and Liabilities		**436 632 891**	394 526 553	**279 063 471**	236 587 840

INCOME STATEMENT

for the year ended 28 February 2009

		Group		Company	
Figures (R)	Notes	2009	2008	2009	2008
Revenue	17	**608 539 827**	243 543 948	**–**	–
Cost of sales	23	**495 467 018**	184 801 880	**–**	–
Gross profit		**113 072 809**	58 742 068	**–**	–
Other income		**3 563 103**	2 163 315	**11 281 487**	877 193
Operating expenses	18	**(114 611 604)**	(30 506 764)	**(22 637 791)**	–
Operating profit/(loss)		**2 024 308**	30 398 619	**(11 356 304)**	877 193
Interest received	19	**6 205 310**	10 841 183	**2 239 803**	6 972 050
Income from equity accounted investments	20	**2 641 740**	915 213	**–**	–
Finance costs	21	**(6 527 695)**	(6 266 896)	**(1 590 996)**	(776 040)
Profit/(Loss) before taxation		**4 343 663**	35 888 119	**(10 707 497)**	7 073 203
Income Taxation	24	**3 093 559**	(9 636 096)	**1 867 481**	(2 051 229)
Profit/(Loss) for the year		**7 437 222**	26 252 023	**(8 840 016)**	5 021 974
Profit/(Loss) on sale of property, plant and equipment		**40 125**	(8 432)	**–**	–
Headline earnings	25	**7 477 347**	26 243 591	**–**	–
Weighted average number of shares in issue		**109 089 000**	59 435 633	**–**	–
Earnings per share (cents)	25	**6,82**	44,17	**–**	–
Headline earnings per share(cents)	25	**6,85**	44,15	**–**	–

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2009

	Group		Company	
Figures (R)	**2009**	**2008**	**2009**	**2008**
Profit/(Loss) for the year	**7 437 222**	26 252 023	**(8 840 016)**	5 021 974
Other comprehensive income:				
Revaluation of land and building:		993 328	**–**	–
Income tax relating to revaluation of land and buildings	**72 424**	(769 285)	**–**	–
Total comprehensive income for the year	**7 509 646**	26 476 066	**(8 840 016)**	5 021 974

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2009

Group – 2009

Figures in (R)	Share capital	Share premium	Revaluation reserve	Retained income	Total equity
Balance at 01 March 2008	**10 676**	**221 577 736**	**224 043**	**26 252 023**	**248 064 478**
Share issue on 26 June 2008	500	14 999 500	–	–	15 000 000
Share repurchases	(559)	(7 754 876)	–	–	(7 755 435)
Dividends paid	–	–	–	(13 411 200)	(13 411 200)
Transactions with shareholders	**10 617**	**228 822 360**	**224 043**	**12 840 823**	**241 897 843**
Profit for the year ending 28 February 2009	–	–	–	7 437 222	7 437 222
Income taxation relating to revaluation of land and buildings	–	–	72 424	–	72 424
Total comprehensive income	**–**	**–**	**72 424**	**7 437 222**	**7 509 646**
Balance at 28 February 2009	**10 617**	**228 822 360**	**296 467**	**20 278 045**	**249 407 489**
Group – 2008					
Balance at 1 March 2007	**100**	**–**	**–**	**–**	**100**
Share issue on 2 July 2007	860	–	–	–	860
Share issue on 31 July 2007	4004	75 047 330	–	–	75 051 334
Share issue on 31 July 2007	2050	51 246 250	–	–	51 248 300
Share issue on 31 July 2007	2950	73 748 750	–	–	73 751 700
Share issue on 7 August 2007	36	883 462	–	–	883 498
Share issue to Centracell vendors	676	21 631 324	–	–	21 632 000
Transfer of listing expenses to share premium	–	(979 380)	–	–	(979 380)
Transactions with shareholders	**10 676**	**221 577 736**	**–**	**–**	**221 588 412**
Profit for the year ending 29 February 2008				26 252 023	26 252 023
Other comprehensive income	–	–	–	–	–
Revaluation of land and buildings	–	–	993 328	–	993 328
Income taxation relating to revaluation of land and buildings	–	–	(769 285)	–	(769 285)
Total comprehensive income	**–**	**–**	**224 043**	**26 252 023**	**26 476 066**
Balance at 29 February 2008	**10 676**	**221 577 736**	**224 043**	**26 252 023**	**248 064 478**

Company – 2009

Figures in (R)	Share capital	Share premium	Revaluation reserve	Retained income	Total equity
Balance at 01 March 2008	**10 676**	**221 577 736**	**–**	**5 021 974**	**226 610 386**
Share issue on 26 June 2008	500	14 999 500	–	–	15 000 000
Dividends paid	–	–	–	(13 411 200)	(13 411 200)
Transactions with shareholders	**11 176**	**236 577 236**	**–**	**(8 389 226)**	**228 199 186**
Loss for the year ending 28 February 2009	–	–	–	(8 840 016)	(8 840 016)
Total comprehensive income	**–**	**–**	**–**	**(8 840 016)**	**(8 840 016)**
Balance at 28 February 2009	**11 176**	**236 577 236**	**–**	**(17 229 242)**	**219 359 170**
Company – 2008					
Balance at 1 March 2007	**100**	**–**	**–**	**–**	**100**
Share issue on 2 July 2007	860	–	–	–	860
Share issue on 31 July 2007	4004	75 047 330	–	–	75 051 334
Share issue on 31 July 2007	2050	51 246 250	–	–	51 248 300
Share issue on 31 July 2007	2950	73 748 750	–	–	73 751 700
Share issue on 7 August 2007	36	883 462	–	–	883 498
Share issue to Centracell vendors	676	21 631 324	–	–	21 632 000
Transfer of listing expenses to share premium	–	(979 380)	–	–	(979 380)
Transactions with shareholders	**10 676**	**221 577 736**	**–**	**–**	**221 588 412**
Profit for the year	–	–	–	5 021 974	5 021 974
Total comprehensive income	**–**	**–**	**–**	**5 021 974**	**5 021 974**
Balance at 29 February 2008	**10 676**	**221 577 736**	**–**	**5 021 974**	**226 610 386**

STATEMENT OF CASH FLOWS

for the year ended 28 February 2009

		Group		Company	
Figures (R)	**Notes**	**2009**	**2008**	**2009**	**2008**
Operating activities					
Cash received from customers		**705 720 879**	341 150 654	**–**	–
Cash paid to suppliers and employees		**(650 021 637)**	(315 198 417)	**6 853 149**	(58 529)
Cash generated from operations	27	**55 699 242**	25 952 237	**6 853 149**	(58 529)
Interest received	19	**6 205 310**	10 841 183	**2 239 803**	6 972 050
Finance costs	21	**(6 527 695)**	(6 266 896)	**(1 590 996)**	(776 040)
Derivative margin call payments	36	**(25 567 876)**	–	**(17 257 588)**	–
Taxation paid	28	**(3 567 094)**	(2 991 290)	**–**	–
Cash flow from operating activities		**26 241 887**	27 535 234	**(9 755 632)**	6 137 481
Investing activities					–
Acquisition of subsidiaries	29	**–**	(123 072 011)	**–**	
Loans to group companies	6	**–**	–	**(19 982 675)**	
Investment in subsidiaries	29	**–**	–	**–**	(123 072 011)
Purchase of property plant and equipment	2	**(21 407 810)**	(10 962 901)	**–**	–
Proceeds from disposal of property plant and equipment		**223 892**	393 521	**–**	–
Purchase of intangible assets	3	**(867 828)**	(402 625)	**–**	–
Loans receivable		**(6 124 364)**	–	**(6 096 064)**	–
Investments	30	**(6 135 010)**	(365 833)	**(6 135 010)**	(365 833)
Cash flow from investing activities		**(34 311 120)**	(134 409 849)	**(32 213 749)**	(123 437 844)
Financing activities					
Proceeds from share issue		**15 000 000**	124 905 080	**15 000 000**	124 905 080
Dividends paid		**(13 411 200)**	–	**(13 411 200)**	–
Share repurchases		**(7 755 435)**	–	**–**	–
Loans from group companies	6	**–**	–	**14 238 395**	–
Proceeds from borrowings		**8 142 366**	1 848 181	**28 973 121**	7 861 944
Cash flow from financing activities		**1 975 731**	126 753 261	**44 800 317**	132 767 024
Net changes in cash and cash equivalents		**(6 093 502)**	19 878 646	**2 830 935**	15 466 661
Cash and cash equivalents at acquisition		**–**	–	**–**	(15 343 890)
Cash and cash equivalents beginning of year		**19 878 646**	–	**122 771**	–
Cash and cash equivalents end of year	11	**13 785 144**	19 878 646	**2 953 706**	122 771

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) (IAS1), and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for certain items of property, plant and equipment carried at revalued amounts and certain financial instruments carried at fair value, and incorporate the principal accounting policies set out below.

The group has elected to early adopt IAS 1 (Revised) Presentation of Financial Statements and to present the 'Statement of Comprehensive Income' in two statements: the 'Income statement 'and a 'Statement of comprehensive income'. The standard has been applied retrospectively. The adoption of the standard does not affect the financial position or profits of the group, but gives rise to additional disclosures. The measurement and recognition of the groups assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, such as for example revaluation of property, plant and equipment.

The principle accounting policies stated below have been consistently applied to all periods presented, unless otherwise stated.

1.1 Significant judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the group financial statements are:

Property, plant and equipment and intangible assets

The useful lives of assets are based on management estimation. Management considers the impact of changes in technology and customer service requirements, expected physical wear and tear, expected usage of the asset and any legal or similar limits on the use of the asset to determine the period over which an item of property, plant and equipment is expected to be available for use by the group. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold, the costs of such disposal and what the expected condition of these assets is likely to be at the time of their disposal.

Determination of impairment of property, plant and equipment

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

Where impairment indicators exist, determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell and value in use. Fair value less costs to sell is based on the best information available to management that reflects the amount that the group could obtain, at balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties after deducting the costs of disposal, such as stamp duties, legal costs or costs of removing the asset etc. Key assumptions on which management has based its determination of value in use include projected revenues, gross margins, capital expenditure, expected customer bases and market share.

Determination of impairment of investment in associate company and joint venture

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current market conditions affecting the value of the investment. Consideration also needs to be given to the underlying sustainability and growth of the business conducted by the associate and joint venture and which may give an indication of whether or not impairment in the value of the investment is required. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell and value in use. Fair value less costs to sell is based on the best information available to management that reflects the amount that the group could obtain, at balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties after deducting the costs of disposal, such as stamp duties, legal costs. Key assumptions on which management has based its determination of value in use include projected revenues, gross margins, capital expenditure, expected customer bases, market share.

Determination of impairment of goodwill
The Group determines annually whether goodwill has been subject to impairment. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill impairments cannot be reversed. Based on the calculations performed, there are no indications that an impairment of goodwill, related to any of its cash generating units that have been tested, is required at year-end.

Financial assets
At each balance sheet date, management assesses whether there are indicators of impairment of financial assets. If such evidence exists, management uses it judgment to estimate the present value of future cash flows of that asset.

Impairment of trade receivables
An allowance for impairment of trade receivables is raised on trade receivables that are deemed to contain a collection risk. The impairment allowance is based on an assessment of the extent to which specific customers have defaulted on payments already due and as assessment of their ability to make payments based on their current financial position. Actual write off's may vary significantly from the impairment allowance depending on any changes in the customers' financial condition.

