



huge
group

unlocking business opportunity

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2011

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

UNAUDITED INTERIM RESULTS OF HUGE FOR THE SIX MONTHS ENDED 31 AUGUST 2011

HIGHLIGHTS FOR 31 AUGUST 2011

- Operating profitability restored to R8.6 million for the first six months of the 2011/2012 financial year
- Basic earnings per share, although down 70.5%, and headline earnings per share, although down 88.4%, impacted by non-cash effect of fully cash collateralized derivative instruments
- No long-term debt

The board of directors of Huge is pleased to present the unaudited interim results for the six months ended 31 August 2011.

Condensed Consolidated Statements of Financial Performance

| | Unaudited 31 August 2011 (6 months) R | Unaudited 31 August 2010 (6 months) R | Audited 28 February 2011 (12 months) R |
|--|---|---|--|
| Revenue | 212 337 255 | 275 371 023 | 523 771 553 |
| Gross profit | 46 375 763 | 52 590 049 | 89 667 748 |
| Other income | 381 210 | 614 916 | 1 200 715 |
| Operating expenses | (38 190 124) | (57 440 528) | (114 763 516) |
| Operating (loss)/profit from operations | 8 566 849 | (4 235 563) | (23 895 053) |
| Investment income | 1 585 937 | 3 202 968 | 3 733 896 |
| Net change in fair value of financial instruments | (6 350 925) | 13 705 772 | 5 126 817 |
| Net change in fair value of investment in associate company held for sale | 1 896 354 | - | - |
| (Loss)/Income from equity accounted investments | 1 298 457 | (483 934) | (952 298) |
| Finance costs | (775 426) | (1 419 221) | (2 999 875) |
| Profit / (loss) before taxation | 6 221 246 | 10 770 022 | (18 986 513) |
| Income tax expense | (3 570 057) | (1 676 910) | 2 111 745 |
| Net profit / (loss) for the period | 2 651 189 | 9 093 112 | (16 874 768) |
| Non-controlling interest | (28 881) | (464 005) | (1 897 956) |
| Net profit / (loss) attributable to owners of the Company | 2 680 070 | 9 557 117 | (14 976 812) |

| | | | |
|---|------------|------------|---------|
| Earnings before interest, taxation, depreciation and amortisation | 11 829 115 | 21 388 735 | 102 909 |
|---|------------|------------|---------|

| | | | |
|---|------|--------|---------|
| Basic earnings per share (cents) | 2.80 | 9.49 | (15.33) |
| Headline earnings per share (cents) | 1.09 | 9.42 | (15.31) |
| Diluted earnings per share (cents) | 2.80 | 9.49 | (15.33) |
| Diluted headline earnings per share (cents) | 1.09 | 9.42 | (15.31) |
| Operational earnings per share (cents) | 7.56 | (0.31) | (11.56) |
| Headline operational earnings per Share (cents) | 5.86 | (0.38) | (11.53) |
| Dividends | - | - | - |

Note: Operational earnings and headline operational earnings per share reflect the earnings per share of the company independent of the effect of the fair value adjustment of the derivative instruments

| | | | |
|---|--------|---------|--------|
| Total number of shares in issue (`000) | 95 901 | 95 901 | 95 901 |
| Weighted number of shares in issue (`000) | 95 901 | 100 752 | 97 671 |

| | | | |
|---|-------------|-----------|--------------|
| Earnings/(loss) attributable to ordinary shareholders | 2 680 070 | 9 557 117 | (14 976 812) |
| Adjusted for: | | | |
| Profit on disposal of property, plant and equipment | (1 896 354) | (66 600) | (104 556) |
| Impairment of goodwill on Acquisition of Ambient Mobile (Pty) Limited | - | - | 97 774 |
| Tax effect | 265 490 | - | 29 276 |
| Headline earnings/(loss) | 1 049 206 | 9 490 517 | (14 954 318) |

| | | | |
|---|-------------|--------------|--------------|
| Earnings/(loss) attributable to ordinary shareholders | 2 680 070 | 9 557 117 | (14 976 812) |
| Adjusted for: | | | |
| Net change in fair-value of financial instruments | 6 350 925 | (13 705 772) | 5 126 817 |
| Tax effect | (1 778 259) | 3 837 616 | (1 435 509) |
| Operating earnings/(loss) | 7 252 736 | (311 039) | (11 285 504) |
| Adjusted for: | | | |
| Profit on disposal of property, plant and equipment | (1 896 354) | (66 600) | (104 556) |
| Impairment of goodwill on Acquisition of Ambient Mobile (Pty) Limited | - | - | 97 774 |
| Tax effect | 265 490 | - | 29 276 |
| Headline operating earnings/(loss) | 5 621 872 | (377 639) | (11 263 010) |

