



huge
group

unlocking business opportunity

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2012

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

UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2012

HIGHLIGHTS FOR THE PERIOD

- Increased earnings
- Increased asset values
- Long-term borrowing capacity
- Increased gross margins
- Increased operating margins
- Greater operational efficiencies
- Reduced inventory obsolescence risks
- Improved working capital
- Sustainable supply arrangements

The board of directors ("the Board") of Huge is pleased to present the unaudited interim results of the Company and all its subsidiary companies, associate companies, and joint ventures ("the Group") for the six-months ended 31 August 2012.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 August 2012 (6 months) R	Unaudited 31 August 2011 (6 months) R	Audited 29 February 2012 (12 months) R
Total revenue	155 924 806	212 337 255	388 854 143
Gross profit	37 935 877	46 375 763	74 671 335
Other income	740 084	381 210	4 253 833
Operating expenses	(34 595 357)	(38 190 124)	(81 898 821)
Operating profit/ (loss)	4 080 604	8 566 849	(2 973 653)
Investment income	433 098	1 585 937	1 452 827
Net change in fair value of financial instruments	3 770 875	(6 350 925)	(2 662 602)
Net change in fair value of investment in associate company held for sale	-	1 896 354	-

Share of earnings / (losses) from equity accounted investments	93 269	1 298 457	61 733
Finance costs	(2 212 505)	(775 426)	(2 501 843)
Profit/(loss) before taxation	6 165 341	6 221 246	(6 623 538)
Income tax credit / (expense)	2 359 146	(3 570 057)	2 213 040
Net profit/(loss) for the period	8 524 487	2 651 189	(4 410 498)
Non-controlling interest	(446 699)	(28 881)	151 310
Net profit/(loss) attributable to owners of the company	8 971 186	2 680 070	(4 561 808)
Basic earnings / (loss) per share (cents)	9.95	2.80	(4.82)
Adjusted for: (Profit)/loss on disposal of property, plant and equipment	-	(1.71)	1.39
Profit on disposal of associate company	-	-	(2.44)
Impairment of investment in associate company	0.08	-	-
Headline earnings / (loss) per share (cents)	10.03	1.09	(5.88)
Total number of shares in issue ('000)	89 255	95 300	90 242
Weighted number of shares in issue ('000)	90 160	95 895	94 586

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited

Unaudited

Audited

	31 August 2012 (6 months) R	31 August 2011 (6 months) R	29 February 2012 (12 months) R
ASSETS			
Property, plant and equipment	33 116 994	37 325 921	33 025 064
Goodwill	215 153 482	215 153 482	215 153 482
Intangible assets	12 866 618	16 639 409	15 392 170
Investment in joint venture	655 499	552 369	562 230
Investments	387 986	305 585	263 158
Deferred tax	16 865 096	6 990 144	12 258 656
	279 045 675	276 966 910	276 654 760
CURRENT ASSETS			
Inventories	3 894 490	49 742 467	9 151 439
Trade and other receivables	56 647 369	67 589 512	81 335 887
Loans to associate companies	-	1 850 942	199 958
Shareholders' loans	402 215	-	-
Current tax receivable	-	1 429 577	164 405
Derivative margin deposits	18 091 467		7 275 924
Cash and cash equivalents	6 351 119	5 386 556	17 373 315
Investment in associate - held for sale	-	4 900 000	-
	85 386 660	130 899 054	115 500 928
Total assets	364 432 335	407 865 964	392 155 688
EQUITY AND LIABILITIES			
Share capital	9 024	9 590	9 024
Share premium	213 352 130	221 108 366	214 395 559
Reserves	(1 074 561)	28 888	(1 074 562)
Retained earnings	19 470 108	17 010 159	10 498 923
Equity attributable to equity holders of parent	231 756 701	238 157 003	223 828 944
Non-controlling interest	(1 568 194)	(1 301 686)	(1 121 496)
	230 188 507	236 855 317	222 707 448
Non-current liabilities			
Finance lease obligations	577 584	101 751	445 550
Deferred tax	4 045 683	2 385 861	1 798 081

