

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 2013

HIGHLIGHTS FOR THE PERIOD

The Company's operating performance metrics continue to improve.

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 2013.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 August 2013 (6 months) R	Unaudited 31 August 2012 (6 months) R	Audited 28 February 2013 (12 months) R
Total revenue	106 698 288	155 924 806	266 321 277
Gross profit	46 234 498	37 935 877	79 049 591
Other income	1 420 948	740 084	1 181 983
Operating expenses	(39 367 791)	(34 595 357)	(81 453 815)
Operating profit/ (loss)	8 287 655	4 080 604	(1 222 241)
Investment income	327 800	433 098	1 311 007
Net change in fair value of financial instruments	(1 341 444)	3 770 875	(6 076 548)
Share of earnings / (losses) from equity accounted investments	(10 251)	93 269	67 063
Finance costs	(1 209 546)	(2 212 505)	(3 705 033)
Profit/ (loss) before taxation	6 054 214	6 165 341	(9 625 752)
Income tax credit / (expense)	(2 843 006)	2 359 146	(2 263 838)
Net profit/ (loss) for the period	3 211 208	8 524 487	(11 889 590)

Non-controlling interest	(453 630)	(446 699)	(2 018 426)
Net profit/(loss) attributable to owners of the company	3 664 838	8 971 186	(9 871 164)
Basic earnings / (loss) per share (cents)	4.11	9.95	(11.00)
Adjusted for:			
Impairment of investment in associate company	-	0.08	6.90
Impairment of fixed assets	0.01	-	-
Legal settlements	1.95	-	-
Headline earnings / (loss) per share (cents)	6.07	10.03	(4.10)
Total number of shares in issue ('000)	89 255	89 255	89 255
Weighted number of shares in issue ('000)	89 255	90 160	89 672

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2013 (6 months) R	Unaudited 31 August 2012 (6 months) R	Audited 28 February 2013 (12 months) R
ASSETS			
Property, plant and equipment	33 604 828	33 116 994	32 489 579
Goodwill	215 153 482	215 153 482	215 153 482
Intangible assets	5 693 057	12 866 618	3 243 525
Investment in joint venture	674 467	655 499	629 293
Investments	188 114	387 986	298 630
Deferred tax	12 287 244	16 865 096	15 755 915
	267 601 192	279 045 675	267 570 424

CURRENT ASSETS			
Inventories	4 747 177	3 894 490	5 742 244
Trade and other receivables	67 935 275	56 647 369	70 823 341
Loans to associate companies	366 830	-	-
Shareholders' loans	806 263	402 215	-
Current tax receivable	-	-	164 405
Derivative margin deposits	7 147 375	18 091 467	8 120 747
Cash and cash equivalents	4 638 173	6 351 119	9 963 189
	85 641 093	85 386 660	94 813 925
Total assets	353 242 285	364 432 335	362 384 349
EQUITY AND LIABILITIES			
Share capital	213 361 059	213 361 154	213 361 060
Reserves	(1 074 561)	(1 074 561)	(1 074 561)
Retained earnings	4 292 597	19 470 108	627 759
Equity attributable to equity holders of parent	216 579 095	231 756 701	212 914 258
Non-controlling interest	(3 593 552)	(1 568 194)	(3 139 922)
	212 985 543	230 188 507	209 774 336
Non-current liabilities			
Finance lease obligations	182 038	577 584	308 582
Deferred tax	-	4 045 683	7 595 942
Investment in associate	55 274	-	-
	237 312	4 623 267	7 904 524
Current liabilities			
Loans from shareholders	-	1 189 031	410 664
Other financial liabilities	-	537 651	903 725
Finance lease obligations	219 393	37 687	213 163
Trade and other payables	127 128 086	115 404 027	128 350 547
Bank overdraft	12 671 951	12 452 165	14 827 390
	140 019 430	129 620 561	144 705 489
Total liabilities	140 256 742	134 243 828	152 610 013
Total equity and		364 432 335	362 384 349