Condensed Consolidated Statement of Financial Position

| | Unaudited 31 August 2011 R | Unaudited 31 August 2010 R | Audited 28 February 2011 R |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Assets | | | |
| Property, plant and equipment | 37 325 921 | 36 856 468 | 38 901 191 |
| Goodwill | 215 153 482 | 215 153 482 | 215 153 482 |
| Intangible assets | 16 639 409 | 22 196 773 | 17 716 060 |
| Investments in joint venture | 552 369 | 383 042 | 387 558 |
| Investment in associates | - | 2 063 986 | 1 811 107 |
| Investments | 305 585 | 389 409 | 305 585 |
| Loans to associate companies | - | 234 972 | - |
| Deferred tax | 6 990 144 | 3 996 975 | 10 511 201 |
| Current assets | | | |
| Inventories | 49 742 467 | 28 200 363 | 43 749 852 |
| Trade and other receivables | 67 589 512 | 135 770 718 | 78 041 833 |
| Loans to associate companies | 1 850 942 | 1 710 925 | 1 779 083 |
| Current tax receivable | 1 429 577 | 1 797 816 | 1 429 577 |
| Cash and cash equivalents | 5 386 556 | 13 540 511 | 11 933 887 |
| Investment in associate - held for sale | 4 900 000 | - | - |
| Total assets | 407 865 964 | 462 295 440 | 421 720 416 |
| Equity and liabilities | | | |
| Share capital | 9 590 | 9 590 | 9 590 |
| Share premium | 221 108 366 | 221 073 428 | 221 108 366 |
| Reserves | 28 888 | 1 215 038 | 28 888 |
| Retained earnings | 17 010 159 | 38 864 016 | 14 330 089 |
| Equity attributable to equity holders of parent | 238 157 003 | 261 162 072 | 235 476 933 |
| Non-controlling interest | (1 301 686) | 257 492 | (1 272 805) |
| Non current liabilities | | | |
| Finance lease obligations | 101 751 | 1 293 153 | 439 094 |
| Deferred tax | 2 385 861 | - | 2 385 861 |
| Current liabilities | | | |
| Loans from associate companies | 1 191 937 | 809 006 | 1 212 057 |
| Loans from shareholders | 601 103 | 4 425 603 | 654 951 |
| Other financial liabilities | 1 341 979 | 850 649 | 1 630 832 |
| Finance lease obligations | 499 604 | 5 547 100 | 3 674 139 |
| Trade and other payables | 140 279 143 | 187 229 291 | 155 221 410 |
| Shareholders for dividends | 14 952 | 14 952 | 14 952 |
| Bank overdraft | 24 267 196 | - | 21 955 871 |
| Current tax payable | 327 121 | 706 122 | 327 121 |
| Total equity and liabilities | 407 865 964 | 462 295 440 | 421 720 416 |
| Number of shares in issue (`000) | 95 901 | 95 901 | 95 901 |
| Net asset value per share (cents) | 248.34 | 272.32 | 245.54 |
| Net tangible asset value per share (cents) | 6.64 | 24.83 | 2.72 |

Condensed Consolidated Statement of Comprehensive Income

| | Unaudited 31 August 2011 R | Unaudited 31 August 2010 R | Audited 28 February 2011 R |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Net profit (loss) for the period attributable to owners of the Company | 2 680 070 | 9 557 117 | (14 976 812) |
| Other comprehensive income | | | |
| - Gains on property revaluation | - | - | (624 999) |
| Taxation related to components of other comprehensive income | - | - | 140 603 |
| Other comprehensive income for the period net of taxation | - | - | (484 396) |
| Total comprehensive income/(loss) for the period attributable to owners of the Company | 2 680 070 | 9 557 117 | (15 461 208) |

Condensed Consolidated Statement of Changes in Equity

| | Unaudited 31 August 2011 R | Unaudited 31 August 2010 R | Audited 28 February 2011 R |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Balance at 1 March | 234 204 128 | 257 683 078 | 257 683 078 |
| Total comprehensive income/(loss) for the period | 2 680 070 | 9 557 117 | (15 461 208) |
| Purchase of own shares | - | (5 356 626) | (5 321 685) |
| Share option reserve | - | - | (701 754) |
| Non-controlling interest | (28 881) | (464 005) | (1 897 956) |
| Acquisition of subsidiaries | - | - | (96 347) |
| Balance at 28 February/ 31 August | 236 855 317 | 261 419 564 | 234 204 128 |