Investment in associate	-	-	736 461
	4 623 267	2 487 612	2 980 092
Current liabilities			
Loans to associate companies	-	1 191 937	-
Loans from shareholders	1 189 031	601 103	2 851 383
Other financial liabilities	537 651	1 341 979	2 698 982
Finance lease obligations	37 687	499 604	294 020
Trade and other payables	115 404 027	140 279 143	143 225 971
Shareholders for dividends	-	14 952	-
Bank overdraft	12 452 165	24 267 196	17 361 308
Current tax payable	-	327 121	36 484
	129 620 561	168 523 035	166 468 148
Total liabilities	134 243 828	171 010 647	169 448 240
Total equity and liabilities	364 432 335	407 865 964	392 155 688
Number of shares in issue ('000)	89 255	95 300	90 242
Net asset value per share (cents)	257.90	248.54	246.79
Net tangible asset value per share (cents)	2.43	5.31	(0.87)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 31 August 2012 (6 months) R	Unaudited 31 August 2011 (6 months) R	Audited 29 February 2012 (12 months) R
Balance at 1 March	222 707 449	234 204 128	234 204 128
Total comprehensive income / (loss) for the period	8 971 186	2 680 070	(4 561 808)
Purchase of own shares	(1 043 429)	-	(6 713 374)
Transfer of call option premium to share premium on exercise of call options	-	-	350 877
Acquisition of call options	-	-	(723 685)

Non-controlling interest	(446 699)	(28 881)	151 310
Balance at 28/29 February/31 August	230 188 507	236 855 317	222 707 448

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 August 2012 (6 months) R	Unaudited 31 August 2011 (6 months) R	Audited 29 February 2012 (12 months) R
Cash flows from operating activities	(2 508 695)	(2 912 275)	11 957 354
Cash flows from investing activities	1 789 272	(2 091 802)	5 271 894
Cash flows from financing activities	(5 393 626)	(3 854 579)	(7 195 260)
Net cash movement for the period	(6 113 049)	(8 858 656)	10 033 987
Cash at the beginning of the period	12 003	(10 021 984)	(10 021 984)
Total cash at the end of the period	(6 101 046)	(18 880 640)	12 003

SEGMENTAL REPORTING

The directors have considered the implications of IFRS 8 Operating segments and are of the opinion, based on the information provided to the chief operating decision maker, that the current operations of the Group can be split into two main operating segments, namely a Telecom Grouping and a Media, Technology and Software ("MTS") Grouping. The operations within each of these main segments or groupings, are substantially similar to one another, and the risk and returns of the operations of these segments/groupings are likewise similar. Resource allocation and management of the current operations are performed on an aggregate basis within each of the two main segments/groupings. The summarised information is included below in line with the requirements of IAS 34. The revenue generated from the products and services supplied by the respective Group companies is distributed countrywide to all clients with no geographical differentiation.

The Telecom Grouping comprises:

- Huge Telecom (Pty) Limited ("Huge Telecom");
- Huge Mobile (Pty) Limited ("Huge Mobile") - formerly CentraCell (Pty) Limited;
- Huge Cellular (Pty) Limited ("Huge Cellular");
- Le Gacy Telecom (Pty) Limited ("Le Gacy"); and
- Gonondo Telecom (Pty) Limited ("Gonondo");

The MTS Grouping comprises:

- Eyeballs Mobile Advertising (Pty) Limited ("Eyeballs"); and
- Huge Software (Pty) Limited ("Huge Software") - formerly Huge Media (Pty) Limited

The Corporate Office comprises:

- Huge Group Limited

	Telecom Grouping R	MTS Grouping R	Corporate Office R	Total R
Total revenue	155 799 806	125 000	-	155 924 806
Gross profit	37 810 877	125 000	-	37 935 877
Other income	615 457	-	124 627	740 084
Operating expenses	(30 999 174)	(3 090 765)	(505 418)	(34 595 357)
Operating profit/(loss)	7 427 160	(2 965 765)	(380 791)	4 080 604
Investment income	300 817	-	132 281	433 098
Net change in fair value of financial instruments	1 357 225	-	2 413 650	3 770 875
Income/(loss) from equity accounted investments	93 269	-	-	93 269
Finance costs	(1 412 189)	(80)	(800 236)	(2 212 505)
Profit/(loss) before income tax	7 766 282	(2 965 845)	1 364 904	6 165 341
Income tax credit/(expense)	398 080	2 737 441	(776 375)	2 359 146
Profit after income tax	8 164 362	(228 404)	588 529	8 524 487

COMMENTARY

ACCOUNTING POLICIES

The unaudited consolidated interim financial results have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards and presented in accordance with the minimum content, including disclosures, prescribed by IAS 34 Interim Financial Reporting applied to year-end reporting, the Companies Act of South Africa, and the JSE Limited's Listings Requirements. The accounting policies used in preparation of these unaudited consolidated interim financial results are consistent with those applied in the last comparable six month period, as well as those applied in the preparation of the

annual financial results of the Company for the year ended 29 February 2012.