Taxation
Management's judgment is exercised when determining the probability of future taxable profits, which will determine whether deferred tax assets should be recognised or derecognised. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income, taking into account any legal restrictions on the life and on the nature of the asset. When deciding whether to recognise unutilised taxation credits, management need to determine the extent to which future payments are likely to be available for future set-off. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the balance sheet date could be impacted**.** In the event that the assessment of future payments and future utilisation changes, the change in the recognised deferred taxation is recognised in the income statement.

Deferred tax is provided for on the fair value adjustments of properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

1.2 Basis of consolidation
The consolidated financial statements incorporate the financial statements of the group, all of its subsidiaries and equity accounted associates and joint ventures up to 28 February 2009.

Subsidiaries
Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra group transactions, balances, income and expenses are eliminated in full on consolidation. Unrealised losses are also eliminated, but only to the extent that they do not represent an impairment.

There are no minority interests.

In the companies separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- Any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associate. Unrealised losses are also eliminated to the extent of the group's interest in the associate unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The group's interest in its joint venture is accounted for under the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the group's share of net assets of the joint venture. The income statement reflects the group's share of the results of operations of the joint venture.

A listing of the group's principal subsidiaries associates and joint ventures is set out in note 5 of the financial statements.

1.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The purchase method involves the recognition of the acquirer's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition the assets and liabilities of the acquired subsidiaries are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

1.4 Goodwill

Goodwill arising on the acquisition of a subsidiary, associate or jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to an annual impairment test or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Goodwill on the acquisition of subsidiaries is included in "goodwill" in the balance sheet. Goodwill on acquisitions of associates and joint ventures is included in "investments in associates", and "investments in joint ventures" respectively.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, impairment is recognised.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.5 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Rand, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date. Foreign monetary currency assets and liabilities are brought into account at the rates or exchange ruling at the financial year end.

Non monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling on the later of acquisition or revaluation dates. Foreign currency gains and losses are included in operating income.

1.6 Property, plant and equipment

Property, plant and equipment are initially recorded at cost, being the purchase cost plus any cost to prepare the assets for their intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment (excluding land and buildings) are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment, with the exception of land, are depreciated on the straight-line basis over each asset's estimated useful life. Land is not depreciated as it is deemed to have an indefinite life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is calculated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 years
Motor vehicles – technicians	4 years
Motor vehicles – other	5 years
Furniture and fixtures	6 years
Office equipment	3 years
IT Equipment – Non server equipment	3 years
IT Equipment – Server equipment	5 years
Lease cost routing equipment	5 years
Leasehold improvements	Period of lease

Residual values and useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognising of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognising of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

1.7 Revaluation of land and buildings

Land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Revaluations are performed by an independent valuer.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Revaluation surplus is transferred to retained earnings on derecognition of the asset.

1.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the income statement in the year in which the cost is incurred. The development costs that are capitalised are tested for impairment when there are indicators of impairment.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the tangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

The rate of amortisation applied to technology developments which meet the requirements of intangible assets with finite lives is 33,3%.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research and development costs
Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset and that it will be available for use or sale
- management intend to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset
- it can be demonstrated how the intangible asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Research expenditure is recognised as an expense as incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Direct costs include the product development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing products and expenditure on the concept and design of possible new or improved products is written off in the year in which it is incurred.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. Impairment tests are carried out on intangible assets that are not yet available for use annually or more frequently when an indication of impairment arises during the reporting year.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset and are recognised in the income statement when the asset is derecognised.

Trademarks
Trademarks are shown at historical cost. Trademarks have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over its estimated useful live of 5 years.

1.9 Financial Instruments

Financial instruments, including derivatives, recognised on the balance sheet include investments in shares and trade and other receivables, loans receivable, bank and cash, non-current and current liabilities, trade and other payables. All financial instruments are initially measured at cost.

Investments in shares are categorised as available-for-sale. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories or held to maturity investments. After initial recognition available for sale financial assets are measured at fair value with gains and losses being recognised in the income statement.

Trade and other receivables and loans receivable are categorised as loans and receivables. These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Bank and cash are categorised as loans and receivables. They are subsequently measured at fair value and consist of cash on hand and short-term deposits. Fair value adjustments are recognised in the income statement.

Financial liabilities, other than derivatives, are amortised at their original debt value less principal payments and amortisations.

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit and loss and are subsequently measured at fair value.

Derivatives over the companies own equity instruments are classified as held for trading through profit and loss. When the contracts expire and the company takes delivery of their own equity instruments, the derivative contracts will be reclassified to equity.

Variation margin call payments are offset against derivatives over the companies own equity. The group has fully funded the derivative liability and has no access, or control over the variation margin call account. The group will have access to the cash when the group's share price increases. (Refer note 36)

Derecognition of financial instruments occur when the group no longer controls the contractual rights or the obligation has been extinguished, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Classification
The Group's classification of financial assets and liabilities is as follows:

Description of asset/liability	Classification
Investments	Available-for-sale
Trade and other receivables	Loans and receivables
Loans receivable	Loans and receivables
Bank and cash	Loans and receivables
Loans to subsidiaries	Loans and receivables
Loans from subsidiaries	Other liabilities
Current and noncurrent liabilities	Other liabilities
Trade and other payables	Other liabilities
Derivatives	Fair value through profit and loss

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Different criteria to determine impairment are applied for each category of financial assets, which are described below. (Refer to note 1.14)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance cost, finance income or financial items except impairment of trade receivables which is presented within other expenses.

1.10 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred taxation and current taxation not recognised in other comprehensive income or directly in equity.

Current taxation
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred taxation
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax on the revaluation of property, plant and equipment and on adjustments on business acquisitions. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax for the period is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in the tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

A deferred tax asset relating to deductible temporary differences is recognised for all deductible differences to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Value-added taxation
Revenues, expenses and assets are recognised net of the amount of value-added taxation except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of value-added tax included. The net amount of value-added tax recoverable from, or payable to, the taxation authority is included as part of the receivables and payables in the balance sheet.

Secondary tax on companies
South African companies are subject to a dual corporate tax system, one part of the tax being levied on the taxable income and the other, a secondary tax on companies (STC) on distributed income. Currently STC is not a withholding tax on shareholders but a tax on companies.

The tax effect of dividends is recognised when the liability to pay the dividend is recognised. The STC liability is reduced by dividends received during the dividend cycle, and where dividends received exceed dividends declared within a cycle; there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle. Deferred tax assets are recognised in respect of unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such secondary tax credits.

Where dividends declared exceed the dividends received during a cycle, secondary tax is payable at the current STC rate. Secondary tax a charge against income, and is recognised in the taxation charge in the income statement in the same period as the related dividend is accrued as a liability.

1.11 Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance lease – Lessee
The asset is capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments at inception of the lease, with an equivalent amount being stated as a finance lease liability. Finance lease liabilities are classified as non-current or current liabilities, as appropriate. Each lease payment is allocated between the liability and finance charges using the effective interest rate. Finance costs are charged to the income statement over the lease period.

The capitalised asset is depreciated over the shorter of the useful life of the asset or the lease term to its residual value.

Operating lease – Lessee
Obligations incurred under operating leases are charged to profit or loss in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Cash and cash equivalents

Cash can cash equivalents comprise cash on hand, Single stock futures call account and, together with other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value

1.14 Impairment

Impairment of non financial assets

The group evaluates the carrying value of assets with finite useful lives when events and circumstances indicate that the carrying value may not be recoverable. Irrespective of whether there is indication of impairment, the group tests goodwill acquired in business combinations for impairment annually. This impairment test is performed during the annual period and annually thereafter. Intangible assets not yet available for use are tested annually for impairment.

An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the fair value less cost to sell (the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties), or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss recognised for an asset, other than goodwill, in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the recoverable amount exceeds the new carrying amount. The reversal of the impairment is limited to the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. The reversal of such an impairment loss is recognised in the income statement in the same line item as the original impairment charge.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor detected through payment history) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

1.15 Share capital and equity

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital and premiums paid on repurchase of share capital. Any transaction cost associated with the issuing of shares is deducted from share premium, net of any related income tax benefit.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment net of any deferred tax effect.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Treasury shares
Shares in Huge Group Limited held by the Group are treated as treasury shares. These shares are treated as a deduction from the issued and weighted average numbers of shares and the cost price of the shares are deducted from share capital and share premium in the balance sheet on consolidation. Dividends received on treasury shares are eliminated on consolidation.

1.16 Fair value estimation
The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. Subsequent to initial recognition, the fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

1.17 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred when the relevant contracts are entered into. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.18 Derivative financial instruments
Derivatives are recognised initially at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify are recognised immediately in the income statement.

1.19 Trade and other payables
Trade payables are measured initially at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.20 Provisions, contingent liabilities and contingent assets
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are not recognised for future operating expenses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Possible outflows of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised

Possible inflow of economic benefits to the group that do not yet meet the recognition criteria of as asset are considered contingent assets.

1.21 Employee benefits
Short term employee benefits
The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of no accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans
A defined contribution plan is one under which the group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due. The group does not have any defined benefit plans.

1.22 Segment reporting
The primary segments of the group have been identified by geographical area. The secondary segment has been identified by business line. Business lines comprise of two segments Least Cost Routing (airtime, subscriptions and connection incentive bonuses) and other (international, VOIP and data). This approach is based on the manner in which segments are organised and managed.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables. These assets and liabilities are directly attributable to the segments.

1.23 Revenue
Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at balance sheet date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at Statement of financial position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax. Interest is recognised, in profit or loss, using the effective interest rate method. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.24 Interest and dividend income
Interest income is reported on an accrual basis using the effective interest method.

Dividend income, other than those from investments in associates, are recognised at the time that the right to receive payment is established.

1.25 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.26 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. The cost is recognised excluding VAT.

1.27 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, form part of the cost of that asset and may no longer be expensed. Other borrowing costs are recognised as an expense.

The group has not previously capitalised borrowing costs and does not have any qualifying projects, therefore no impact is expected.

1.28 Dividends payable

Dividends payable and STC thereon is recognised in the period in which such dividends are declared.

1.29 Earnings per share

Earnings per share are based on the earnings attributable to shareholders and are calculated on the weighted average number of shares in issue during the period.

