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 CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Revenue up 16.2%

Profit after tax up 11.6%

Cash reserves up 17.8%

NAV up 23.5%

EPS up 11.6%

HEPS up 6.2%

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Transfer Secretaries: Computershare Investor Services (Proprietary) Limited

Designated Adviser: Merchantec Capital

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COMMENTARY

The board of directors of FoneWorx ("the board") is pleased to present the unaudited consolidated interim results for the six months ended 31 December 2009 ("the interim period").

These interim results reflect continued positive growth in all key performance indicators, notwithstanding the recessionary economic climate in the second half of 2009.

Revenue for the group increased by 16.2% to R45.8 million from R39.4 million in the previous corresponding period, while gross profit improved from R23.1 million to R28.7 million, a 24.5% increase from the previous corresponding period. Profit after tax grew by 11.6% to R9.7 million from the previous corresponding period's R8.7 million.

The increase in revenue is largely attributable to the group's business services which continue to show good growth.

The group's net cash and cash equivalents increased in the interim period by R10 million to R65.5 million, compared to net cash and cash equivalents in the previous corresponding period of R55.6 million, which represents a 17.8% increase. The group remains debt free save for short-term finance leases on vehicles and capital equipment, and a ten year bond of R9 million on its head office building in Randburg.

During the interim period, Foneworx's staff complement was increased in order to cater for the development of our new solutions, namely IDWorx, DRWorx and CarbonWorx, as detailed in "Business Overview" below. In addition, contract staff were employed for the deployment of our IDWorx pilot programme at CIPRO. The group's staff complement and staff expenditure accordingly increased by approximately 20.0% and 25.8% respectively, from the previous corresponding period. This increase in human resources is essential for the group's continued development and the necessity to deploy its new services while continuing to support the growth in its existing products and services.

With the continued growth, additional space and capital expenditure increased depreciation charged for the interim period increased by 33.0%.

BUSINESS OVERVIEW

The group will now be structured in five brands, for branding and marketing purposes: MediaWorx (infotainment services), BizWorx (business services), IDWorx (identity access management), DRWorx (disaster recovery) and CarbonWorx (carbon abatement). These brands are divided amongst 3 segmental divisions for reporting purposes which are discussed in more detail under the "Segmental Reporting" paragraph below.

MediaWorx

The MediaWorx division provides infotainment services, which includes interactive services such as Short Message Service, Interactive Voice Response and Multi Media Solutions.

MediaWorx's services are offered over 70 distinct networks in 34 countries throughout Africa with over 380 campaigns managed for MediaWorx's clients which include advertising agencies, Fast Moving Consumer Goods companies and corporates in general. Its media clients include the SABC and MultiChoice for African services.

This client base and the growth thereof, have led to the continued growth in both revenue and margins during the interim period.

BizWorx

The BizWorx division, which incorporates business services, has once again continued to show good growth during the interim period. The variety of services offered by BizWorx includes, inter alia, Fax2Email, PC2Fax, Document Storage, Fax On Demand, Auto Receptionist and services specifically designed to meet our client's individual needs. Business management courses were also launched during the interim period, and the training of a number of small and medium enterprises which took place, resulted in a very positive response.

The uptake in business services is anticipated to continue and we believe will grow as access to the Internet and more affordable bandwidth become available to the general population.

Discussions have also commenced in a number of countries throughout Africa for the deployment of our business services, specifically Fax2Email, which will further increase our footprint in this particular product.

IDWorx

The IDWorx division provides Identity Access Management, which is the secure document storage, and anti-money laundering ("AML") solution orientated to accommodate not only the requirements of local legislation in South Africa, but similar AML legislation in other countries throughout Africa and the rest of the world.

The branded product known as "YourIdentity" has been launched as a pilot project for CIPRO as an enrolment process to identify agents who interact with CIPRO. The pilot programme has successfully demonstrated the multiple features of YourIdentity and it is anticipated that this project will continue for the next six months.

Having identified a number of applications for the YourIdentity solution, FoneWorx is currently engaging with a number of banks and financial institutions in designated countries throughout Africa for the adoption of the YourIdentity solution. We remain confident that because the solution has been designed around international best practice, this application can be deployed in a number of territories in Africa that are only just starting to get to grips with the international requirements of AML.

DRWorx

DRWorx's service offerings include disaster recovery and workflow continuity which is targeted at niche markets. FoneWorx has developed a state-of-the-art hosting environment specifically aimed at the stockbroking and trading fraternity.

In addition, the hosting environment will be marketed to small and medium businesses to provide back-up, storage and complete work continuity facilities in the event of a disaster being declared at a client's premises.

