

FONEWORX HOLDINGS LIMITED

(Registration Number: 1997/010640/06)

Share Code: FWX ISN Code: ZAE000086237

Website www.foneworx.co.za

("FoneWorx" or "the group" or "the company")

Unaudited interim results for the period 01 July 2007 to 31 December 2007

Earnings: UP by 66% to R6,9m

Revenues: UP by 20% to R35m

Headline earnings: UP by 59% to R6,9m

Cash: UP by 101% to R25,5m

INCOME STATEMENTS

	31-Dec 2007 (Unaudited) six months R'000	31-Dec 2006 (Reviewed) six months R'000	30-Jun 2007 (Audited) twelve months R'000
Revenue	35,045	29,217	58,241
Other operating income	87	37	319
Direct operating costs	(15,406)	(15,465)	(27,731)
Staff costs	(6,495)	(5,708)	(11,565)
Depreciation and amortisation expenses	(967)	(779)	(1,764)
Other operating expenses	(3,240)	(2,585)	(6,152)
Profit from operations	9,024	4,717	11,348
Finance costs	(384)	(133)	(256)
Investment income	932	279	845
Profit from ordinary activities	9,572	4,863	11,937
Taxation	(2,580)	(652)	(2,933)
Retained profit for the period	6,992	4,211	9,004
Opening accumulated profits / (losses)	3,029	(5,975)	(5,975)
Closing retained profit / (loss) for the period	10,021	(1,764)	3,029
Number of shares in issue at end of period	114,071,429	114,071,429	114,071,429
Weighted number of shares in issue at end of period	114,071,429	114,071,429	114,071,429
Basic earnings per share - cents	6.13 c	3.69 c	7.89 c
Headline earnings per share - cents	6.13 c	3.85 c	8.20 c
Reconciliation between earnings and headline earnings			
	R'000	R'000	R'000
Per the income statement	6,992	4,211	9,004
Items included in other operating expenses above:			
Intellectual property amortised	-	176	350
Headline earnings	6,992	4,387	9,354

BALANCE SHEETS

	31-Dec 2007 (Unaudited) six months R'000	31-Dec 2006 (Reviewed) six months R'000	30-Jun 2007 (Audited) twelve months R'000
ASSETS			
Non-current assets	11,032	5,258	6,782
Property, plant and equipment	10,458	3,981	5,927
Intangible assets	44	219	46
Other non-current assets	-	-	-
Investment in associate	530	750	809
Deferred taxation	-	308	-
Current Assets	37,187	22,167	29,354
Inventory	30	87	30
Loans to directors, managers and employees	12	2	1
Current tax receivable	-	-	256
Trade and other receivables	11,610	9,381	14,420
Cash and cash equivalents	25,535	12,697	14,647
Total assets	48,219	27,425	36,136
EQUITY AND LIABILITIES			
Capital and reserves	24,179	12,394	17,187
Non-current liabilities	6,977	1,673	2,930
Instalment sale agreement	1,266	-	1,905
Deferred tax liability	373	-	554
Loans payable	5,338	1,673	471
Current liabilities	17,063	13,358	16,019
Trade and other payables	15,466	12,027	15,023
Current portion of non-current liabilities	1,273	371	996
Taxation payable	324	960	-
Total equity and liabilities	48,219	27,425	36,136

STATEMENT OF CHANGES IN EQUITY

	31-Dec 2007 (Unaudited) six months R'000	31-Dec 2006 (Reviewed) six months R'000	30-Jun 2007 (Audited) twelve months R'000
Share capital	114	114	114
Balance at beginning of period	114	114	114
Issue of share capital	-	-	-
Share premium	14,044	14,044	14,044
Balance at beginning of period	14,044	14,044	14,044
Issues during period	-	-	-
Share issue costs	-	-	-
Accumulated losses	10,021	(1,764)	3,029
Balance at beginning of period	3,029	(5,975)	(5,975)
Attributable profits	6,992	4,211	9,004
	24,179	12,394	17,187

CASH FLOW STATEMENTS

	31-Dec 2007 (Unaudited) six months R'000	31-Dec 2006 (Reviewed) six months R'000	30-Jun 2007 (Audited) twelve months R'000
Cash flow from operating activities	11,564	9,556	12,998
Net cash (utilised)/generated by operations	13,196	9,410	15,044
Finance costs	(384)	(133)	(256)
Investment income	933	279	845
Normal tax paid	(2,181)	-	(2,635)
Cash flow from investing activities	(5,181)	(675)	(3,495)
Cash flow from financing activities	4,505	(713)	615
Net increase/(decrease) in cash and cash equivalents	10,888	8,168	10,118
Cash and cash equivalents at beginning of period	14,647	4,529	4,529
Cash and cash equivalents at end of period	25,535	12,697	14,647

COMMENTS:

The directors of FoneWorx are pleased to present the unaudited interim results for the six months ended 31 December 2007. These results reflect continued good growth in all key performance indicators.

Revenue for the group increased by 20% to R35 million from R29,2 million for the corresponding period last year. Net operating profit after tax grew by 66% to R7 million from R4,2 million. Headline earnings rose by 59% to R7 million from R4,4 million.