COMPANY PROFILE

Huge is an investment holding company listed on the Alternative Exchange ("AltX") of the JSE Limited's Stock Exchange ("JSE") and comprises a Telecoms Grouping and an MTS Grouping. The Group is focused on building shareholder value. Its treasury operations are mandated to maximise the financial position of the Company in the debt and equity markets using cash and derivative-based instruments.

Huge Telecom, a wholly-owned subsidiary company of Huge and the principal trading operation of the Group, is one of South Africa's leading "Communication Expense Management" and "Managed Telecommunications" companies.

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

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

FINANCIAL OVERVIEW

GROUP FINANCIAL PERFORMANCE

Huge has seen further success with its focus on operational efficiencies, treasury management and cost containment.

INVESTMENT HOLDING ACTIVITIES

The Company has been acquiring its own shares under the general authority granted to the directors at the last six annual general meetings ("AGMs"). The most recent of these AGMs was held on Friday, 28 September 2012. The acquisitions recorded below were undertaken in terms of the general authority granted to the directors by the shareholders of the Company at the AGM held on 28 October 2011.

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

Transaction Date	Purchaser	Number of ordinary shares acquired	Price per share	Total value of transaction
27 Jul 2012	Huge	200 000	100.00	200 000.00
30 Jul 2012	Huge	479 000	104.91	502 518.90
31 Jul 2012	Huge	10 000	100.00	10 000.00
1 Aug 2012	Huge	200 000	110.00	220 000.00
2 Aug 2012	Huge	38 100	110.00	41 910.00

31 Aug 2012	Huge Telecom	60 000	115.00	69 000.00
Total		987 100		1 043 428.90

At the beginning of the 2013 financial year that commenced on 1 March 2012, the Company had a total of 105 547 895 ordinary shares in issue.

At the beginning of the 2013 financial year the Group held 15 306 279 ordinary shares as treasury shares. 5 659 352 ordinary shares were held by the Company and 9 646 926 ordinary shares were held by Huge Telecom.

In terms of the new Companies Act any shares of a company repurchased by it are automatically returned to authorised share capital as unissued shares and are not regarded as being held as treasury shares.

In April 2012, a total of 5 035 400 ordinary shares were cancelled, delisted from the JSE, and returned to authorised share capital, leaving a total of 100 512 495 ordinary shares in issue, of which 9 646 926 ordinary shares were held in treasury by Huge Telecom and 623 952 ordinary shares were held by the Company on the basis that these fell to be deducted from ordinary shares in issue.

Of the 987 100 ordinary shares recorded above that were acquired between 1 March 2012 and 31 August 2012 927 100 also fall to be deducted from ordinary shares currently in issue.

The 9 706 926 ordinary shares held by Huge Telecom affords the Company the future prospect of reducing the number of ordinary shares in issue further, to 89 254 517.

TELECOMMUNICATIONS ACTIVITIES

Huge Telecom is the Group's principal revenue generator.

Total revenue generated in the six months ended 31 August 2012 showed a decrease of 26.6% to R155.9 million, from the R212.3 million generated during the six months to the end of August 2011. This is attributable to the loss of upper segment clients whose Rand value of spend is greater than R60 000 per month but whose margins attributable to this Rand value of spend are substantially lower than those margins attributable to clients whose Rand value of spend is lower than R60 000 per month.

Competition at the upper segment of the market is fierce and price elasticity is greater. Given the price compression at this end of the market, gross margins are very small. Huge Telecom has no desire to use price to differentiate its offering.

The lower segment of the market is less price elastic, margins are higher and other factors, such as service, differentiate offerings. Huge Telecom has decided to focus on the lower segment of the market.

Accordingly, gross margins are up 5.13% when comparing gross margins of 24.33% for the six month period to 31 August 2012 with gross margins of 19.20% for the 12 month period to 29 February 2012.

Huge Telecom continues to focus on cost containment. Accordingly, this has translated into lower operating expenses, which are down a further 9.41% when comparing operating expenses of R34.6 million to 31 August 2012 with operating expenses of R38.2 million to 31 August 2011.