2. Property, plant and equipment – Group

	2009			2008		
Figures in (R)	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	1 979 018	–	1 979 018	1 979 018	–	1 979 018
Buildings	3 055 382	(111 740)	2 943 642	3 055 382	–	3 055 382
Furniture and fittings	984 069	(570 310)	413 759	835 777	(341 472)	494 305
Motor vehicles	1 874 076	(554 489)	1 319 587	1 152 073	(273 921)	878 152
Office equipment	2 629 955	(1 510 595)	1 119 360	1 795 228	(1 038 364)	756 864
Computer equipment	10 669 368	(6 954 769)	3 714 599	8 223 549	(5 100 024)	3 123 525
Leasehold improvements	497 575	(149 096)	348 479	276 563	(40 893)	235 670
Router equipment	99 432 983	(51 644 367)	47 788 616	83 971 502	(37 207 678)	46 763 824
Total	**121 122 426**	**(61 495 366)**	**59 627 060**	**101 289 092**	**(44 002 352)**	**57 286 740**

Property, plant and equipment can be reconciled as follows for 2009:

	Opening balance	Additions	Disposals	Depreciation	Revaluation	Total
Land	1 979 018	–	–	–	–	1 979 018
Buildings	3 055 382	–	–	(111 740)	–	2 943 642
Furniture and fittings	494 305	174 716	(11 308)	(243 954)	–	413 759
Motor vehicles	878 152	1 001 032	(117 519)	(442 078)	–	1 319 587
Office equipment	756 864	834 727	–	(472 231)	–	1 119 360
Computer equipment	3 123 525	2 469 341	(2 775)	(1 875 492)	–	3 714 599
Leasehold improvements	235 670	221 012	–	(108 203)	–	348 479
Router equipment	46 763 824	16 706 982	(132 414)	(15 549 776)	–	47 788 616
Total	**57 286 740**	**21 407 810**	**(264 017)**	**(18 803 474)**	**–**	**59 627 060**

Property, plant and equipment can be reconciled as follows for 2008:

	Acquisition via business combination	Additions	Disposals	Depreciation	Revaluation	Total
Land	1 878 272	–	–	–	100 746	1 979 018
Buildings	2 932 085	–	–	–	123 297	3 055 382
Furniture and fittings	345 465	213 816	(1 072)	(63 904)	–	494 305
Motor vehicles	453 818	603 595	(105 639)	(73 622)	–	878 152
Office equipment	535 637	363 726	(8 239)	(134 260)	–	756 864
Computer equipment	3 606 698	537 956	(62 092)	(959 037)	–	3 123 525
Leasehold improvements	83 013	178 639	–	(25 982)	–	235 670
Router equipment	40 874 963	9 065 169	(208 046)	(4 253 638)	1 285 376	46 763 824
Total	**50 709 951**	**10 962 901**	**(385 088)**	**(5 510 443)**	**1 509 419**	**57 286 740**

2. Property, plant and equipment (continued)

	2009	2008
Encumbered as security		
Carrying value of property, plant and equipment encumbered as security:		
Land and buildings		
The registration of a general covering bond in favour of First National Bank for the amount of R4 000 000 over Units 6 and 8, Doncaster Office Park, situated in Kenilworth in the Western Cape, together with a cession of short term insurance over the said property.	**4 922 660**	5 034 400
Motor vehicles	**1 038 403**	586 197
Eleven (2008: Eight) light commercial vehicles serve as security for the instalment sale agreements with Wesbank.		
Two (2008: nil) light commercial vehicles serve as security for the instalment sale agreements with McCarthy.	**228 538**	–
Assets subject to finance lease (Net carrying amount)		
Computer equipment	**1 481 419**	124 278
Router equipment	**4 052 846**	5 332 323

Revaluations

The effective date of the valuation of land and buildings was March 2009. The valuation was performed by an independent valuer, Mr Dave Holgate, an independent contractor to First National Bank Limited. Neither First National Bank nor the Mr Holgate is connected to the company. Mr Holgate has recent experience in the location and category of the property being valued. The value was appropriately adjusted to reflect the year end value of land and buildings.

The valuation was performed using a market related return on the property, using a capitalisation rate of 10,00% per annum.

The carrying value of the revalued assets under the cost model (at date of acquisition of subsidiary) would have been:

	2009	2008
Land	**1 878 272**	1 878 272
Buildings	**2 820 345**	2 932 085

Details of properties

Erf 534, Doncaster Office Park

Land and buildings consist of an office building situated in the municipality of Kenilworth, Cape Town, held under Title Deed No SK2204/2003S

	2009	2008
– Purchase price: 28 May 2003	**1 853 859**	1 853 859
– Revaluations since purchase	**3 180 541**	3 180 541
– Accumulated depreciation	**(111 740)**	–
	4 922 660	5 034 400

3. Intangible assets – Group

	2009			2008		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software	2 679 838	(1 395 829)	1 284 009	1 812 010	(710 356)	1 101 654

Reconciliation of Intangible assets – 2009

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	1 101 654	867 828	(685 473)	1 284 009

Reconciliation of Intangible assets – 2008

	Acquisition via business combination	**Additions**	**Amortisation**	**Total**
Computer software	804 779	402 625	(105 750)	1 101 654

All amortisation and impairment charges are included in depreciation, amortisation and impairment of non-financial assets. No intangible assets have been pledged as security for liabilities.

4. Goodwill

The carrying value of goodwill can be reconciled as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Balance 1 March 2008	**215 153 482**	–	–	–
Movement during financial period	**–**	215 153 482	–	–
Carrying amount at 28 February 2009	**215 153 482**	215 153 482	**–**	**–**
Carrying value beginning of 1 March 2007	**–**	–	–	–
Acquired through business combination 2008	**215 153 482**	215 153 482	–	–
Carrying value at 29 February 2008	**215 153 482**	215 153 482	**–**	**–**

Annual test for impairment

During the financial year the group assessed the recoverable amount of goodwill and determined that no impairment of goodwill was required.

The evaluation was undertaken by Michael Roderick Gahagan (CA (SA) – BComm (Honours) – Rhodes University). Mr Gahagan is a professional expert and Chief Executive Officer of Arcay Private Financial Services (Proprietary) Limited. Mr Gahagan is a specialist evaluator in the telecommunications market.

5. Investments

Subsidiaries at cost:

Wholly owned

	Group		Company	
	2009	**2008**	**2009**	**2008**
Huge Telecom (Proprietary) Limited	**–**	**–**		
Shares	–	–	**113 343 478**	113 343 478
Indebtedness	–	–	**14 655 305**	14 655 305
Centracell (Proprietary) Limited	**–**	**–**		
Shares	–	–	**69 411 943**	69 411 943
Indebtedness	–	–	**37 688 510**	37 688 510
	–	**–**	**235 099 236**	235 099 236

5. Investments (continued)

Joint venture

Name of company	Carrying amount 2009	Carrying amount 2008	Type	% holding 2008/2009
Gonondo Telecom (Proprietary Limited)	**822 941**	136 249	Unlisted	50

The carrying amount of the joint venture is shown net of any impairment losses

Associate

Name of company	Carrying amount 2009	Carrying amount 2008	Type	% holding 2008/2009
Telepassport Communications (Proprietary) Limited – Namibia	**1 941 637**	1 304 051	Unlisted	49

The carrying amount of the associate is shown net of any impairment losses.

Other Investments

– ITalk Cellular (Proprietary) Limited	**–**	365 833	**–**	365 833
– Spescom Limited	**263 347**	–	**263 347**	–
– Eyeballs Mobile Advertising (Proprietary) Limited Shares (25% holding)	**6 000 000**	–	**6 000 000**	–
Total investments	**9 027 925**	**1 806 133**	**6 263 347**	**365 833**

The aggregate amounts relating to Joint venture, Gonondo (Proprietary) Limited are as follows:

	2009	2008
Statement of financial position		
Non-current assets	**398 925**	379 716
Current assets	**2 270 419**	1 112 213
Long term liabilities	**125 885**	549 900
Current liabilities	**498 653**	669 432
Income statement – 12 months		
Revenue	**3 645 554**	1 579 807
Expenses	**(634 036)**	(418 944)
Investment revenue	**36 719**	–
Taxation	**(923 506)**	(389 813)
Statement of cash flows – 12 months		
Cash generated by operating activities	**2 107 243**	728 109
Cash generated from investing activities	**(26 276)**	(381 034)
Cash generated from financing activities	**549 900**	(550 000)

The group has not incurred any contingent liabilities or other commitments relating to its joint venture investment.

5. Investments (continued)

The aggregate amount of the associate, Telepassport Communications (Proprietary) Limited – Namibia can be summarised as follow:

	Group		Company	
	2009	2008	**2009**	2008
Statement of financial position				
Non-current assets	**2 011 662**	1 977 949	–	–
Current assets	**7 207 968**	6 292 197	–	–
Long term liabilities	**390 811**	373 957	–	–
Current liabilities	**4 866 294**	4 514 331	–	–
Income statement – 12 months				
Revenue	**30 515 859**	26 027 232	–	–
Cost of sales	**(25 046 545)**	(20 606 949)	–	–
Expenses	**(2 572 180)**	(2 655 395)	–	–
Investment revenue	**212 626**	140 386	–	–
Taxation	**(1 029 093)**	(997 404)	–	–
Statement of cash flows – 12 months				
Cash generated by operating activities	**1 313 891**	1 799 664	–	–
Cash generated from investing activities	**473 174**	895 924	–	–

The group has not incurred any contingent liabilities or other commitments relating to its associate.

The carrying value of all investments is a fair reflection of the directors' valuation.

6. Loans to/(from) group companies

– Huge Telecom (Proprietary) Limited	–	–	**19 982 675**	–
– Centracell (Proprietary) Limited	–	–	**(14 238 395)**	–
Total loans to/(from) group companies	**–**	**–**	**5 744 280**	**–**

The above loans are unsecured, interest free and have no fixed terms of repayment. Huge Group Limited has ceded and pledged its rights, title and interest in the above loans to Nedbank Limited.

7. Deferred taxation

Deferred taxation asset				
Opening balance	**6 643 044**	–	**–**	–
Movements for the current year	**3 009 692**	6 643 044	**3 209 561**	–
– Acquisition of subsidiaries	**–**	11 438 900	**–**	–
– Taxation loss (utilised)/originating	**1 698 842**	(5 158 450)	**3 339 062**	–
– Temporary differences included in income taxation	**1 238 426**	362 594	**(129 501)**	–
– Temporary differences included in statement of comprehensive income	**72 424**	–	**–**	–
Balance at end of year	**9 652 736**	6 643 044	**3 209 561**	–
Deferred taxation liability				
Opening balance	**(1 535 125)**	–		
Movements for the current year	**1 535 125**	(1 535 125)	**–**	–
– At acquisition of subsidiaries	**–**	(1 159 743)	**–**	–
– Temporary differences included in income taxation	**1 535 125**	393 903	**–**	–
– Temporary differences included in statement of comprehensive income		(769 285)		
Balance at end of year	–	(1 535 125)	–	–

7. Deferred taxation (continued)

	Group 2009	Group 2008	Company 2009	Company 2008
Deferred taxation is made up as follows:				
Tax losses available for set-off against future taxable income	**7 979 292**	6 280 450	**3 339 062**	–
Prepayments	**(633 490)**	–	**–**	–
Provisions	**3 039 444**	576 405	**–**	–
Revaluation of land and buildings	**(696 861)**	(769 285)	**–**	–
Finance leases	**1 143 273**	772 344	**–**	–
Operating lease	**64 649**	49 448	**–**	–
Restraint of trade	**397 111**	–	**(196 000)**	–
Fixed assets	**(2 145 547)**	(1 801 443)	**–**	–
Prepaid income	**438 366**	–	**–**	–
Fair value adjustments	**66 499**	–	**66 499**	–
	9 652 736	**5 107 919**	**3 209 561**	**–**

The directors have created deferred tax asset on the tax losses, as it is probable that the companies will generate sufficient taxable income to utilise the assessed losses.

8. Inventories

	Group 2009	Group 2008	Company 2009	Company 2008
Airtime	**28 720 933**	20 990 808	–	–
Impairment to estimated net realisable value	**–**	(14 526 300)	–	–
	28 720 933	6 464 508	–	–

The cost of inventory recognised as an expense during the period was R459 467 018 (2008: R184 801 880).