Preparations commenced in the interim period for the installation of the hosting environment for FoneWorx's first stockbroking client. This hosting environment will be fully operational by April 2010, and thereafter it is envisaged that additional stockbroking clients will make use of the hosting environment which will enable them and other small and medium enterprises to continue to operate their servers, and to back-up critical data from the hosting environment in the event of a disaster.

CarbonWorx

The CarbonWorx division is primarily orientated around carbon emission reductions. This division enables both individuals and corporates to calculate their carbon footprint and thereafter reduce their emissions by purchasing trees from CarbonWorx. The primary objective of this division is to re-establish eco systems on a localised basis in order to re-establish natural flora and fauna. This re-establishment assists in reconstituting the global climate on a broader basis. Mechanisms have been developed for the sequesting of carbon through Voluntary Emission Reductions and the involvement in Clean Development Mechanisms at a later stage.

During the interim period, FoneWorx developed a card-based mechanism enabling individuals and corporates to acquire points via different channels with the aim of redeeming such points for trees. FoneWorx has negotiated with local trusts who are landowners in South Africa to re-forest land in line with the reconstitution of the local biosphere.

Trees purchased by individuals or corporates will be planted in designated areas thereby enhancing the local biosphere and enabling individuals and corporates to reduce their carbon emissions. It is anticipated that this product will be launched fully during March 2010.

PROSPECTS

The outlook for the full financial year to June 2010 remains positive, particularly with regard to the new brands, which although currently in their infancy, have already started to show nominal revenue streams and positive market response.

As set out in the abovementioned "Business Overview", FoneWorx has spent both time and resources in the development of the three new brands: IDWorx, DRWorx and CarbonWorx. The performance of these brands in the interim period bodes well for future growth. These new brands will provide FoneWorx with new revenue streams not traditionally associated with FoneWorx and provide additional diversity to the group.

A small percentage of the cash resources will be applied to the development of these three new brands. Thereafter the group will be looking at any appropriate acquisitions or investment opportunity.

We would like to thank all our directors, management, employees, partners, dealers and other business stakeholders, including our customers and shareholders for all their support during the interim period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 December 2009 R'000	Unaudited as at 31 December 2008 R'000	Audited as at 30 June 2009 R'000
ASSETS			
Non-current assets	**21 455**	18 936	22 501
Property, plant and equipment	**18 089**	17 369	18 691
Intangible assets	**3 207**	730	3 138
Deferred tax asset	**159**	837	672
Current assets	**83 406**	67 920	80 544
Inventory	**764**	240	649
Current tax receivable	**–**	–	282
Trade and other receivables	**15 693**	12 129	18 340
Cash and cash equivalents	**66 949**	55 551	61 273
Total assets	**104 861**	86 856	103 045
EQUITY AND LIABILITIES			
Capital and reserves	**72 441**	58 679	68 196
Share capital	**134**	134	134
Share premium	**35 575**	35 575	35 575
Accumulated profits	**36 732**	22 970	32 487
Non-current liabilities	**9 029**	9 913	10 051
Instalment sale agreements	**482**	322	909
Long-term loan	**8 547**	9 120	8 670
Loans payable	**–**	471	472
Current liabilities	**23 391**	18 264	24 798
Trade and other payables	**15 207**	12 382	16 026
Provisions	**4 976**	3 980	4 790
Tax payable	**388**	377	917
Bank overdraft	**1 433**	–	1 118
Current portion of non-current liabilities	**1 387**	1 525	1 942
Unclaimed dividends	**–**	–	5
Total equity and liabilities	**104 861**	86 856	103 045
Net asset value per share (cents)	**53.90**	43.66	50.74
Net tangible asset value per share (cents)	**51.51**	43.12	48.41
Number of shares in issue	**134 402 041**	134 402 041	134 402 041

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Growth	**Unaudited six months ended 31 December 2009 R'000**	Unaudited six months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
Revenue	16.2%	**45 800**	39 420	79 288
Cost of Sales		**(17 026)**	(16 317)	(31 558)
Gross profit	24.6%	**28 774**	23 103	47 730
Other operating income		**473**	8	182
Investment income		**2 284**	3 155	5 857
Staff costs		**(9 720)**	(7 722)	(14 056)
Depreciation and amortisation expense		**(1 980)**	(1 489)	(3 201)
Other operating expenses		**(5 027)**	(5 291)	(9 379)
Finance costs		**(620)**	(827)	(1 611)
Profit before tax	29.7%	**14 184**	10 937	25 522
Income tax expense		**(4 498)**	(2 255)	(7 322)
Profit for the period	11.6%	**9 686**	8 682	18 200
Other comprehensive income		**–**	–	–
Total comprehensive income for the year		**9 686**	8 682	18 200
Total comprehensive income attributed to owners of the company		**9 686**	8 682	18 200
Headline earning reconciliation				
Profit attributable to owners of the company		**9 686**	8 682	18 200
Adjustment for:				
Net after tax profit on sale of property, plant and equipment		**–**	–	(16)
Net value gain in the procurement of shares in subsidiary		**(471)**	–	–
Headline earnings		**9 215**	8 682	18 184
Basic earnings per share (cents)	11.6%	**7.21**	6.46	13.54
Diluted earnings per share (cents)	11.6%	**7.21**	6.46	13.38
Headline earnings per share (cents)	6.2%	**6.86**	6.46	13.53
Weighted average number of shares in issue		**134 402 041**	134 402 041	134 402 041