MEDIA ACTIVITIES

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

The Eyeballs technology is available for all Symbian (which includes most Nokia phones and several LG, Samsung and Sony Ericsson models) and Blackberry Smartphones. Other operating systems will be considered continually based on the size of the addressable market.

GROUP NET CHANGE IN THE FAIR-VALUE OF FINANCIAL INSTRUMENTS

The profits on single stock futures contracts ("SSFs") and contracts for difference ("CFDs") increased the operating profitability of the Group by R3.8 million in the six month period ended 31 August 2012 - this compared to a loss of R6.4 million in the comparative prior period.

FUTURE PROSPECTS

Investment Holding Activities

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

Telecommunication Activities

The telecommunications industry in South Africa continues to be both a dynamic and challenging arena, characterized by on-going regulatory changes, together with innovative product development.

The Board expects the market for telecommunications products and services to continue to experience wholesale price compression in the immediate future. This price compression is good for Huge Telecom given that wholesale price compression equates to lower input prices and correspondingly higher profit margins.

In addition, the Board continues to believe that Huge Telecom is well prepared to take advantage of the position it holds in the South African telecommunications industry given that its extensive, proprietary systems and business model are all geared towards efficiently routing corporate voice across fixed cellular channels.

Huge Telecom remains committed to its strategy of providing a complete spectrum of managed telecommunication services to South African businesses.

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

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

The success of Huge Telecom's decision to focus on the lower segment of the market will be determined ultimately by its efforts to grow revenue in this segment of the market. Growing revenue is a function of the size and extent of Huge Telecom's distribution channels. In the last six months, Huge Telecom has focused on growing its distribution of dealers (known as Business Partners) from 89 to 167 active Business Partners. The benefits of this growth in distribution will accrue to Huge Telecom in coming months.

Media Activities

Eyeballs will continue to explore partnerships to deploy its offerings. This start-up business continues to be well placed to achieve breakeven profitability in the near future. The mobile advertising market continues to enjoy enormous growth projections from leading experts worldwide.

GENERAL REPURCHASE OF SHARES FOR CASH

The Company currently has 100 512 495 ordinary shares in issue. 1 551 052 ordinary shares are held by the Company and are regarded as being returned to authorised share capital. 9 706 926 ordinary shares are held by Huge Telecom in treasury, leaving a net 89 254 517 listed ordinary shares.

The Company is also the holder of single stock futures contracts over 8 045 500 ordinary shares, while Huge Telecom is the holder of single stock futures contracts over 359 200 ordinary shares and contracts for difference over 3 904 579 ordinary shares. These financial derivative instruments are all fully collateralized with cash, and present the Company with the potential to repurchase the shares underlying them for no further cash consideration. Should the Company and Huge Telecom elect to repurchase the underlying shares, which they have not as yet decided to do, the net number of ordinary shares in issue will fall to 76 945 238 ordinary shares.

LEGAL AND REGULATORY REQUIREMENTS

Huge Telecom is currently party to the following litigation:

MTN Service Provider Proprietary Limited ("MTN SP")

MTN SP instituted a notice of motion in the South Gauteng High Court, Johannesburg, on 18 January 2011, whereby it made application for either an order 1) liquidating Huge Telecom Proprietary Limited; 2) that the costs of the application be costs in the liquidation; 3) further and/or alternative relief, or alternatively a judgment against Huge Telecom Proprietary Limited for 1) payment of the amount of R30 million; 2) interest; 3) costs of the suit; 4) further or alternative relief.

Huge Telecom opposed the notice of motion and the application proceedings were enrolled for hearing on 23 and 24 July 2012. The matter was heard on 23 July 2012.

In terms of court order dated 20 August 2012, the matter was referred to oral evidence with the notice of motion and founding affidavit serving as a simple summons. MTN SP was required to deliver a declaration within one month of the court order, which it did.

On 26 October 2012 Huge Telecom filed a notice in terms of Rule 23 and Rule 30 of the uniform rules of court that:

- 1) it intended making application to have MTN SP's declaration set aside in accordance with the provisions of Rule 30, on the grounds that it constituted an irregular step in that it did not contain a clear and concise statement of the material facts upon which it relies for its claims; or alternatively;
- 2) it intended to except to MTN SP's declaration on the grounds that the allegations contained therein lacked averments necessary to sustain a cause of action, alternatively are vague and embarrassing and Huge Telecom is prejudiced thereby.