9. Loans receivable

	Group 2009	Group 2008	Company 2009	Company 2008
Melody Street Trading 11 (Proprietary) Limited t/a Managed Voice Solutions	**1 096 064**	–	**1 096 064**	–
Eyeballs Mobile Advertising (Proprietary) Limited	**5 000 000**	–	**5 000 000**	–
Huge Charity	**28 300**	–	**–**	–
	6 124 364	–	**6 096 064**	**–**

The loan to Melody Street Trading 11 (Proprietary) Limited t/a Managed Voice Solutions bears interest at the prime rate. There are no fixed terms of repayment. The loan is secured by one third of the shares in Melody Street Trading 11 (Proprietary) Limited t/a Managed Voice Solutions.

The loan to Eyeballs Mobile Advertising (Proprietary) Limited bears interest at the prime rate and has no fixed repayment terms.

10. Trade and other receivables

	Group 2009	Group 2008	Company 2009	Company 2008
– Trade receivables	**73 023 522**	70 333 709	**–**	–
– Deposits	**3 067 865**	9 276 989	**–**	–
– Contracts for difference – Initial margin deposit	**6 247 326**	–	**–**	–
– Single stock futures – Initial margin deposit	**5 883 290**	–	**5 394 957**	–
– Prepayments	**5 035 235**	6 581 648	**63 925**	–
	93 257 238	**86 192 346**	**5 458 882**	**1 000 000**

10. Trade and other receivables (continued)

Trade receivables have been ceded as security for two facilities as listed below:

- Huge Telecom (Proprietary) Limited has ceded, as security all its rights, title and interest in and to the Huge Telecom book debts in favour of First National Bank Limited.
- Huge Telecom (Proprietary) Limited reversionary book debt has been ceded as security for the Nedbank loan (refer note 15).
- Centracell (Proprietary) Limited has ceded, as security, all its rights, title and interest in and to the Centracell book debts in favour of Nedbank Limited.

Facilities utilised at year end:

- First National Bank Limited facility amounted to nil (2008: nil)
- Nedbank loan amounted to R7 218 535. (2008: nil)

The initial margin deposits are held as security by the counterparties until expiry of the underlying derivative contracts.

11. Cash and cash equivalents

	Group		Company	
	2009	**2008**	**2009**	**2008**
Cash on hand	**9 407**	6 946		–
Bank balances	**10 782 884**	10 530 100	**122 781**	122 771
Cash equivalents – connection incentive bonuses	**–**	9 341 600	**–**	–
Single stock futures call account	**2 992 853**		**2 830 925**	
	13 785 144	19 878 646	**2 953 706**	122 771

The overdraft facility is secured as follows:

- Unlimited suretyship by Centracell (Proprietary) Limited
- The registration of a general covering bond in favour of First National Bank Limited for the amount of R4 000 000 over Units 6 and 8, Doncaster Office Park, situated in Kenilworth in the Western Cape, together with a cession of short term insurance over the said property. (Refer note 2)
- Subordination of the loan between Huge Group Limited and Huge Telecom (Proprietary) Limited
- Subordination of shareholders loans in Huge Telecom (Proprietary) Limited
- Cession of all its rights, title and interest in and to the Huge Telecom (Proprietary) Limited book debts.

12. Share capital

The share capital of Huge Group consists of fully paid ordinary shares with a par value of 1 cent. All shares are equally eligible to receive dividends and the repayment of capital and present one vote at the shareholders meeting.

Authorised

100 000 000 ordinary shares of 0,01 cent	**100 000**	100 000	**100 000**	100 000
	100 000	100 000	**100 000**	100 000

10 000 000 unissued ordinary shares and are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

12. Share capital (continued)

Issued

	Group		Company	
	2009	2008	**2009**	2008
106 166 763 ordinary shares of 0,01 cent	**10 617**	10 676	**11 176**	10 676
	228 822 360	221 577 736	**236 577 236**	221 577 736
Share premium	**229 801 739**	222 557 115	**237 556 615**	222 557 115
Listing expenses written-off against share premium	**(979 379)**	(979 379)	**(979 379)**	(979 379)
	228 832 977	221 588 413	**236 587 912**	221 588 412

13. Shareholders' loans

At amortised cost				
– James Charles Herbst	**1 207 371**	3 380 131	**1 107 371**	2 361 947
– Anton Daniel Potgieter	**10 983 957**	3 012 745	**10 883 957**	–
– Mojaho Trading (Proprietary) Limited	**4 843 741**	2 030 421	**4 843 741**	–

The loans bear interest at prime plus 4%. The shareholder loans cannot be repaid without the prior written consent of Nedbank Limited or until such time as the loan outstanding has been repaid in full.

At amortised cost				
– Julian Arie Morelis	**–**	5 500 000	**–**	5 500 000
	17 035 069	13 923 297	**16 835 069**	7 861 947

14. Finance lease obligations

Minimum lease payments due			**–**	–
– within one year	**6 413 161**	4 973 213	**–**	–
– in second to fifth year inclusive	**11 135 877**	11 922 497		
Less: future finance charges	**(3 529 937)**	(3 062 646)	**–**	–
Present value of minimum lease payments	**14 019 101**	13 833 064	**–**	**–**
Present value of minimum lease payments due				
– within one year	**4 534 184**	4 544 000	**–**	–
– in second to fifth year	**9 484 917**	9 289 064	**–**	–
	14 019 101	13 833 064		
Non-current liabilities	**9 484 917**	9 289 064	**–**	–
Current liabilities	**4 534 184**	4 544 000	**–**	–
	14 019 101	13 833 064	**–**	**–**

The group leases certain assets under finance leases. The average lease term is 48 months and the rate of borrowing is variable. Interest rates are linked to prime at the contract date. Monthly instalments are R534 430 (2008: R424 451) inclusive of interest.

The group's obligations under finance leases are secured per note 2.

15. Other financial liabilities

	Group		Company	
	2009	2008	2009	2008
Non-current				
– Nedbank Limited – at amortised cost	**1 516 202**			
The loan is secured (see below), bears interest at prime plus 2% p.a. The loan is repayable in monthly instalments of R 499 699				
Current				
– Vendor loan from Julian Arie Morelis – at amortised cost	**20 000 000**	20 000 000	**20 000 000**	–
The loan is unsecured, does not bear interest and has no fixed repayment terms. The loan is under the control of the directors.				
– Nedbank Limited – at amortised cost	**5 702 333**	–	**–**	–
– Key management loans – at amortised cost	**–**	2 373 978	**–**	–
Key management loans bear interest at 9,4% per annum and have no fixed repayment terms.				
	25 702 333	22 373 978	**20 000 000**	–

The Nedbank loan is secured as follows:

Huge Telecom (Proprietary) Limited has ceded the reversionary book debts, the claims, the intercompany loans, and all the rights to any and all economic benefits, whether actual, prospective or contingent in, under and to the Contracts for difference to and in favour of Nedbank Limited.

Centracell (Proprietary) Limited ceded all its rights, title and interest in and to the Centracell Book Debts in favour of Nedbank Limited.

- Centracell (Proprietary) Limited guarantees in favour of Nedbank Limited the due payments and performance of Huge Telecom (Proprietary) Limited obligations on the Nedbank loan.
- Huge Group Limited cedes and pledge all of it's rights, title and interest in and to the Inter-Company loans to Nedbank Limited.
- Huge Group Limited guarantees the obligation of Huge Telecom (Proprietary) Limited under the agreement with Nedbank Limited.

16. Trade and other payables

– Trade payables	**114 803 746**	82 850 638	**4 877 796**	64 278
– VAT	**3 523 295**	2 236 169	**–**	–
– Accrued bonus	**–**	38 961	**–**	–
– Payroll accruals	**4 668 014**	1 663 005	**–**	–
– Deferred income	**1 565 593**	2 030 040	**–**	–
– Customer deposits held	**596 625**	408 129	**–**	–
– Penalties and interest	**344 779**	–	**344 779**	–
– Operating lease accrual	**230 888**	176 600	**–**	–
	125 732 940	89 403 542	**5 222 575**	64 278

17. Revenue

	Group 2009	Group 2008	Company 2009	Company 2008
Sale of airtime	**608 539 827**	242 820 723	**–**	–
Rendering of services	**–**	723 225	**–**	–
	608 539 827	243 543 948	**–**	**–**

18. Operating profit/(loss)

Operating profit/(loss) for the year is stated after accounting for the following:

	Group 2009	Group 2008	Company 2009	Company 2008
Operating lease charges – premises	**2 755 606**	821 381	**–**	–
Reversal of impairment – routers	**–**	1 285 376	**–**	–
(Profit)/Loss on sale of property, plant and equipment	**40 125**	(8 432)	**–**	–
Depreciation on property, plant and equipment	**18 803 474**	5 510 443	**–**	–
Fair value adjustment on single stock futures	**17 881 173**	–	**17 257 588**	–
Fair value adjustment on contracts for difference	**7 686 703**	–	**–**	–
Fair value adjustment on Spescom shares	**237 497**	–	**237 497**	–
Amortisation of intangible assets	**685 473**	105 750	**–**	–
Secretarial fees	**49 331**	20 435	**–**	–
(Profit)/Loss on exchange differences	**18 907**	(13 113)	**–**	–
Employee costs	**52 246 350**	18 732 395	**–**	–

The number of employees for the group at year end was 160 (2008: 178)

19. Interest received

	Group 2009	Group 2008	Company 2009	Company 2008
– Interest on trade receivables	**4 995 665**	2 738 575	**–**	–
– Interest received – cash and cash equivalents	**875 356**	8 102 608	**–**	6 972 050
– Interest received – Other	**334 289**	–	**2 239 802**	–
	6 205 310	10 841 183	**2 239 802**	6 972 050

20. Income from equity accounted investments

	Group 2009	Group 2008	Company 2009	Company 2008
– Dividends received	**1 317 455**	275 000	**–**	–
– Share of earnings	**1 324 285**	640 213	**–**	–
	2 641 740	915 213	**–**	**–**

21. Finance costs

	Group 2009	Group 2008	Company 2009	Company 2008
– Imputed interest – cost of sales	**–**	3 289 651	**–**	–
– Interest paid to third parties	**5 771 115**	2 977 245	**1 590 996**	776 040
– Interest paid on finance leases	**756 580**	–	**–**	–
	6 527 695	6 266 896	**1 590 996**	776 040

22. Auditors' remuneration

	Group 2009	Group 2008	Company 2009	Company 2008
– Audit fees	**710 000**	942 075	**–**	–
– Consulting fees	**225 850**	–	**225 850**	–
	935 850	942 075	**225 850**	–

23. Cost of sales

	Group 2009	Group 2008	Company 2009	Company 2008
Cost of goods sold	**495 467 018**	184 801 880	**–**	**–**

	Group		Company	
	2009	2008	2009	2008
24. Income taxation				
Current	**1 378 830**	4 464 858	**1 342 080**	2 051 229
S.A. Normal taxation	**–**	4 464 858	**–**	2 051 229
Foreign withholding tax	**36 750**	–	**–**	–
Secondary tax on companies	**1 342 080**	–	**1 342 080**	–
Deferred	**(4 472 389)**	5 171 238	**(3 209 561)**	–
Originating and reversing temporary differences	**(2 773 547)**	12 788	**(3 209 561)**	–
Utilisation of unused tax losses	**(1 698 842)**	5 158 450	**–**	–
Taxation expense	**(3 093 559)**	9 636 096	**(1 867 481)**	2 051 229
Deferred taxation (income)/expense recognised directly in other comprehensive income	**(72 424)**	769 285	**–**	–
Taxation rate Reconciliation	%	%	%	%
Standard rate	**28,00**	29,00	**28,00**	29,00
Non-taxable income	**(24,68)**	12,22	**(0,9)**	–
Change in estimate relating to prior year	**(106,29)**	–	**–**	–
Foreign taxation	**0,85**	–	**–**	–
Utilisation/origination of assessed losses	**–**	(14,37)	**2,87**	–
Secondary taxation on companies	**30,89**	–	**(12,53)**	–
Effective taxation rate	**(71,23)**	26,85	**17,44**	29,00

25. Earnings and headline earnings per share

The earnings and the weighted average number of shares used in the calculation of basic and headline earnings per share are as follows:

– Earnings – basic	**7 437 222**	26 252 023
Adjusted for:		
– Profit/(Loss) on disposal of property, plant and equipment	**40 125**	(8 432)
– Earnings – headline	**7 477 347**	26 243 591
– Weighted average number of ordinary shares (basic and headline)	**109 089 000**	59 435 633
Earnings per share	**6,82**	44,17
Headline earnings per share	**6,85**	44,15

26. Dividends

During 2009 Huge Group paid dividends of R13 411 200 to its equity shareholders. This represents a dividend of R0,12 per share.