liabilities	353 242 285		
Number of shares in issue ('000)	89 255	89 255	89 255
Net asset value per share (cents)	238.63	257.90	235.03
Net tangible asset value per share (cents)	(8.81)	2.43	(9.66)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 31 August 2013 (6 months) R	Unaudited 31 August 2012 (6 months) R	Audited 28 February 2013 (12 months) R
Balance at 1 March	209 774 336	222 707 448	222 707 448
Total comprehensive income / (loss) for the period	3 211 208	8 524 487	(11 889 590)
Purchase of own shares	-	(1 043 428)	(1 043 522)
Balance at 28 February/31 August	212 985 544	230 188 507	209 774 336

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 August 2013 (6 months) R	Unaudited 31 August 2012 (6 months) R	Audited 28 February 2013 (12 months) R
Cash flows from operating activities	1 561 436	(2 508 695)	10 368 769
Cash flows from investing activities	(2 900 710)	1 789 272	(2 812 683)
Cash flows from financing activities	(1 830 303)	(5 393 626)	(5 511 115)
Net cash movement for the period	(3 169 577)	(6 113 049)	2 004 971
Cash at the beginning of the period	(4 864 201)	12 003	(6 869 172)
Total cash at the end of the period	(8 033 778)	(6 101 046)	(4 864 201)

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 which are 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"); 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	106 698 288	-	-	106 698 288
Gross profit	46 234 498	-	-	46 234 498
Other income	857 603	-	563 345	1 420 948
Operating expenses	(37 972 482)	(440 648)	(954 661)	(39 367 791)
Operating profit/(loss)	9 119 619	(440 648)	(391 317)	8 287 655
Investment income	128 940	-	198 860	327 800
Net change in fair value of financial instruments	(426 378)	-	(915 066)	(1 341 444)
Loss from equity	(10 251)	-	-	(10 251)

accounted				
investments				
Finance costs	(1 028 296)	(15 229)	(166 021)	(1 209 546)
Profit/(loss)				
before income				
tax	7 783 634	(455 877)	(1 273 543)	6 054 214
Income tax				
credit/				
(expense)	(3 329 355)	-	486 349	(2 843 006)
Profit after				
income tax	4 454 279	(455 877)	(787 194)	3 211 208

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 the 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 28 February 2013.

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 "Connectivity Services Providers". It provides wireless, GSM-based, fixed-cellular, last-mile connectivity services (connections) for voice, messaging, and data. It procures these last-mile connectivity services on a wholesale cost-plus basis from the mobile network operators ("MNOs").

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. Subsequent to 28 February 2013, a decision was made to cease the development activities carried out by Eyeballs. The marketing of the Eyeballs application software will in future be undertaken by Huge Telecom on behalf of that company.

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

FINANCIAL OVERVIEW

GROUP FINANCIAL PERFORMANCE

Huge continues to improve operational efficiencies and contain costs.

INVESTMENT HOLDING ACTIVITIES

Huge Group's investment holding activities, including treasury management, are mandated to maximise the financial position of the Group in the debt and equity markets using cash and derivative-based instruments.

For each of the last seven annual general meetings ("AGMs") of the Company, shareholders have passed the necessary special resolutions granting the directors of the Company a general authority to acquire the ordinary shares of the Company. The most recent of these AGMs was held on Friday, 12 July 2013.

The Company has not acquired any of its own shares between 28 September 2012 (the date of its previous AGM) and 12 July 2013 (the date of its most recent AGM) nor has it acquired any shares between the date of its most recent AGM and the date of this announcement.

At the beginning of the 2014 financial year that commenced on 1 March 2013, the Company had a total of 100 512 495 ordinary shares in issue.

At the beginning of the 2014 financial year the Group held 11 257 978 ordinary shares as treasury shares. 1 551 052 ordinary shares were held by the Company and 9 706 926 ordinary shares were held by Huge Telecom.