MTN SP was required to file its response to Huge Telecom's notice of 26 October 2012.

On 22 November 2012 MTN SP filed its notice in terms of Rule 28(1) of the uniform rules of court of its intention to amend the declaration. MTN SP filed an amended declaration.

By agreement between MTN SP and Huge Telecom, Huge Telecom is required to deliver its plea to the amended declaration (on the basis that it chooses not to file another Rule 23 and Rule 30 notice) by 6 February 2013.

The Group has recognised the assets and the liabilities relating to the MTN SP dispute in accordance with the settlement agreement which MTN SP claims was reached between the parties. As such the carrying amounts of these assets and liabilities may be materially adjusted within the next financial year, depending on the outcome of the legal dispute.

Mr JP Kimber

On 22 November 2010, Jonathan Peter Kimber ("Kimber"), a past director of Huge Telecom, instituted a claim against Huge Telecom for payment of R6.8 million in terms of an option agreement signed by Huge Telecom and Kimber on 2 September 2008, as varied by the option agreement amendment agreement signed by Huge Telecom and Kimber on 27 February 2009 ("the option agreements").

On 12 October 2011, Kimber launched an application in the South Gauteng High Court for rectification of the option agreements and for payment of the sum of R6.8 million plus interest thereon ("the main application").

Huge Telecom opposed the notice of motion in terms of the main application and filed its answering affidavit on 19 October 2011.

On 14 November 2011, Huge Telecom launched its own notice of motion in terms of a separate Section 6(1) application in the South Gauteng High Court seeking an order compelling Kimber to comply with the arbitration undertakings in the option agreements, which prevent Kimber from litigating in court.

On 22 November 2011, Kimber filed a notice of intention to oppose the Section 6(1) application, and subsequently on 7 December 2011, Kimber filed an opposing affidavit to the Section 6(1) application.

In reply, on 12 January 2012, Huge Telecom filed its replying affidavit to the Section 6(1) application to stay the main application.

The section 6(1) application was set down for hearing on 28 March 2012 and was heard by Acting Judge Vermeulen.

In terms of a judgment dated 31 August 2012, Acting Judge Vermeulen ordered that the main application be stayed until the finalisation of arbitration proceedings, if any, to be commenced by Kimber against Huge Telecom in regard to the dispute arising between the parties and ordering Kimber to pay Huge Telecom's costs of the Section 6(1) application.

At the date of this announcement Kimber has not instituted arbitration proceedings.

No amounts have been recognized in the financial results given that the dispute involves the possible repurchase by the Company of its own shares.

SUBSEQUENT EVENTS

There are no events subsequent to 31 August 2012 and to the date of this announcement which have had or may have a material impact on the Company.

GOING CONCERN

The Board has made a detailed assessment of the going concern capability of the Company (and all subsidiary companies of the Company that form the Group) with reference to certain assumptions and plans underlying various cash flow forecasts.

The Board has not identified any events or conditions that individually or collectively cast significant doubt on the ability of the Company and the Group to continue as a going concern.

CHANGES TO THE BOARD OF DIRECTORS AND COMPANY SECRETARY

Mr Ken Jarvis resigned as a non-executive director of the Company with effect from 8 June 2012.

Mr Brian McQueen resigned as a non-executive director of the Company with effect from 28 June 2012.

Mr Dennis Robert Gammie was appointed as a non-executive director of the Company and the Chairman of the Combined Audit and Risk Committee with effect from 29 June 2012.

Mrs Jean Tyndale-Biscoe was appointed as the Company Secretary of the Group with effect from 1 August 2012

Subsequent to the end of the period being reported on, Mr Neil Brian Wensley resigned as the Group Financial Director. His resignation took effect from 30 September 2012.

Mr David Deetlefs was appointed as Group Financial Director with effect from 1 October 2012.

DIVIDENDS

No dividends were paid or declared during the six months ended 31 August 2012.

GOVERNANCE

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

Johannesburg
29 November 2012

Designated Advisor
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Ground Floor, 70 Marshall Street, Johannesburg

Directors:

VM Mokholo (Executive Chairman), SP Tredoux* (Lead Independent
Director), DR Gammie*, AD Potgieter*, MR Beamish*, JC Herbst (CEO),
D Deetlefs (Group Financial Director)

*Non-executive



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