Condensed Consolidated Statement of Cash Flows

| | Unaudited 31 August 2011 (6 months) R | Unaudited 31 August 2010 (6 months) R | Audited 28 February 2011 (12 months) R |
|--------------------------------------|---|---|--|
| Cash flows from operating activities | (2 912 275) | 22 043 101 | 7 463 545 |
| Cash flows from investing activities | (2 091 802) | (9 698 693) | (8 345 175) |
| Cash flows from financing activities | (3 854 579) | (10 234 168) | (20 575 794) |
| Net cash movement for the period | (8 858 656) | 2 110 240 | (21 457 424) |
| Cash at the beginning of the period | (10 021 984) | 11 430 271 | 11 430 271 |
| Cash and cash equivalents acquired | | - | 5 169 |
| Total cash at the end of the period | (18 880 640) | 13 540 511 | (10 021 984) |

SEGMENTAL REPORTING

The directors have considered the implications of IFRS 8: Operating Segments and are of the opinion that the current operations of the Group can be split into two main operating segments, namely 'Managed Telecommunications' (including Huge Telecom (Pty) Limited ("Huge Telecom") and CentraCell (Pty) Limited) ("CentraCell") and 'Electronic Media' (including Eyeballs Mobile Advertising (Pty) Limited ("Eyeballs")). The operations within each of these main segments are substantially similar to one another and the risk and returns of these operations are likewise similar. Resource allocation and management of the current operations are performed on an aggregate basis within each of the two main segments. Performance is measured based on segmental profit/loss before tax as shown in the management internal report that is reviewed by the Group's CEO, the chief operating decision maker (CODM). Eyeballs is still in the start-up phase of its business and as such minimal revenue is reported.

Revenue by operating segment

| | Managed Tele- communications R | Electronic Media Grouping R | Corporate Office R |
|--|---|--------------------------------------|--------------------------|
| Total revenue | 212 312 255 | 25 000 | - |
| Cost of sales | (165 960 573) | - | (919) |
| Gross profit | 46 351 682 | 25 000 | (919) |
| Other income | 381 210 | - | - |
| Operating expenses | (34 946 239) | (1 696 489) | (1 547 396) |
| Operating profit | 11 786 653 | (1 671 489) | (1 548 315) |
| Investment income | 1 223 435 | - | 362 502 |
| Net change in fair-value of financial instruments | (2 102 902) | - | (4 248 023) |
| Income from equity-accounted investments | 1 298 457 | - | - |
| Gain on fair-value of assets held for sale | 1 896 354 | - | - |
| Finance costs | (563 151) | (173 485) | (38 790) |
| Profit before income tax | 13 538 846 | (1 844 974) | (5 472 626) |
| Income tax | (3 570 057) | - | - |
| Profit after income tax | 9 968 789 | (1 844 974) | (5 472 626) |

Revenue by operating segment

| | Total R |
|--|---------------|
| Total revenue | 212 337 255 |
| Cost of sales | (165 961 492) |
| Gross profit | 46 375 763 |
| Other income | 381 210 |
| Operating expenses | (38 190 124) |
| Operating profit | 8 566 849 |
| Investment income | 1 585 937 |
| Net change in fair-value of financial instruments | (6 350 925) |
| Income from equity-accounted investments | 1 298 457 |
| Gain on fair-value of assets held for sale | 1 896 354 |
| Finance costs | (775 426) |
| Profit before income tax | 6 221 246 |
| Income tax | (3 570 057) |

COMMENTARY

COMPANY PROFILE

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

Huge Telecom, a wholly owned subsidiary 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.

Huge Media (Pty) Limited's ("Huge Media") (100% owned by Huge) strategy is to delivery residential voice services to consumers.

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

ACCOUNTING POLICIES

The condensed consolidated financial statements for the period ended 31 August 2011 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of International Accounting Standard 34, Interim Financial Reporting, as well as AC500 as issued by the Accounting Practices Board, the Listings Requirements of the JSE and the South African Companies, Act 71 of 2008. The accounting policies applied to the six month period ended 31 August 2011 are consistent, in all material respects, with those used in the Annual Financial Statements of the prior periods.