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

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 2013 showed a decrease of 31.6% to R106.7 million, from the R156.0 million generated during the six months to the end of August 2012. At Huge Telecom there is a significant time delay in the revenue effect of sales activity (where an increasing sales activity is a function of maximising customer acquisition and minimising customer

churn). This time delay is about twelve months. In other words, the revenue recorded in the current six month period is a function of the sales activity in the six month period, twelve months ago. In the past twelve months Huge Telecom has experienced net churn of approximately 600 connections (or telephone lines).

Notwithstanding the declines in revenue noted above, Huge Telecom's revenue indicators (in the form of sales activity indicators) have turned with the various trend-lines pointing up. In the six months from 1 March 2013 to 31 August 2013 (the current reporting period), Huge Telecom acquired in excess of 500 new clients and grew net connections by more than 2 100 lines. The revenue effects of this sales activity will manifest in about 12 months' time.

In addition, for the first six months of FY14, average revenue per trade weighted day ("ARTWD") is higher. The trend line of ARTWD completely flattened between August 2012 and December 2012. Since December 2012, ARTWD has improved steadily, which indicates that Huge Telecom has arrested the declining trend in revenue.

In the last twelve months Huge Telecom has also experienced a substitution of higher revenue, lower margin clients for lower revenue, higher margin clients and this has also exacerbated the extent of the decline in revenue.

Huge Telecom remains committed to pursuing higher margin business and increasing its revenues.

Huge Telecom has also been successful in increasing its fixed annuity to variable annuity ratio. The fixed annuity consists of channel management fees, on-account fees, site management fees and line rentals, which are protected from price compression. The current monthly annuity book of fixed annuity charges is in the order of about R1.6 million (R1.4 million: 28 February 2013) per month, providing a rolling profit contribution of R19.6 million per annum. This fixed annuity is growing at about R83 000 per month (R55 000 per month: 28 February 2013) at present.

On 1 March 2013, mobile termination rates ("MTR") dropped from 56 cents to 40 cents. The profit and cash flow benefits were material and immediate. 75% of Huge Telecom's base is now wholesale, cost-plus oriented. Accordingly, gross margins are up 78.2% when comparing gross margins of 43.3% for the six month period to 31 August 2013 with gross margins of 24.3% for the six month period to 31 August 2012. Gross profit increased by 21.9% from R37.9 million to R46.2 million over the comparable six month period.

In the six months from 1 March 2013 to 31 August 2013, operating expenses increased by 13.9% from R34.6 million to R39.4 million. This was attributable mainly to increased human resources costs, and legal fees. Huge Telecom has nevertheless continued to contain costs and this remains a key focus area.

In the result operating profit has increased 102.4% from R4.1 million to R8.3 million.

MEDIA ACTIVITIES

Eyeballs has ceased development of its proprietary in-application mobile phone advertising technology until marketing and sales activities show potential.

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 losses relating to single stock futures contracts ("SSFs") and contracts for difference ("CFDs") reduced Group operating profitability by R1.3 million in the six month period ended 31 August 2013 - this compared to a profit of R3.8 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. The recent announcements by the Independent Communications Authority of South Africa provide evidence in support of this view. Wholesale price compression is good for Huge Telecom given that wholesale price compression equates to lower input prices and correspondingly higher profit margins.

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 on the basis of full-suite telephony.

Huge Telecom is also able to offer better coverage than any single MNO as it is able to supply substantially all mobile networks. In other words, its Cell C-MTN-Vodacom coverage is better than a Cell C, MTN or Vodacom coverage simpliciter. The power of this aggregated service is not questionable.

The strategy set by Huger Telecom in early calendar year 2012 to focus on indirect channels to market using Business Partners is proving very successful. The total number of Business Partners and the number of active Business Partners continues to increase monthly and this is having a very positive effect on gross and net connections (gross connections net of churn).

