



FoneWorx

Holdings Limited

Incorporated in the Republic of South Africa

(Registration number 1997/010640/06)

Share code: FWX ISIN: ZAE000086237

("FoneWorx" or "the Group" or "the Company")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

**FOR THE SIX MONTHS ENDED
31 DECEMBER 2012**

HIGHLIGHTS



EPS	8.98 cents	14%
Profit before tax	R17.2 million	7%
NAV per share	83.9 cents	13.7%
Cash reserves	R95.6 million	11.7%



COMMENTARY

The board of directors of FoneWorx (“the Board”) presents the unaudited condensed consolidated interim results for the six months ended 31 December 2012 (“the interim period”).

Profit before tax increased by 7% from R16.1 million to R17.2 million. Profit after tax increased by 14% from R10.7 million in the previous corresponding period to R12.2 million in this reporting period.

This increase in profitability was achieved through the following:

- A conscious decision taken by management (particularly with regard to MediaWorx and IDWorx) to re-align the business towards revenue that was more profitable and required less human intervention in favour of automated or mechanised delivery platforms. This decision has reduced turnover and costs in favour of enhanced profitability and improved cash flow.
- A reduction in staff and other operating costs from R15.5 million to R12.8 million, a 17% reduction in cost.

Group revenue decreased by 9% to R47.9 million from R52.6 million in the previous period, while gross profit decreased from R31.8 million to R29.9 million, a 6% decrease from the previous period. However the gross profit percentage increased from 60.5% to 62.5%

The total asset value of the Group increased by 7.6% from R128.6 million to R138.4 million and net asset value per share increased from 73.8 cents per share to 83.9 cents per share, a 13.7% increase.

Cash on hand increased by 11.7% when compared to the previous corresponding period from R85.6 million to R95.6 million. During the interim period, the Company declared and paid a dividend of R9.5 million (7 cents per share) relating to the year ended 30 June 2012, 27.3% up from the previous dividend of R7.5 million (5.5 cents per share) relating to the year ended 30 June 2011.

Business Overview

The Group has five brands: MediaWorx (infotainment, digital and social promotions), BizWorx (business services), IDWorx (identity storage, management and electronic distribution), DRWorx (disaster recovery) and CarbonWorx (greenhouse gas evaluation and afforestation projects).

MediaWorx

This division provides a broad base of clients with tools to facilitate integrated marketing communication strategies.

Mass markets have become fragmented, and thus impersonal mass communication, especially media advertising, has become less effective, whereas targeted one-to-one marketing communications have become more important. MediaWorx specialises in one-to-one marketing.

The potential for MediaWorx becomes greater each year as “mobile” becomes top of mind for many organisations. There is huge opportunity for MediaWorx to re-shape niche sectors and provide applications that are integrated into the fabric of business processes.

MediaWorx assists its clients with “device convergence” to enable the delivery of information and services to where decisions take place and commercial transactions occur.

Our clients are changing their business processes to take advantage of mobile and digital consumer technologies. In addition, social platforms and mobile logistics are now being implemented for specific business outcomes and are no longer simply “nice to haves”.

MediaWorx works closely with advertising agencies, media houses and brand managers (“clients”) to implement marketing communication programmes incorporating “push-based” mobile marketing on behalf of these clients, to send content to defined subscribers, for example SMS, Picture Messages, Surveys, Multimedia Messaging or “pull-based” mobile marketing on a customer request where, for example, a customer requests a mobile coupon.

MediaWorx has enhanced its mobile marketing communications strategy to incorporate four primary disciplines:

Advertising	Promotions
Web (mobile internet)	Branded content (entertainment & infotainment)
Narrowcast (mobile casting)	Competitions (voting, text2win, USSD)
Physical browsing (barcode/Pins, NFC)	Other (coupons/vouchers, requesting more information)
Direct Marketing	CRM
Messaging (SMS, MMS, WAP Push, email, USSD, IVR)	Customer Services (alerts, mobile tickets)
	Mobile Commerce (payments, banking)
	Market Research (surveys, polls)
	Mobile Community (IM, fan club solutions)
	Prize Fulfillment (Pick-a-winner & fulfill / logistics)

MediaWorx has built up a large client base of over 100 blue chip clients and was able to enhance its earnings during the period under review. USSD applications, particularly for mobile community services, have become very strong and applications hosted for clients such as Pep Stores have shown remarkable growth. This service hosts over 4.2 million unique users and processed over a billion sessions per month.