27. Cash generated from operations

	Group		Company	
	2009	2008	2009	2008
Profit before taxation	**4 343 663**	35 888 119	**(10 707 497)**	7 073 203
Adjustment for:				–
– Depreciation, amortisation and impairment	**19 488 948**	4 330 817	**–**	–
– (Profit)/loss on disposal of property, plant and equipment	**40 125**	(8 432)	**–**	–
– Fair value adjustment – Spescom Limited	**237 497**	–	**237 497**	
– Earnings from equity accounted investment	**(1 324 285)**	(640 213)	**–**	–
– Interest received	**(6 205 310)**	(10 841 183)	**(2 239 802)**	(6 972 050)
– Finance costs	**6 527 695**	6 266 896	**1 590 996**	776 040
– Fair value adjustment – derivatives	**25 567 876**	–	**17 257 588**	–
Changes in working capital:				
– Inventories	**(22 256 426)**	(1 763 462)	**–**	–
– Trade and other receivables	**(7 064 891)**	(17 633 881)	**(4 458 882)**	(1 000 000)
– Trade and other payables	**36 329 398**	10 353 576	**5 158 297**	64 278
– Shareholders for dividends	**14 952**	–	**14 952**	–
	55 699 242	25 952 237	**6 853 149**	(58 529)

28. Taxation paid

Current taxation payable				
Opening Balance	**(5 393 069)**	–	**2 051 229**	
– Balance at acquisition of subsidiaries	**–**	(3 919 501)	**–**	–
– Current taxation for the period	**(1 378 830)**	(4 464 858)	**1 342 081**	(2 051 229)
Balance at year end	**3 204 805**	5 393 069	**(3 393 310)**	2 051 229
Taxation paid	**(3 567 094)**	(2 991 290)	**–**	**–**

29. Acquisition of subsidiaries

During 2008 the group acquired subsidiaries detailed below: The fair value of assets acquired and liabilities assumed were as follows:

	Huge Telecom	Centracell	Total
– Cash and cash equivalents	9 166 638	6 177 252	15 343 890
– Property, plant and equipment	22 566 169	28 143 782	50 709 951
– Intangibles	220 706	584 074	804 780
– Investments in joint venture	98 009	–	98 009
– Investment in associates	702 078	–	702 078
– Accounts receivable	38 010 186	25 500 367	63 510 553
– Inventories	–	4 701 046	4 701 046
– Prepayments	3 136 378	1 911 534	5 047 912
– Deferred tax asset	–	11 438 900	11 438 900
– Borrowings	–	(41 369 183)	(41 369 183)
– Other financial liabilities	(1 611 568)	(5 301 404)	(6 912 972)
– Tax liabilities	(3 919 501)	–	(3 919 501)
– Deferred tax liability	(1 159 743)	–	(1 159 743)
– Trade payables	(41 571 515)	(37 478 451)	(79 049 966)
Net assets	**25 637 837**	**(5 692 053)**	**19 945 754**
– Goodwill	101 302 163	113 851 317	215 153 480
Total purchase price	**126 940 000**	**108 159 236**	**235 099 236**
– Adjust for cash and cash equivalents	(9 166 638)	(6 177 252)	(15 343 890)
– Adjust for non cash portion of purchase price	(75 051 335)	(21 632 000)	(96 683 335)
Cash flow on acquisition – net of cash acquired	**42 722 027**	**80 349 984**	**123 072 011**

30. Reconciliation of investments acquired

	Group		Company	
	2009	2008	2009	2008
iTalk investment expenses	**365 833**	(365 833)	**365 833**	(365 833)
Acquisition of 25 % Eyeballs Mobile Advertising (Proprietary) Limited	**(6 000 000)**	**–**	**(6 000 000)**	**–**
Acquisition of shares in Spescom Limited	**(500 843)**	–	**(500 843)**	
Acquisition of investments	**(6 135 010)**	(365 833)	**(6 135 010)**	(365 833)

31. Commitments

Operating leases – lessee

	Group		Company	
Minimum lease payments due				
– within one year	**2 087 440**	1 698 044	–	–
– in second to fifth year	**3 084 648**	2 170 197	–	–
	5 172 088	3 868 241	**–**	**–**

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Guarantees issued by banks on behalf of Huge Telecom (Proprietary) Limited:

	2009	2008
– JHI Real Estate Limited	**–**	16 253
– C Max Investments 236 (Proprietary) Limited	**99 000**	99 000
– Glocell Service Provider (Proprietary) Limited	**–**	4 700 000
– MTN Service Provider (Proprietary) Limited	**–**	2 000 000

32. Related parties

Relationship	Name
Joint venture	– Gonondo Communications (Proprietary) Limited
Associate	– Telepassport Communications (Proprietary) Limited
Entities controlled by directors	– Mojaho Trading (Proprietary) Limited – Accknowledge (Proprietary) Limited – Pacific Breeze Trading 417 (Proprietary) Limited – Eagle Creek Investments 223 (Proprietary) Limited
Fellow subsidiaries	– Centracell (Proprietary) Limited – Huge Telecom (Proprietary) Limited – Huge Charity (Proprietary) Limited
Shareholders	– The Headland partnership – Broker Proprietary (Proprietary) Limited – Easy Nominees (Proprietary) Limited – Mojhaho Trading (Proprietary) Limited – Tetragona Nominees (Proprietary) Limited – Praesidium Capital Management (Proprietary) Limited – Luigi Trust
Shareholder/Director	– James Charles Herbst – Vincent Makholo Mokholo – Anton Daniel Potgieter – Julian Arie Morelis

32. Related parties (continued)

Balances with related parties

Amounts owing by/(to) related parties	Group		Company	
	2009	2008	2009	2008
– Anton Daniel Potgieter	**(10 983 957)**	(3 012 745)	**(10 883 957)**	–
– James Charles Herbst	**(1 207 371)**	(3 380 131)	**(1 107 371)**	(2 361 947)
– Mojaho Trading (Proprietary) Limited	**(4 843 741)**	(2 030 421)	**(4 843 741)**	–
– Vendor loan from Julian Arie Morelis	**(20 000 000)**	(20 000 000)	**(20 000 000)**	–
– Huge Charity (Proprietary Limited	**28 300**	–	**28 300**	–
– Centracell (Proprietary) Limited	**–**	–	**(14 238 395)**	–
– Huge Telecom (Proprietary) Limited	**–**	–	**19 982 675**	–

Transactions with related parties

	Group 2009	Group 2008	Company 2009	Company 2008
Sales to/(from) related parties				
Gonondo Communications (Proprietary) Limited	**(4 483 654)**	(1 345 678)	**–**	–
Interest paid/(received) from related parties				
Key Management	**–**	55 602		
Mojaho Trading (Proprietary) Limited	**714 062**	30 421	**–**	–
James Charles Herbst	**655 831**	81 992	**480 690**	61 947
Anton Daniel Potgieter	**1 160 130**	35 584	**217 189**	35 584
Management fees paid/(received) from related parties				
– Centracell (Proprietary) Limited	**–**	–	**(3 118 985)**	–
– Huge Telecom (Proprietary) Limited	**–**	–	**(6 200 000)**	–
Administration fees paid/(received) from related parties				
– Telepassport Communications (Proprietary) Limited	**(861 014)**	(758 334)	**–**	–
Dividends paid/(received) from related parties				
– Gonondo Communications (Proprietary) Limited	**(400 000)**	(275 000)	**–**	–
– Telepassport Communications (Proprietary) Limited	**(917 461)**	(490 000)	**–**	–
Equity income (received)				
– Gonondo Communications (Proprietary) Limited	**(686 692)**	(411 248)	**–**	–
– Telepassport Communications (Proprietary) Limited	**(637 587)**	(983 290)	**–**	–
Investment in Joint venture				
– Gonondo Communications (Proprietary) Limited	**822 941**	136 249	**–**	–
Investment in Associate				
– Telepassport Communications (Proprietary) Limited	**1 941 637**	1 304 051	**–**	–

Single stock future contract purchases

In terms of a resolution of the board of directors of Huge Group Limited passed on 11 June 2008, the board of directors of Huge Group Limited approved the opening of single stock future (SSF) and contracts for difference (CFD) accounts with Watermark Securities and Nedbank.

In terms of a resolution of the board of directors of Huge Group Limited passed at a board meeting held on 8 July 2008, the board of directors of Huge Group Limited resolved to acquire up to 20% of the ordinary shares of Huge Group Limited in issue by making use of cash, SSFs and CFDs.

32. Related parties (continued)

Single stock future contract purchases (continued)

On 16 October 2008, in terms of the Derivative Rules of the JSE Limited, and in particular the contract specifications for SSFs over the ordinary shares of Huge Group Limited held by Eagle Creek Investments 223 (Proprietary) Limited (being an investment trading company wholly owned by Mr James Charles Herbst) and Mr Anton Daniel Potgieter, Eagle Creek and Mr Potgieter were dispossessed of 40 455 and 40 000 SSF contracts respectively by Watermark Securities (Pty) Limited on the basis of refusing to lodge a unilateral increase in initial margin of 250% imposed on the accounts held by Mr James Charles Herbst and Mr Anton Daniel Potgieter.

On the 16 October 2008 and in terms of the resolutions of the board of directors of Huge Group Limited passed on the 11 June 2008 and 8 July 2008, Huge Group Limited acquired 80 455 SSF contracts from Watermark Securities**.** The spot price of the SSF contract was R3,62 per contract of which Huge Group were required to pay initial margin and variation margin based on the underlying share price movements.