What is a key to revenue growth is the number of active selling Business Partners. Business Partner activity will have a material impact on the sale of new connections and on revenue in the future. This continues to be the focus for FY14.

Huger Telecom is therefore upbeat about its future prospects for revenue growth.

Huger Telecom will also continue to focus on introducing alternative revenue streams (such as data 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.

Customer engagement by using enhanced information technology services will become an important success factor in the future and is on the top of the list of strategy items for the remainder of FY14.

Media Activities

Eyeballs will continue to explore partnerships to deploy its offerings. 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 Huger 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 Huger 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 underlying shares for no further cash consideration. Should the Company and Huger 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

Huger Telecom is currently party to the following litigation:

Disputes between Huge Telecom and MTN SP

Case Number: 2011/00962

On 18 January 2011, MTN SP instituted a notice of motion in the South Gauteng High Court, Johannesburg, under case number 2011/00962, 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 a Court Order of the South Gauteng High Court handed down by Mokgoathleng, J on 20 August 2012, the matter was 1) referred to trial; 2) the notice of motion and founding affidavit to stand as a simple summons; 3) MTN SP was required to deliver a declaration within one month of the court order; and 4) the costs of the application are to be the costs in the cause of the trial action.

On 1 October 2012, MTN SP delivered its declaration.

On 26 October 2012, Huge Telecom delivered a notice in terms of Rule 23 and Rule 30 of the Uniform Rules of Court, and on 7 December 2012 MTN SP amended its declaration. The amended declaration does not include a prayer for the winding up of Huge Telecom.

On 20 February 2013, Huge Telecom filed its plea to MTN SP's amended declaration.

On 19 April 2013, MTN SP delivered a replication in response to the plea Huge Telecom filed under case number 11/962.

The matter has not as yet been set down for hearing.

Case Number: 2013/05977

On 15 February 2013, the Sheriff of the South Gauteng High Court served a combined summons against Huge Telecom, in terms of which MTN SP prayed for judgment against Huge Telecom for the sum of R56 020 357 plus interest and costs on the basis of a tacit agreement being concluded between Huge Telecom and MTN SP during September 2009; alternatively on the basis of unjustifiable enrichment at the expense of MTN SP.

On 4 March 2013, Huge Telecom filed, in the South Gauteng High Court, a notice of intention to defend this action.

On 18 April 2013, Huge Telecom filed, in the South Gauteng High Court, its Special Plea and its Plea, defending the action.

On 23 July 2013, MTN SP delivered a replication in response to the Special Plea and Plea filed by Huge Telecom.

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.

The matter has not as yet been set down for hearing.

Disputes between Huge Telecom and Mr JP Kimber
The matter between Huge Telecom and Mr JP Kimber was settled by the payment by Huge Telecom of an amount of R1.773 million. Mr Kimber has withdrawn all actions against Huge Telecom.

Disputes between Huge Group and TeleMasters Holdings Limited ("TeleMasters")
TeleMasters has referred a dispute to the Arbitration Foundation of South Africa ("AFSA") and it is claiming payment of the amount of R4.176 million, plus interest and costs.

AFSA have appointed Advocate Pieter Pauw SC as the arbitrator.

A pre-arbitration meeting was held at the offices of AFSA on 8 August 2013.

Huge Telecom has not, at the date of this announcement, filed its plea and counterclaim.

SUBSEQUENT EVENTS

There are no events subsequent to 31 August 2013 and to the date of this announcement which have had or may have a material impact on the Company.

GOING CONCERN

The Board has undertaken a detailed review 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 Michael Ronald Beamish resigned as a non-executive director of the Company with effect from 20 May 2013.

DIVIDENDS

No dividends were paid or declared during the six months ended 31 August 2013.

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
20 November 2013

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VM Mokholo (Executive Chairman), SP Tredoux* (Lead Independent Director), DR Gammie*, AD Potgieter*, JC Herbst (Chief Executive Officer), D Deetlefs (Group Financial Director)
*Non-executive