MediaWorx continues to strengthen its relationship with 88 mobile networks in 36 countries in Africa and continues to provide services to blue chip clients like DSTV for shows like Big Brother Africa.

We anticipate positive growth for MediaWorx in line with the growth of mobile digital services.

BizWorx

This division provides a broad range of cloud-based services for small, medium and micro enterprises (“SMME’s”), larger corporates and individuals. Services include: Fax2Email, Email2Fax, auto receptionist, desktop and mobile based bulk SMS applications and custom designed services to meet our client’s specific requirements.

During October 2012 we launched a free training facility to train small businesses on the benefits of some of these services and trained 87 people in the two months forming part of this review. This training will continue during 2013 as it provides a formal methodology to market our services.



Our Email2Fax, which enables faxes to be sent to any destination worldwide from a desktop, continues to show positive growth month on month. Our 'mainstay' product Fax2Email has over 300,000 subscribers and enables subscribers to receive faxes securely and digitally. Our Fax2Email premium rated application is operated on the back of a Telkom agreement which comes up for its third renewal in March 2013.

BizWorx is currently evaluating the launch of its own IP-based voice service to selected niche clients in line with our ECS and ECNS licenses ("ICASA licences"). Non premium rated Fax2Email services have also been launched in line with these ICASA licences.

BizWorx is anticipated to continue to reflect positive earnings, albeit at a slower growth rate.

IDWorx

This division provides document storage for "FICA" and "RICA" applications, together with the storage of important miscellaneous documents.

Technology has grown in a way that accessing the web from mobile devices is simple and is similar to operating from a desktop system.

Moving an online portal/content repository to mobile accessible webspace enriches business applications. IDWorx has converged mobile technology with web-based technology to provide an enriched user experience.

During the period under review IDWorx has re-engineered its identity access management ("IAM") service and rebranded this to "YourIdentity4U". This service is anticipated to launch in April 2013 and incorporates:

- Document storage (ID, passports, proof of identity)
- Medical records (physical and digital)
- Password storage (encrypted)
- Medical alert service (using USSD for medical care practitioners)
- General alert service (when in trouble)
- Identity theft restitution service (restore your profile)
- Reminders (for important policies, licences etc expiring)
- Electronic document distribution (push documents via your mobile device)

This product will be aimed specifically to individuals across the LSM spectrum and will assist them not only with regulatory compliance for current legislation (FICA, FAIS and RICA), but also with anticipated legislation (Protection of Personal Information Bill). This service is cloud-based and incorporates mobile apps for all the major handset operating systems. This service enables subscribers to consolidate important documents, medical records and the like into a single secure vault and then have the control to push documents to service providers requiring these documents.

DRWorx

This division provides disaster recovery and workflow continuity for targeted niche clients such as stockbrokers. DRWorx is an approved site by JSE Limited ("the JSE").

CarbonWorx

This division focusses on providing individuals or corporates with a service to calculate their carbon footprint in line with ISO 14064 standards.

The calculated footprint can be fully or partially offset by planting trees in one of the afforestation sites managed by CarbonWorx in association with the Department of Environmental Affairs and Champions of the Environment Foundation. Seventy six full-time local residents (Mqanduli, Eastern Cape) are employed in the area to plant and manage the trees and also to clear alien species. Two thousand five hundred trees were planted in the period under review and seven thousand trees were grown in the nursery managed by CarbonWorx.

The momentum of CarbonWorx will be driven by:

- the principle that governance, strategy and sustainability are inseparable and fundamental tenets of King III;
- and
- the development of sustainability as a driver for corporates and individuals, coupled with the development of environmental developments.

Prospects

We are optimistic about the next six months to our financial year end in June 2013.

Our strategy around providing integrated marketing communications around the four disciplines of advertising, promotions, direct marketing and CRM as alluded to under MediaWorx will enable the Group to assist our clients in changing business cultures to align to the new digital reality.

This strategy will also integrate the services offered by MediaWorx, BizWorx and CarbonWorx by providing our clients with converged solutions under one roof.

We believe that we will continue to develop social technologies and platforms for specific communities using our strong USSD and Instant Messaging ("IM") technology which will be integrated into loyalty programmes, clubs and payment gateways.