FINANCIAL OVERVIEW

GROUP'S FINANCIAL PERFORMANCE

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

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

INVESTMENT HOLDING ACTIVITIES

The Company has been acquiring its own shares under the general authority granted to the directors at the last five annual general meetings. The most recent of these AGM's was held on Friday, 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 of | Total value transaction |
|------------------|-----------|------------------------------------|--------------------|-------------------------|
| 26 Aug 2011 | Huge | 401 000 | 75.00 | 300 750.00 |
| 30 Aug 2011 | Huge | 200 000 | 81.99 | 163 980.00 |
| Total | | 601 000 | | 464 730.00 |

The acquisitions recorded above were settled after 31 August 2011, and accordingly have no impact on share capital and share premium at 31 August 2011.

At the beginning of the 2012 financial year the Company had a total of 111 760 000 ordinary shares in issue. In July 2011 a total of 6 212 105 ordinary shares were cancelled, delisted from the JSE, and returned to authorised share capital, leaving a total of 105 547 895. At the beginning of the 2012 financial year the Group held 9 646 926 ordinary shares as treasury shares. Adding the 601 000 ordinary share purchased above to the existing treasury shares gives the Group exposure over 10 247 926 ordinary shares giving the Company the future prospect of reducing the number of ordinary shares in issue to 95 299 969.

TELECOMMUNICATIONS ACTIVITIES

Huge Telecom is the Group's principal revenue generator.

Total turnover generated in the six months ended 31 August 2011, showed a decrease of 23% to R212.3 million, from the R275.3 million generated during the six months to the end of August 2010. This is attributable to the loss of a number of high revenue generating, but low profit generating clients.

Gross profit for the first six months of the year amounted to R46.4 million, a decrease of 12% from the R52.6 million recorded in the first half of the 2010 financial year. The decrease in gross profit was primarily due to the decrease in total turnover noted above but this decrease was off-set by gross profit margins that increased from 19.1% to 21.8%.

MEDIA ACTIVITIES

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

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

The technology was independently valued at R13.7 million (R16 million: 2010) on the acquisition of a controlling interest in Eyeballs by the Group and is recognized as a technology-related intangible asset of the Group in terms of IAS38: *Intangible Assets* and IFRS 3: *Business Combinations*.

The board of directors of Huge, the holding company Huge Media, passed a resolution on 4 March 2011 to discontinue the media operations of Huge Media, and to dispose of the application user base (consisting of all users who have downloaded and installed the Goodyz software application on a mobile phone), the

advertiser user base (consisting of all entities that have run, or considered running, or been solicited for the purposes of running, advertising campaigns or test advertising campaigns on the Goodyz advertising platform), various domains, various Facebook Presences, various Twitter accounts, various trademarks, and various web-sites to Kamore Trading and Investments (Pty) Ltd, a related party to Huge and Huge Media, for a sum of R52 500. Huge Media has retained all other assets and liabilities.

Huge plans to use Huge Media to generate revenue from mobile operations, specifically the sale of telephony services to residential subscribers in direct competition to Telkom and Neotel.

GROUP OPERATING EXPENSES

Group operating expenses incurred during the period decreased by R19.2 (a reduction of 33.5% over the prior period), which more than compensated for the reductions in gross profit recorded above. Further cost reductions have taken place after 31 August 2011. Because Huge Telecom's fixed overhead platform has the capacity to support a twofold increase in volumes, the Group can leverage the existing overhead platform to increase operating profit margins in the future.

GROUP NET CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The losses on single stock futures (SSFs) contracts and contracts for difference (CFDs) decreased the operating profitability of the Group by R6.4 million in the six month period ended 31 August 2011 - this compared to the gain of R13.7 million in the comparative prior period.

GROUP PROFIT

The Group reported net profit before taxation of R6.2 million for the six month period ended 31 August 2011, reflecting a decrease of 42% compared to the profit of R10.7 million reported in the six months ended 31 August 2010. Removing the effects of the fair-value adjustment relating to the SSFs and CFDs referred to above, the Group reported an adjusted net profit before taxation of R12.6 million for the six month period ended 31 August 2011, reflecting an increase of R15.5 million when compared to the adjusted net loss before taxation of R2.9 million recorded in the first six month period that ended on 31 August 2010.

BALANCE SHEET CONSIDERATIONS

Long-term debts, including finance lease obligations of R101 751, and loans from shareholders, were extinguished after the end of the period. Accordingly the Company no longer has any long-term debt.

The board of directors has considered the current profitability of the Group, the new business model that has been implemented at Huge Telecom, and the possibility of future cost reductions in the face of further industry changes and challenges, and is of the view that, as a result thereof, no impairment of goodwill is required in the current period.