33. Directors' Emoluments

Executive – 2009

	Basic Salary	Performance Bonus	Medical aid	Provident Fund	Total
– James Charles Herbst	1 082 861	–	–	123 444	1 206 305
– Anton Daniel Potgieter	1 420 071	–	24 242	158 387	1 602 700
– Vincent Mokhele Mokholo	989 728	–	–	122 804	1 112 532
– Manogaran Pillay	991 018		–	35 387	1 026 405
– Stephen Peter Tredoux	970 581	–	–	43 841	1 014 422
– Rhamees Mogamad Nordien	564 444	–	16 614	80 520	661 578
– Julian Arie Morelis	798 925	–	31 464	21 547	851 936
	6 817 628	**–**	**72 320**	**585 930**	**7 475 878**

Non-Executive – 2009

	Fees	Total
– Brian Alexander Mcqueen	165 000	165 000
– Kenneth Delroy Jarvis	54 000	54 000
– Donovan Tredoux	80 000	80 000
– Fentse Emmanuel Lediga	100 000	100 000
	399 000	**399 000**

Directors' Emoluments

Executive – 2008

	Emoluments	Total
– James Charles Herbst	–	–
– Anton Daniel Potgieter	948 363	948 363
– Vincent Mokhele Mokholo	650 795	650 795
– Rhamees Mogamad Nordien	657 240	657 240
– Julian Arie Morelis	90 000	90 000
	2 346 398	**2 346 398**

Non-Executive – 2008

	Fees	Total
– Brian Alexander Mcqueen	20 200	20 200
– Emmanuel Fentse Lediga	10 100	10 100
	30 300	**30 300**

34. Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and financial liabilities by category are summarised in note 1.9. The main types of risk are market risk, credit risk, liquidity risk and operational risk.

The groups management of risk is co-ordinated in close co-operation with the board of directors and the risk and audit committee.

The focus is on actively securing the groups short and medium term cash flows by minimising exposure to financial risk. Long term financial investments are managed to generate lasting returns.

The most significant risks to which the group is exposed are described below. The group is exposed to market risk through its use of financial instruments and specifically to price risk, interest rate risk and to a lesser extent currency risk, which results from both its operating and investing activities.

Price risk sensitivity

The group is exposed to price risk in respect of listed equity shares and derivatives as a result of the investment in Spescom Limited and the investment in single stock future contracts and contracts for difference over its own equity.

For the listed shares and derivatives, an average volatility of 60% has been observed during 2009. If the quoted share price for these shares and derivatives increased or decreased by that amount, profit and equity would have changed by R29 000 000. The listed shares are classified as investments as available for sale. The single stock futures and contracts for difference are classified as derivatives held for trading with fair value through profit and loss.

The investments in listed equity security and derivative instruments are considered strategic investments whose main objective was to provide the company with numerous options. These options being as follows: It allowed the group the option to repurchase its own shares in the future, it eliminated many of the regulatory conditions around buying back your own shares, it provided an alternative way of raising cash, and it further allowed the group to hedge its future buy back of shares against a rising price. It allowed the group to take advantage of the difference between cost of equity and cost of capital without an initial cash outlay. Finally it could result in the derivatives being sold at a profit.

Interest rate sensitivity

At 28 February 2009, the Group is mainly exposed to changes in market interest rates through bank borrowings and shareholder loans at variable interest rates linked to prime rate. However certain finance leases are at fixed rates.

A decrease of 1% in the prime rate would have increased the groups profits by approximately R329 000 (2008: R125 000). These changes are considered to be reasonably possible based on current market conditions.

The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Foreign currency sensitivity

Most of the groups' transactions are carried out in Rands. Exposures to currency exchange rates arise from the groups overseas purchases which are predominantly in US dollars (USD) and Euros.

The group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk on the groups foreign purchases as the value of the purchases in limited and immaterial. Should the value of purchases increase significantly forward exchange contracts will be used to mitigate the risks.

Foreign currency denominated financial assets and liabilities translated into Rands at the closing rate, are as follows:

	USD	Euro
28 February 2009		
Financial assets	–	103 660
Financial liabilities	32 010	–
Total exposure	**(32 010)**	**103 660**
29 February 2008		
Financial assets	176 255	83 265
Financial liabilities	21 180	3 685
Total exposure	**155 075**	**79 580**

A sensitivity analysis on the exchange rate increasing or decreasing was not performed as the changes would be immaterial.

34. Risk management objectives and policies (continued)

Credit risk analysis

The groups' maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at reporting date, as summarised below:

	Group					
	2009			2008		
Classes of financial assets	**Available for sale**	**Loans and receivables**	**Fair value**	Available for sale	Loans and receivables	Fair value
Investments	**9 027 925**	**–**	**9 027 925**	1 806 133	–	1 806 133
Trade receivables	**–**	**73 023 522**	**73 023 522**	–	70 333 709	70 333 709
Deposits	**–**	**15 198 481**	**15 198 481**	–	9 276 989	9 276 989
Loans receivable	**–**	**6 124 364**	**6 124 364**	–	–	–
Cash and cash equivalents	**–**	**13 785 144**	**13 785 144**		19 878 600	19 878 600
Total	**9 027 925**	**108 131 511**	**117 159 436**	1 806 133	99 489 298	101 295 431

The group continuously monitors default of customers and other counter parties, identified either individually or by group and incorporates this information into its credit risk controls.

External credit ratings and or reports on customers and counterparties are obtained and used. The groups policy is to deal only with suitably creditworthy counterparties.

The groups' management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

Included in the category "loans and receivables" are trade receivables and certain deposits that the group has pledged as collateral for some financial liabilities, bank overdraft facilities and derivative liabilities. (See note 10)

Trade receivables past due but not impaired can be shown as follows

	30 – 60 days	**60 – 90 days**	**90 – 120 days +**	**Total**
28 February 2009				
Past due not impaired	**3 260 432**	**1 824 528**	**2 684 724**	**7 769 684**
29 February 2008				
Past due not impaired	1 975 338	1 058 789	729 284	3 763 411

The above relate to customers for whom there is no history of default nor has there been a significant change in credit quality and the amounts are therefore still deemed recoverable.

All trade receivables past due are considered for impairment to fair value. The amount of the allowance was R12 751 002 (2008 – R4 569 209).

The ageing of the allowance is as follows:

	30 – 60 days	**60 – 90 days**	**90 – 120 days**	**120+ days**	**Total**
28 February 2009					
Impaired trade receivables	**–**	**1 255 714**	**632 615**	**10 862 673**	**12 751 002**
29 February 2008					
Impaired trade receivables	–	–	2 053 159	2 516 050	4 569 209

Reconciliation of the impairment of trade receivables:

	2009	**2008**
Opening balance	**4 569 209**	**–**
– Increase in allowance	**8 181 793**	4 569 209
Closing balance	**12 751 002**	4 569 209

The creation and release of allowance for impaired receivables has been included in operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics as trade receivables consist of a large number of customers in various industries and geographical areas.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

34. Risk management objectives and policies (continued)

Liquidity risk analysis

The group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis as well as on the basis of a rolling 30-day projection. Long term liquidity needs for a 180 day and a 360 day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the look out period.

In order to meet its liquidity requirements for 30 day periods the group maintains cash balances. Funding for long term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets

As at 28 February 2009, the groups' liabilities have contractual maturities (including interest payments where applicable)

Maturities are summarised follows:

	Current		**Non-current**	
	Within 6 months	**6 – 12 months**	**1 – 5 years**	**later than 5 years**
Trade payables	**114 803 746**	**–**	**–**	**–**
Payroll accruals	**4 668 014**	**–**	**–**	**–**
Finance lease obligations	**3 206 581**	**3 206 581**	**11 135 877**	**–**
Nedbank term loan	**2 998 196**	**2 998 195**	**2 998 195**	**–**
	125 676 537	**6 204 776**	**14 134 072**	**–**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. The restricted shareholder loans and amounting to R17 035 069 and Vendor loan to Julian Arie Morelis amounting to R20 000 000 is not included above as there are no fixed terms of repayments. Annual interest payments on these loans amounts to R2 600 000.

Classes of financial liabilities and derivatives:

	Group			
		2009		2008
	Other liabilities	**Fair value**	Other liabilities	Fair value
Nedbank loan	**7 218 535**	**7 218 535**	–	–
Vendor loan from Julian Arie	**20 000 000**	**20 000 000**	20 000 000	20 000 000
Shareholders loans	**17 035 069**	**17 035 069**	13 923 297	13 923 297
Finance lease obligations	**14 019 101**	**14 019 101**	13 833 064	13 833 064
Trade payables	**114 803 746**	**114 803 746**	84 850 638	84 850 638
Payroll accruals	**4 668 014**	**4 668 014**	447 356	447 356
Customer deposits held	**596 625**	**596 625**	408 129	408 129
Total	**178 341 090**	**178 341 090**	133 462 484	133 462 484

Capital management policies and procedures

The group's capital management objectives are:

- To ensure the groups ability to continue as a going concern and
- To provide adequate returns to shareholders

by pricing products and services commensurately with the level of risk.

The group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position and cash flow hedges recognised in equity.

The directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase shares, or sell assets to reduce debt.

34. Risk management objectives and policies (continued)

Capital for the reporting period under review is summarised as follows:

	2009	**2008**
Total equity	**249 148 835**	248 064 487
Restricted shareholder loans	**17 035 069**	8 325 356
Cash and cash equivalents	**(13 785 144)**	(19 878 646)
Capital	**252 398 760**	236 511 197
Total equity	**249 148 835**	248 064 487
Borrowings		
Shareholder restricted loans	**17 035 069**	8 325 356
Finance lease obligations	**14 019 101**	13 833 064
Other financial liabilities	**27 218 535**	27 971 919
Overall financing	**307 421 540**	298 194 826
Capital to overall financing ratio	**0:82**	**0:79**

35. Fair value of financial instruments

All financial instruments have been recognised in the balance sheet, except for variation margin call payments and derivative liability which have been offset. There is no material difference between their fair values and carrying values.

The carrying amounts of trade and other receivables, loans receivable, bank and cash, current and non-current liabilities, trade and other payables, derivative assets and liabilities reported in the balance sheet approximates their fair value.

36. Set off

	Group		**Company**	
	2009	2008	**2009**	2008
Mark to the market on single stock futures	**(17 881 173)**	–	**(17 257 588)**	–
Mark to the market on contracts for difference	**(7 686 703)**	–	**–**	–
Total mark to market losses on derivatives	**(25 567 876)**	–	**(17 257 588)**	–
Funded by variation margin deposits				
Held by Standard bank	**17 881 173**	–	**17 257 588**	–
Held by Nedbank limited	**7 686 703**	–	**–**	–
Derivative liability	**–**	–	**–**	–

Variation margin call payments have been offset against derivative liabilities as the group has the legal right to offset and intend to offset upon expiry of the contract.

Initial margin call deposits on the single stock futures contracts and contracts for difference contracts have been shown in accounts receivable as deposits.

37. Adoption of new and revised standards

In the year under review the group has early adopted IAS1, Presentation of Financial Statements and IFRS 8 Operating segments.

The impact of the adoption of IFRS8 and the changes to IAS1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital

The following accounting standards, interpretations and amendments to published accounting standards were effective for the current financial period, but had no effect on these financial statements:

- IFRS 2 – Share based Payments: Amendment relating to vesting conditions and cancellations (Effective 1 January 2009)
- IFRS 3 – Business Combinations: Comprehensive revision on applying the acquisition method (Effective 1 January 2009)
- IAS 23 – Borrowing Costs: Comprehensive revision to prohibit immediate expensing (Effective 1 January 2009
- IAS 27 – Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (Effective 1 January 2009)
- IAS 28 – Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (Effective 1 January 2009)

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRIC 17 – Distributions of Non-cash Assets to Owners (Effective 1 July 2009)

IAS 39 – Eligible Hedge Items (Effective 1 July 2009)

The directors anticipate that all of the above interpretations will be adopted in the future applicable periods.