We would like to thank our directors, management, employees, dealers, partners and other stakeholders for their continued support.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited as at 31 December 2012 R'000	Unaudited as at 31 December 2011 R'000	Audited as at 30 June 2012 R'000
	Growth			
ASSETS				
Non-current assets		25,627	23,772	24,507
Property, plant and equipment		16,800	18,278	17,761
Intangible assets		8,827	5,494	6,628
Deferred tax asset		-	-	118
Current assets		112,802	104,850	116,151
Inventory		391	1,656	557
Current tax receivable		1,523	1,062	148
Trade and other receivables		15,268	16,492	17,124
Cash and cash equivalents		95,620	85,640	98,322
Total assets		138,429	128,622	140,658
EQUITY AND LIABILITIES				
Capital and reserves		114,042	100,354	112,106
Share capital		136	136	136
Share premium		35,619	36,373	36,373
Accumulated profits		78,287	63,845	75,597
Non-current liabilities		8,557	7,582	6,396
Interest bearing liabilities		7,257	7,333	6,396
Deferred tax liability		1,300	249	-
Current liabilities		15,830	20,686	22,156
Trade and other payables		12,905	15,949	14,802
Provisions		2,878	2,994	5,591
Current tax payable		-	-	12
Unclaimed dividends		47	27	47
Current portion of non-current liabilities		-	1,716	1,704
Total equity and liabilities	7.62%	138,429	128,622	140,658
Net asset value per share (cents)	13.7%	83.9	73.8	82.4
Net tangible asset value per share (cents)	11.1%	77.4	69.7	77.6
Number of shares in issue		136 002 041	136 002 041	136 002 041

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited six months ended 31 December 2012 R'000	Unaudited six months ended 31 December 2011 R'000	Audited 12 months ended 30 June 2012 R'000
	Growth			
Revenue	-9%	47,897	52,561	98,617
Cost of Sales		(17,980)	(20,776)	(35,026)
Gross profit	-6%	29,917	31,785	63,591
Other operating income		30	173	975
Staff costs		(7,686)	(9,963)	(20,584)
Depreciation and amortisation expense		(2,150)	(2,175)	(4,253)
Other operating expenses	-8%	(5,163)	(5,590)	(11,130)
Finance costs		(294)	(390)	(763)
Investment income		2,548	2,264	4,595
Profit before tax	7%	17,202	16,104	32,431
Income tax expense		(4,992)	(5,395)	(9,970)
Profit for the period	14%	12,210	10,709	22,461
Other comprehensive income		-	-	-
Total comprehensive income for the period		12,210	10,709	22,461
Total comprehensive income attributable to the equity holders of the parent company		12,210	10,709	22,461
Headline earnings reconciliation				
Adjustment for:				
Net after tax profit on sale of property, plant and equipment and shares in subsidiary		-	(51)	(26)
Headline earnings	15%	12,210	10,658	22,435
Weighted average number of shares in issue		136 002 041	136 002 041	136 002 041
Basic earnings per share (cents)	14.10%	8.98	7.87	16.52
Headline earnings per share (cents)	14.54%	8.98	7.84	16.50
Diluted earnings per share(cents)	14.10%	8.98	7.87	16.52



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 December 2012 R'000	Unaudited six months ended 31 December 2011 R'000	Audited 12 months ended 30 June 2012 R'000
Growth			
Share capital	136	136	136
Balance at beginning of period	136	136	136
Share premium	35,619	36,373	36,373
Balance at beginning of period	36,373	36,373	36,373
Investment equity accounting	(754)	-	-
Accumulated profits	78,287	63,845	75,597
Balance at beginning of period	75,597	60,616	60,616
Total comprehensive income for the period	12,210	10,709	22,461
Dividend paid to shareholders	(9,520)	(7,480)	(7,480)
	114,042	100,354	112,106
Dividend declared (cents per share)	27.3%	7.0	5.5
		4.5	

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities	11,803	12,939	29,260
Net cash generated from operations	14,510	17,128	35,508
Finance costs	(294)	(390)	(764)
Investment income	2,548	2,264	4,595
Normal tax paid	(4,961)	(6,063)	(10,079)
Cash flow from investing activities	(3,388)	(1,056)	(3,764)
Purchase of intangible asset	-	(48)	-
Purchase of property, plant and equipment	(428)	(1,059)	(2,157)
Proceeds on disposal of property, plant and equipment	-	51	175
Expenditure on product development	(2,960)	-	(1,782)
Cash flow from financing activities	(1,597)	(830)	(1,780)
Dividends paid	(9,520)	(7,480)	(7,461)
Net (decrease)/ increase in cash and cash equivalents	(2,702)	3,573	16,255
Cash and cash equivalents at beginning of period	98,322	82,067	82,067
Cash and cash equivalents at end of period	95,620	85,640	98,322

BASIS OF PREPARATION

The accounting policies applied in the preparation of these unaudited condensed consolidated interim results, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards and are consistent with those applied in the annual financial statements for the year ended 30 June 2012. These unaudited condensed consolidated interim results as set out in this report have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), as amended, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Listings Requirements of the JSE.