The increase in revenue can largely be attributed to the group's Business Services which continue to show good growth. In addition, improved margins from both our Infotainment Services and Business Services have contributed to profitability.

The group's cash position improved with cash on hand of R25,5 million compared to R12,6 million in the corresponding period, which represents an increase of 101%. The group remains debt free save for short-term finance for vehicles and capital equipment.

The group is structured in four distinct divisions namely: Infotainment Services, Business Services, Content Services and Switching Services.

Infotainment Services provide a range of services aimed at above-the-line electronic networks such as SABC and MultiChoice Africa. Services include: competitions, promotions and information services. The mobile service offering incorporates interactive voice response ("IVR"), short message services ("SMS") and multi media solutions ("MMS"). This division showed good growth during the period under review. In addition, a number of campaigns were hosted throughout Africa including: Big Brother, Idols West Africa, Supersport Interactive, Channel O and Shell Site of the Year Kenya and Malawi. In the second six months a number of new campaigns in Africa will be hosted including: Idols East Africa, Deal or No Deal, and Telkom Charity Cup (South Africa).

Business Services continues to show exceptional growth. The bouquet of service offering incorporates a broad range of services which include: SMS, Fax2Email, PC2Fax, Document Storage, Fax2Web, Fax on Demand, Auto Receptionist and a range of services which have been orientated around small, medium and micro enterprises. The Virtual Business Centre is a prepaid solution which provides an aggregation of all the FoneWorx business services which is driven by a prepaid billing engine. The potential for this product is very positive both inside South Africa and Africa. A mobile application linked to the web interface will broaden the user market exponentially.

PROSPECTS

The outlook for the full financial year to June 2008 remains positive, with the two new divisions (content and switching) launching new and innovative services.

Content Services will launch a logistics portal for the dissemination of digital content (music) between music companies and radio stations. This will incorporate features of our Infotainment Division, including SMS promotions and other interactive campaigns. In addition, the group has concluded an agreement with ROK TV (United Kingdom) for the marketing of this technology to mobile handsets via the mobile networks throughout Africa. This will enable subscribers to view “streaming content” directly to their handset.

Switching Services has enormous potential and is the culmination of two years’ development. This division incorporates exciting and innovative solutions around the Financial Intelligence Centre Act, No 38 of 2001 (“FICA”) and the Regulation of Interception of Communications and Provision of Communication-Related Information Act, No 70 of 2002 (“RICA”).

The FICA/RICA solution will be launched in March 2008 and will be aimed at all accountable institutions, such as banks, accounting firms, legal firms and gambling institutions to mention a few. This solution will result in a national database being developed of prescribed documents in a digital format using secure public key infrastructure. The solution is transaction-based and it is anticipated that large volumes will be generated. This solution will revolutionise the way FICA authentication is undertaken and will add tremendous value to both accountable institutions and consumers alike.

Switching Services incorporates a fully fledged loyalty service which incorporates a range of value-added services such as prepaid airtime. The group has acquired cutting-edge technology for terminal devices and is in the process of deploying a large footprint throughout South Africa. This footprint currently incorporates 1 400 terminals deployed in restaurants, fast food outlets and bed & breakfasts and small businesses. The group’s Loyalty Services will leverage off the large footprint of clients that are customers via the group’s Infotainment Services division. Loyalty Services will provide a new and exciting revenue stream to the group.

The group has also made very good inroads into Africa and will be deploying a number of its services and solutions, such as Fax2Email, airtime and SMS gateways, directly into a number of the fixed line and mobile networks. The group has formed contractual relationships with 52 networks in 42 countries in Africa for the hosting of interactive SMS campaigns aligned to large well-known brands such as Idols, Big Brother etc. The potential to host more of these services throughout Africa is exceptionally promising.

The group provided for taxation at 27%, which is likely to be close to the rate for the full year as previous tax losses are absorbed. Profits in the next financial year are likely to attract tax at the normal rate of company tax. During the previous financial year, the investment in an associated company was written down from R750 000 to R530 000. Subsequent to 31 December 2007, the investment was sold for R800 000.

The unaudited interim results have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IAS34 – Interim Financial Reporting, and the South African Companies Act of 1973 as amended, and the Listings Requirements of the JSE Limited. The accounting policies adopted in preparation of the unaudited interim results are consistent with those applied in the audited financial statements for the previous full year. The Group is engaged in the “ICT” (Information and Communications Technology) sector. As these activities comprise an integrated operation, the Group regards this as a single primary business segment, on which all information is disclosed in this results announcement.

We would like to thank all our management, employees, partners, dealers and other business stakeholders, customers and shareholders for their support.

DIRECTORATE

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

For and on behalf of the board

Ashvin Mancha
Chairman

Mark Smith
CEO

Gareth Tudor
Financial Director

Johannesburg
21 February 2008

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Directors: Ronald Graver, Ashvin Govan Mancha B Proc * - Chairman, Gaurang Mooney BA * (Zimbabwe), Robert Russell, Mark Smith BA LLB – Chief Executive Officer, Gareth Tudor CA (SA) – Financial Director (* Independent)

Company Secretary: G H Tudor CA (SA)

Transfer Secretaries: Computershare Investor Services 2004 (Pty) Ltd

Designated Advisors: Deloitte & Touche Sponsor Services (Pty) Ltd