FUTURE PROSPECTS

Huge Telecom continues to focus on ensuring that the company has the required flexibility to navigate any short term telecommunications industry changes.

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

Investment Holding Activities

The Group will continue to consider the purchase of shares in the Company that trade at a discount to its fair value by making use of its general authority to repurchase shares. This general authority is limited to a maximum of 5% of the issued ordinary share capital and will be used by Huge to unlock long-term value for shareholders.

Telecommunication Activities

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

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

Huge Telecom, a significant wholesale client of the MNOs, supplies mobile voice services to 5,287 clients across South Africa, totalling some 350 million outbound mobile airtime minutes per annum. Because of this significant client base Huge Telecom has the bargaining power to negotiate favourable terms of trade.

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

Media Activities

Having established the commercial viability of its product set in South Africa, Eyeballs is exploring partnerships to deploy its offering in the international market.

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

The "Goodyz" white-label belongs to one of Eyeball's local distributors. Goodyz has acquired more than 130 800 unique installed users since its commercial launch in late January 2010. To date Goodyz has served just under 97 million user impressions, of which 55.5 million were available to be sold for advertising. At an expected retail rate, based on similar retail rates of other types of media, of 15 cents per advertising impression the revenue generating capability of Goodyz is substantial.

GENERAL REPURCHASE OF SHARES FOR CASH

From 1 March 2011 to 31 August 2011 financial year Huge repurchased 601 000 shares. The cost of the shares acquired was R464 730 and the average price was 77.3 cents per share.

LEGAL AND REGULATORY REQUIREMENTS

Shareholders are referred to paragraph 23 to the directors' report to the condensed audited results of Huge for the year ended 28 February 2011, which

results were released on SENS on 28 June 2011. This paragraph documents matters relating to the Company's acquisition of single Stock Futures on 16 October 2008 and related interaction with the JSE. No events subsequent to the date of these results have taken place which would impact the facts recorded therein.

LITIGATION

Shareholders are referred to paragraph 22 to the directors' report to the condensed audited results of Hugel for the year ended 28 February 2011, which results were released on SENS on 28 June 2011. This paragraph documents the dispute between Hugel Telecom and CentraCell, and MTN Service Provider (Pty) Limited. No events subsequent to the date of these results have taken place which would impact the facts recorded therein.

SUBSEQUENT EVENTS

On or about 22 September 2011, Hugel Telecom disposed of Section 1 and Section 5 of Erf 534, Doncaster Office Park, for the sum of R3 100 000.

The value of Land and buildings relating to Doncaster Office Park recorded in the books and records of Hugel Telecom amounted to R4 900 000 with a concomitant non-distributable reserve of R2 351 514 relating to the revaluation of the property.

On or about 10 October 2011 Hugel Telecom entered into a cancellation agreement with Managed Voice Solutions (Pty) Limited ("MVS"), a 33.33% held associate company. The cancellation agreement contemplated the cancellation of the Business Partner Agreement between Hugel Telecom and MVS entered into on or about 18 January 2010 ("the Business Partner Agreement"). In return for the early termination of the Business Partner Agreement Hugel Telecom agreed to a settlement payment of R2 700 000. R900 000 of the settlement payment was returned to Hugel Telecom as a repayment of a shareholder's loan account in terms of the shareholders' addendum agreement signed on or about 18 January 2011.

Other than the matters recorded above, no events material to the understanding of this report have occurred in the period between the period-end date and the date of this report.

CHANGES TO THE BOARD OF DIRECTORS AND COMPANY SECRETARY

With effect from 31 May 2011, Miss Yvette Neveling resigned from the board of directors.

With effect from 3 August 2011, Mr Neil Brian Wensley was appointed to the office of Financial Director of the Company.

DIVIDENDS

No dividends will be declared.

GOVERNANCE

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

Designated Advisor:

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

Auditors:

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

Registered office:

First Floor, East Wing, 3M Building, 146a Kelvin Drive, Woodmead, Johannesburg,
2191 (PO Box 16376, Dowerglen, 1610)

Business address:

First Floor, East Wing, 3M Building, 146a Kelvin Drive, Woodmead, Johannesburg,
2191

Transfer secretaries:

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

Directors:

SP Tredoux (Non-executive Chairman), KD Jarvis* (Lead Independent Director), BA
McQueen*, MR Beamish*, AD Potgieter*, JC Herbst (CEO), VM Mokholo, NB Wensley
(Financial Director)

*Non-executive

30 November 2011