38. Segmental reporting

Business segments

	LCR	Other	Consolidated
2009			
Consolidated revenue	544 655 597	63 884 510	608 539 827
2008			
Consolidated revenue	236 867 268	6 676 680	243 543 948

Geographical

	Western Cape	KwaZulu-Natal	Gauteng	Eastern Cape	Consolidated
2009					
Segment revenue	113 670 770	70 887 648	393 236 586	30 744 251	608 539 827
Segment result	20 709 984	12 915 212	73 846 233	5 601 378	113 072 809
Other income	–	–	–	–	3 563 103
Interest expense	–	–	–	–	(6 527 695)
Equity income	–	–	–	–	8 847 050
Operating expenses	–	–	–	–	(89 043 728)
Loss on derivatives	–	–	–	–	(25 567 876)
Income tax	–	–	–	–	3 093 559
Profit for period	**–**	**–**	**–**	**–**	**7 437 222**
Segment assets	41 322 412	25 769 585	142 952 388	11 176 370	221 220 755
Segment liabilities	34 972 330	21 809 531	120 984 663	9 458 878	187 225 402
Capital expenditure	4 179 411	2 606 375	14 359 458	1 130 395	22 275 639
Depreciation	3 656 565	2 280 316	12 563 083	988 982	19 488 946
Goodwill	–	–	–	–	215 153 481
2008					
Segment revenue	64 768 684	33 065 827	130 046 772	15 662 665	243 543 948
Segment result	11 508 190	9 528 709	34 907 842	2 797 327	58 742 068
Other income	–	–	–	–	3 078 528
Interest expense	–	–	–	–	(6 266 896)
Interest income	–	–	–	–	10 841 183
Operating expenses	–	–	–	–	(30 506 764)
Income tax	–	–	–	–	(9 636 096)
Profit for period	–	–	–	–	**26 252 023**
Segment assets	52 729 004	21 095 871	95 565 026	9 983 170	179 373 071
Segment liabilities	44 132 883	21 016 065	71 405 062	9 908 065	146 462 075
Capital expenditure	3 318 101	1 332 396	5 961 683	753 346	11 365 526
Depreciation	2 053 989	534 079	2 732 819	295 306	5 616 193
Goodwill	–	–	–	–	215 153 482

39. Acquisition of subsidiaries

2008

Subsidiaries acquired	Date of acquisition	Portion of shares acquired	Cost of acquisition
– Huge Telecom (Proprietary) Limited	08 August 2007	100%	126 940 000
– Centracell (Proprietary) Limited	15 February 2008	100%	108 159 236

Acquisition of subsidiaries

The acquisitions of Huge Telecom (Proprietary) Limited and Centracell (Proprietary) Limited during the 2008, have been accounted for as per the accounting policy on business combinations (note 1.3). The profits of these entities have been included in these results as from the acquisition date, which as per IFRS3 is regarded as the date when effective control has been established. The acquisition dates for Huge Telecom (Proprietary) Limited and Centracell (Proprietary) Limited have been established as 08 August 2007 and 15 February 2008 respectively.

Cost of acquisition

The cost of the investment in Huge Telecom (Proprietary) Limited is R126 940 000. This amount comprises cash of R51 888 665 with the balance represented by issued in shares. The cost of the investment in Centracell (Proprietary) Limited is R108 159 236. This amount comprises of R80 349 984 paid in cash and the balance issued in shares.

Goodwill arising from acquisition

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the said acquirees. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, including improved access to cash funding, utilisation by the acquirees of the group's software systems and growth deriving from the marketing of services to the group's existing customer base. The group also acquired the customer list and customer relationships of the acquirees as part of the acquisition. These assets could not be reliably measured and separately recognised from goodwill because they are not capable of being separated from the group and sold, transferred, licensed, rented of exchanged, either individually or together with any related contracts.

40. Restatement of comparatives

Certain comparative information in the statement of cash flows relating to the company only have been restated to correct disclosure. There has been no material impact on the balance sheet or income statement. The change in the prior year cash flow statement was a loan to group companies of R15,4 million which should have been reported as cash and cash equivalents at acquisition.

FACTORS AFFECTING FINANCIAL PERFORMANCE AGAINST FORECAST

Net profit after tax for the year for the financial year ended 28 February 2009, forecast in September 2007, was R46,1 million.

The actual result achieved for the financial year ended 28 February 2009 is a net profit after tax of R7,4 million.

This is R39 million below forecast. The major reasons for this variation are as follows:

- Impairment of the SSF and CFD derivatives amounting to R25,5 million
- Higher salary costs than forecast, both as a result of restraint of trade payments made to protect the company against staff leaving, as well as certain forecast operational efficiency improvements not materialising in the current year.
- Dealer commissions were forecast to reduce in 2009 due to a planned drive to grow a direct sales channel – this did not happen as planned, and as such dealer commissions cost approximately R16 million more than forecast.

BRANCH DETAILS AND CORPORATE INFORMATION

Offices
National Tel: 0860 03 04 03

Johannesburg – Daniel Morelis
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Physical: Block 1, Woodlands Drive Office Park,
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Tel: 011 603 6000

Cape Town – David Dalling
Postal: PO Box 36446, Glosderry, 7702
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Kenilworth Park, 7708
Tel: 021 673 1000

Durban – Geovanna Sutherland
Postal: PO Box 2786, Westway Office Park, 3635
Physical: No. 1, The Crescent, Westway Office Park,
Westville, 3629
Tel: 031 279 6700

Port Elizabeth – Justin Hammet
Postal: PO Box 34795, Newton Park, 6055
Physical: 51 Shirley Street, Newton Park, 6045
Tel: 041 365 6765

Company Secretary
Arcay Client Support (Proprietary) Limited
(Registration number 1998/025284/07)
Arcay House II, 3 Annerley Road, Parktown,
Johannesburg, 2193
PO Box 62397, Marshalltown, 2107

Corporate adviser
Manhattan Equity Corporate Finance (Pty) Limited
(Registration number 2000/0011991/07)
43 Saxon Road, Sandhurst, 2196
PO Box 55376, Northlands, 2116

Reporting accountants
Horwath Leveton Boner
(Practice number 903787)
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Attorneys
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PO Box 784 903, Sandton, 2146

Auditors
Horwath Leveton Boner
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Designated advisers
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PO Box 62397, Marshalltown, 2107

Registered offices
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5 Woodlands Drive,
Woodmead, Johannesburg, 2191
PO Box 1585, Kelvin, 2054

HUGE GROUP LIMITED

(FORMERLY VANQUISH FUND MANAGERS LIMITED)
(Incorporated in the Republic of South Africa)
(Registration number 2006/023587/06)
Share Code: HUG ISIN Code: ZAE000102042
("Huge" or "the Huge Group" or "the company")

Notice is hereby given that the third annual general meeting of shareholders of Huge Group Limited will be held in the main boardroom at Block 2, Woodlands Drive Office Park, 5 Woodlands Drive, Woodmead, Johannesburg on 27 November 2009 at 14:00 for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions set out below:

SPECIAL RESOLUTION 1 – GENERAL AUTHORITY TO REPURCHASE

"Resolved that the general authority granted to the company, or a subsidiary of the company to acquire ordinary shares in the issued share capital of the company from time to time, in terms of the Companies Act, 1973 (Act 61 of 1973), as amended ("Act"), and in terms of the Listings Requirements ("Listings Requirements") of the JSE Limited ("JSE") from time to time, being that:

- authorisation thereto being given by the articles of association of the company;
- any such acquisition of ordinary shares shall be implemented on the open market of the JSE without any prior arrangement;
- this general authority shall only be valid until the next annual general meeting of the company, provided further that it shall not extend beyond fifteen months from the date of passing of this special resolution;
- when the company, or a subsidiary of the company, has cumulatively repurchased 3% of the number of a class of shares in issue on the date of passing of this special resolution ("initial number"), and for each 3% in aggregate of the initial number of that class of shares acquired thereafter, an announcement in compliance with the Listings Requirements must be published as soon as possible and by not later than 08:30 on the business day following the day on which the relevant threshold is reached or exceeded;
- the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter parties;
- the repurchase being effected in compliance with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements;
- the company's sponsor shall, prior to the company, or subsidiary of the company, entering into the market to repurchase the shares, provide the JSE with the written working capital statement required in terms of the Listings Requirements;
- in determining the price at which ordinary shares issued by the company are acquired by it or its subsidiary in terms of this general authority, the maximum price at which such shares may be acquired will be 10% above the weighted average of the market value of such shares for the five business days immediately preceding the date of repurchase of such shares;
- any general repurchase by the company, or a subsidiary of the company, of the company's shares shall not, in aggregate in any one financial year exceed 20% of the company's issued share capital of that class in any one financial year as at the date of passing of this special resolution;
- at any point in time, the company, or a subsidiary of the company, may only appoint one agent to effect any repurchase on the company's or a subsidiary's behalf; and
- the company or its subsidiary may not acquire shares during a prohibited period as defined by the Listings Requirements.

The board of directors of the company is required, prior to implementing any share repurchase by the company or a subsidiary of the company, to consider the impact of any such repurchase of the company's shares, and must record that it is of the opinion that such repurchase will not result in:

- the company and the group in the ordinary course of business being unable to pay its debts for a period of 12 months after that date of notice of general meeting;
- the liabilities of the company and the group in the ordinary course of business exceeding the assets of the company and the group, calculated in accordance with International Financial Reporting Standards used in the audited financial statements for the next financial year end; and
- the ordinary capital and reserves of the company and the group for a period of 12 months after the date of the notice of general meeting being inadequate, in the ordinary course of business.

The board of directors of the company will ensure that the company's sponsor provides the JSE with the necessary report on the adequacy of the working capital of the company and its subsidiaries in terms of the Listings Requirements prior to the commencement of any share repurchase in terms of this special resolution, be and is hereby approved".

ORDINARY RESOLUTION 1 – GENERAL AUTHORITY TO ISSUE

"Resolved that the placing of all the unissued shares in the company under the control of the directors and the general authority granted to the directors of the company empowering them to allot and issue to public shareholders for cash, all or any of the unissued shares in the share capital of the company placed under their control as they in their discretion deem fit, subject to the provisions of the Companies Act, and the Listings Requirements of the JSE Limited ("JSE") which require that:

- the authority shall be valid until the date of the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;
- a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
- the general issue of shares for cash in the aggregate in any one financial year may not exceed 15% of the applicant's issued share capital of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class which may be issued and shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of the application; and
- in determining the price at which the issue will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30-day trading days prior to the date that the price of the issue is determined or agreed by the directors, be and is hereby approved".

ORDINARY RESOLUTION 2 – RE-APPOINTMENT OF DIRECTOR: MR DON TREDOUX

"Resolved that the retirement from office of Mr Don Tredoux in accordance with article 87 of the company's articles of association, being a director appointed to the board of directors following the previous annual general meeting, and being eligible for re-election, the appointment of Mr Don Tredoux as non-executive director of the Huge Group Limited at this annual general meeting, be and is hereby approved".