These financial statements have been prepared under the supervision of Mr Pieter Scholtz CA(SA): Financial Director. These condensed consolidated interim financial results have not been reviewed or audited by the Company's auditors.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("the CODM"). The CODM have been identified as the executive committee members who make strategic decisions.

The CODM have organised the operations of the Group based on its brands and this has resulted in the creation of the following segments:

- BizWorx: the segment focusing on business related products;
- MediaWorx: the segment focusing on information and entertainment services; and
- Development: consisting of the three brands that are still within the development and piloting phase, namely CarbonWorx, DRWorx and IDWorx.

	Unaudited six months ended 31 December 2012 R'000	Unaudited six months ended 31 December 2011 R'000	Audited 12 months ended 30 June 2012 R'000
Revenue			
BizWorx	28,342	32,900	62,765
MediaWorx	19,069	18,592	34,465
Development	486	1,069	1,387
	47,897	52,561	98,617
Cost of sales			
BizWorx	(7,247)	(9,988)	(16,422)
MediaWorx	(10,383)	(10,498)	(17,645)
Development	(350)	(290)	(959)
	(17,980)	(20,776)	(35,026)
Gross profit			
BizWorx	21,095	22,912	46,343
MediaWorx	8,686	8,094	16,820
Development	136	779	428
	29,917	31,785	63,591



The accounting policies applied to the operating segments are the same as those described in the basis of preparation paragraph above. MediaWorx provides services within South Africa as well as in 36 African countries ("Africa sales"). Within the period under review, 4.3% (six months 2011: 4.5%; 12 months 2012: 4.8%) of MediaWorx's revenue can be attributed to Africa sales. The company allocates revenue to each country based on the relevant domicile of the client. All of the company's assets are located in South Africa.

MediaWorx currently generates 45.5% (2011: 40.3%) of its revenue through two large network service providers and BizWorx generated 94.2% (2011: 96.5%) through one single land line service provider.

The reconciliation of the gross profit to profit before taxation is provided in the statement of comprehensive income. The CODM reviews these income and expense items on a group basis and not per individual segment. All assets and liabilities are reviewed on a group basis by the CODM.

DIVIDEND POLICY

It is the Board's policy to pay annual dividends and therefore no interim dividend has been declared for this interim period. Dividends paid during the interim period relate to dividends declared in prior periods. To the extent that the Board is unable to find appropriate acquisitions for the Group it will consider paying a special dividend from excess cash resource to shareholders particularly as the Group is a net cash generator.

SUBSEQUENT EVENTS

The Board is not aware of any material events that have occurred between the end of the interim period and the date of this report.

DIRECTORATE

There have been no changes in the directorate during the period under review.

It is with deep regret, sadness and shock that we inform the market of the untimely passing of Ronald Graver ["Ronnie"] who was one of the founding shareholders and main board director. Ronnie passed away from a heart attack on Friday 22nd March 2013. Ronnie contributed hugely to the growth and success of FoneWorx and will be missed by all staff and his co-directors. Our sincere condolences go to his family.

Mr. Graham Groenewaldt was appointed to the Board as an executive director on 27 March 2013.

For and on behalf of the board

Ashvin Mancha
Chairman

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Johannesburg
27 March 2013



Directors: Ashvin Govan Mancha (B Proc) - Chairman*,
Gaurang Mooney (BA)* (Botswana), Mark Smith (BA LLB) - Chief Executive Officer,
Graham Groenewaldt, Pieter Scholtz (CA (SA)) - Financial Director (* Independent non-executive)

Website: www.foneworx.co.za

Company Secretary: P A Scholtz (CA (SA))

Designated Adviser: Merchantec Capital

Transfer Secretaries: Computershare Investor Services Proprietary Limited