A brief biography of Mr Don Tredoux is presented below:

Don Tredoux has 20 years of telecommunication experience, notably in sales and marketing. While at Siemens, he identified and defined the opportunity of cellular least cost routing and in 1996, he opened his own business, Redwin Communications, which was later purchased to form Orion Cellular. Tredoux was the managing director and a majority shareholder in Orion and remained with them for ten years.

Tredoux is an entrepreneur by nature, with a flair for identifying technologies and finding marketplace opportunities to deploy them. He left Orion to concentrate his efforts in what he identified to be the "next big opportunity" namely, value added least cost routing solutions and Java platforms on the mobile handset.

Throughout his career, Tredoux has played a very active and instrumental role in research and development to further the growth and user experience of the different product offerings. He is technically minded, but market orientated and adds significantly to Huge's sizeable knowledge base.

ORDINARY RESOLUTION 3 – RE-APPOINTMENT OF DIRECTOR: MR STEPHEN PETER TREDOUX

"Resolved that the retirement from office of Mr Stephen Peter Tredoux in accordance with article 87 of the company's articles of association, being a director appointed to the board of directors following the previous annual general meeting, and being eligible for re-election, the appointment of Mr Stephen Tredoux as non-executive director of the Huge Group Limited at this annual general meeting, be and is hereby approved".

A brief biography of Mr Stephen Peter Tredoux is presented below:

Steve Tredoux started his working career as an accountant, but within a year had moved to general management where he built his managerial skills in the property management industry. He then moved from property management to manufacturing and then into information technology. It was with this background that he was approached to join MTN and the fledgling South African GSM industry in 1995. The 12 years that followed his appointment proved to be exciting and diverse and the experience he gained was invaluable. Tredoux was initially employed as general sales manager and moved up into the executive management team of MTN, where he also involved himself with the overall strategy and management of the business.

Tredoux is a uniquely qualified executive who brings a breadth of knowledge and skill that is rarely found in one individual today. Tredoux has considerable experience in sales distribution, but is also a master at consumer marketing and product development.

ORDINARY RESOLUTION 4 – RE-APPOINTMENT OF DIRECTOR: MRS MICHELLE METH

"Resolved that the retirement from office of Mrs Michelle Meth in accordance with article 87 of the company's articles of association, being a director appointed to the board of directors following the previous annual general meeting, and being eligible for re-election, the appointment of Mrs Michelle Meth as executive director of the Huge Group Limited at this annual general meeting, be and is hereby approved".

A brief biography of Mrs Michelle Meth is presented below:

Michelle Meth initially joined the Huge Group from the TMS Group (a wholly owned subsidiary of Bidvest) where she was employed as their finance director. Prior to her position at the TMS Group she was employed at Cell C as their executive head of finance. Her responsibility at Cell C encompassed the entire finance function consisting of seven divisions which reported to her, namely: Treasury, Financial Control, Billing and Commissions, Accounts Payable and General Ledger, Fixed Assets and Property.

Michelle has experience in preparing annual financial statements, internal audit controls, investor relations, tax planning, budgeting and was part of the fund raising team at Cell C. Her prior experience as group financial accountant at Primedia Limited in 2000 also provided her with valuable experience in consolidating accounts across a complex group structure with many subsidiaries and associates, and regular changes in the shareholding structures.

She completed her BCom (Hons) at RAU in 1998 and in 2000 she qualified as a Chartered Accountant (SA). Michelle is an enthusiastic and diligent individual whose passion for the telecommunications industry makes her a valuable addition to the group.

ORDINARY RESOLUTION 5 – RESIGNATION OF DIRECTOR: MR JULIAN ARIE MORELIS

"Resolved that the acceptance of the resignation of Mr Julian Arie Morelis as executive director of the Huge Group Limited, be and is hereby approved".

ORDINARY RESOLUTION 6 – RESIGNATION OF DIRECTOR: MR FENTSE EMMANUEL LEDIGA

"Resolved that the acceptance of the resignation of Mr Fentse Emmanuel Lediga as non-executive chairman of the Huge Group Limited, be and is hereby approved".

ORDINARY RESOLUTION 7 – ADOPTION OF ANNUAL FINANCIAL STATEMENTS

"Resolved that the adoption of the annual financial statements of the company for the year ended 28 February 2009, presented to shareholders at this annual general meeting, together with the reports of the directors and auditors, as contained within the annual report, and, the confirmation of all things undertaken and discharged by the directors, in their capacities as directors, for and behalf of the company during the financial year under review, be and is hereby approved".

ORDINARY RESOLUTION 8 – APPROVAL OF PROPOSED NON-EXECUTIVE REMUNERATION

"Resolved that the approval of the proposed remuneration payable to the non-executive directors set out below, to be effective from the date of this annual general meeting to the date of the next annual general meeting, be and is hereby approved".

Category	Current remuneration	Proposed remuneration effective 01 March 2009	Note
The Huge Group Limited: Board			
Chairman	R25 000 per meeting adjusted to R20 000 per meeting	R20 000 per meeting	
Board Member	R20 000 per meeting	R20 000 per meeting	(1)
Audit and Risk Committee			
Chairman	R25 000 per meeting adjusted to R20 000 per meeting	R20 000 per meeting	
Audit Committee member	R20 000 per meeting	R20 000 per meeting	(2)
Remuneration and Nomination Committee			
Chairman	R25 000 per meeting adjusted to R20 000 per meeting	R20 000 per meeting	
Remuneration Committee member	R20 000 per meeting	R20 000 per meeting	(3)

Notes

(1) The company holds a minimum of six board meetings during any 12 month period.

(2) The company holds a minimum of two Audit and Risk Committee Meetings during any 12 month period.

(3) The company holds a minimum of two Remuneration and Nomination Committee meetings during any 12 month period.

ORDINARY RESOLUTION 9 – RE-APPOINTMENT OF AUDITORS
"Resolved that the re-appointment of Horwath Leveton Boner as auditors of the company, be and is hereby approved".

ORDINARY RESOLUTION 10 – APPROVAL OF AUDITORS' REMUNERATION
"Resolved that the remuneration of the auditors as contained in the Annual Report, be and is hereby approved".

ORDINARY RESOLUTION 11 – INCUMBENCY
"Resolved that, the authority granted to any director of the company to sign all such documents and do such things as may be necessary for or incidental to the implementation of each resolution of this annual general meeting, be and is hereby approved".

VOTING
The ordinary resolutions are subject to a simple majority of shareholders present or represented by proxy at the annual general meeting, with the exception of the special resolution which requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting.

Every shareholder present in person or by proxy at the annual general meeting shall, on a show of hands, have one vote only, and on a poll, have one vote for each share of which he/she is the registered holder.

A shareholder entitled to attend, speak and vote is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, speak and vote in his stead.

Shareholders, which are companies or other bodies corporate may, in terms of section 188(1) of the Act, by resolution of its directors or other governing body, authorise any person to act as its representative at the annual general meeting.

Certificated shareholders and "own name" dematerialised shareholders who are unable to attend the annual general meeting but wish to be represented thereat must complete and return the attached form of proxy in accordance with the instructions contained therein so as to be received by the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown, 2107) by no later than 14:00 on 25 November 2009.

Dematerialised shareholders, other than "own name" dematerialised shareholders, who wish to attend the annual general meeting, must request their CSDP or broker to issue them with a letter of representation to enable them to attend the annual general meeting in person. Alternatively, such dematerialised shareholders must instruct their CSDP or broker as to how they wish to vote in this regard. This has to be done in terms of the agreement entered into between the shareholder and their CSDP or broker.

By order of the board

James Charles Herbst
Chief Executive Officer

Designed by motiv
Printed by Ince

PROXY FORM

HUGE GROUP LIMITED

Formerly Vanquish Fund Managers Limited
(Registration number 2006/023587/06)
Share Code: HUG ISIN Code: ZAE000102042
("Huge" or "the company")
Share code: HUG ISIN: ZAE000102042

For use by certificated and own name dematerialised shareholders at the second annual general meeting of shareholders to be held in the main boardroom at Block 2, Woodlands Drive Office Park, 5 Woodlands Drive, Woodmead, Johannesburg on 27 November 2009, at 14:00.

Note: Dematerialised shareholders without own name registration must not use this form. Dematerialised shareholders without own name registration who wish to vote by way of proxy at the general meeting, must provide their CSDP or broker with their voting instructions by the cut-off time and date advised by the CSDP or broker for instructions of this nature as specified in the custody agreement entered into between such shareholder and their CSDP or broker, in order for such CSDP or broker to vote in accordance with such instructions at the general meeting.

I/We ______________________________

of ______________________________

being the registered holder/s of ______________________________ ordinary shares in Huge, appoint (see note 1):

1. ______________________________ of ______________________________ or failing him/her

2. ______________________________ of ______________________________ or failing him/her

3. the chairman of the general meeting,

as my/our proxy to act for me/us on my/our behalf at the general meeting which will be held in the main boardroom at Block 2, Woodlands Drive Office Park, 5 Woodlands Drive, Woodmead, Johannesburg on 27 November 2009 at 14:00 for the purpose of considering and, if deemed fit, for passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for or against the said resolutions or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	For	Against	Abstain
Special Resolution 1 (General authority to repurchase)			
Ordinary Resolution 1 (General authority to issue)			
Ordinary Resolution 2 (Re-appointment of director: Mr Don Tredoux)			
Ordinary Resolution 3 (Re-appointment of director: Mr Stephen Peter Tredoux)			
Ordinary Resolution 4 (Re-appointment of director: Mrs Michelle Meth)			
Ordinary Resolution 5 (Resignation of director: Mr Julian Arie Morelis)			
Ordinary Resolution 6 (Resignation of director: Mr Fentse Emmanuel Lediga)			
Ordinary Resolution 7 (Adoption of annual financial statements)			
Ordinary Resolution 8 (Approval of proposed non-executive remuneration)			
Ordinary Resolution 9 (Re-appointment of auditors)			
Ordinary Resolution 10 (Approval of auditor's remuneration)			
Ordinary Resolution 11 (Incumbency)			

Signed at ______________________________ on ______________________________

Signature ______________________________

Each shareholder is entitled to appoint one or more proxy(ies) (who need not be shareholders of the company), to attend, speak and vote in his/her stead at the annual general meeting.

NOTES TO THE FORM OF PROXY

1. Shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the annual general meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the transfer secretaries by not later than 14:00 on 25 November 2009.
2. Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker, other than by own name registration, who wish to attend the annual general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker.
3. Shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration, who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker.
4. A member may insert the name of a proxy or the names of two alternative proxies of his choosing in the space provided, with or without deleting the chairperson of the annual general meeting, but any such deletion must be initialed by him. The person whose name appears first on the form of proxy, and who is present at the annual general meeting, will be entitled to act as proxy to the exclusion of those whose names follow.
5. The authority of the person signing the form of proxy under a power of attorney must be attached hereto, unless that power of attorney has already been recorded by the transfer secretaries of the company or waived by the chairman of the annual general meeting. A minor must be assisted by his/her parents guardian unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
6. The completion and lodging of this form will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
7. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached hereto unless previously recorded by the company's transfer secretaries or waived by the chairperson of the annual general meeting.
8. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

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