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 December 2009 R'000	Unaudited six months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
Share capital	**134**	134	134
Balance at beginning of the period	**134**	134	134
Issued during the period	**–**	–	–
Share premium	**35 575**	35 575	35 575
Balance at beginning of the period	**35 575**	35 575	35 575
Issued during the period	**–**	–	–
Accumulated profits	**36 732**	22 970	32 487
Balance at beginning of period	**32 486**	17 916	17 916
Profit for the period	**9 686**	8 682	18 200
Dividend paid to shareholders	**(5 440)**	(3 628)	(3 629)
Share capital and reserves	**72 441**	58 679	68 196

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 31 December 2009 R'000	Unaudited six months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
Cash flow from operating activities	**13 824**	9 855	19 320
Net cash generated from operations	**16 393**	10 504	22 694
Finance costs	**(620)**	(827)	(1 611)
Investment income	**2 284**	3 155	5 857
Normal tax paid	**(4 233)**	(2 977)	(7 620)
Cash flow from investing activities	**(1 448)**	(2 142)	(7 561)
Purchase of intangible asset	**–**	–	(573)
Purchase of property, plant and equipment	**(1 001)**	(1 737)	(4 671)
Proceeds on disposal of property, plant and equipment	**–**	164	176
Proceeds on disposal of intangible assets	**–**	31	32
Expenditure on product development	**(447)**	(600)	(2 525)
Cash flow from financing activities	**(1 576)**	(747)	(193)
Dividends paid	**(5 440)**	(3 268)	(3 624)
Net increase in cash and cash equivalents	**5 360**	3 338	7 942
Cash and cash equivalents at the beginning of the period	**60 156**	52 213	52 213
Cash and cash equivalents at the end of the period	**65 516**	55 551	60 155

BASIS OF PREPARATION

The accounting policies applied in the preparation of these condensed financial statements, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the annual financial statements for the year ended 30 June 2009. These condensed financial statements as set out in this report have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited.

The interims have not been audited or reviewed by the group's auditors.

The following new Standards and amendments to Standards were mandatory for the first time for the financial period beginning 1 June 2009:

IAS 1 (revised), 'Presentation of financial statements': The revised Standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The group has elected to present one statement of comprehensive income. The unaudited condensed consolidated interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, 'Operating segments': IFRS 8 replaces IAS 14, 'Segment reporting', extends the scope of segmental reporting, requiring additional disclosure. This Standard requires the company to adopt the 'management approach' to reporting segment information under which segment information is presented on the same basis as that used for internal reporting purposes.

SEGMENTAL REPORTING

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

The CODM have organised the operations of the company 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: consists of the three brands that are still within the development and piloting phase being CarbonWorx, DRWorx and IDWorx.

	Unaudited six months ended 31 December 2009 R'000	Unaudited six months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
Revenue			
BizWorx	**32 252**	28 153	58 231
MediaWorx	**12 552**	10 526	20 105
Development	**996**	741	952
	45 800	39 420	79 288

	Unaudited six months ended 31 December 2009 R'000	Unaudited six months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
Cost of sales			
BizWorx	**(10 745)**	(9 764)	(20 235)
MediaWorx	**(6 003)**	(6 310)	(10 895)
Development	**(278)**	(243)	(428)
	(17 026)	(16 317)	(31 558)
Gross Profit			
BizWorx	**21 507**	18 389	37 996
MediaWorx	**6 549**	4 216	9 210
Development	**718**	498	524
	28 774	23 103	47 730

The accounting policies of the operating segments are the same as those described in the basis of preparation. MediaWorx provides services within South Africa as well as in 34 African countries ("Africa sales"). Within the period under review 2.0% (6 months 2008: 0.8%; 12 months 2009 2.4%) of MediaWorx's revenue can be attributed to Africa sales. The company allocates revenue to each country based on the domicile of the related customer. All of the company's assets are located in South Africa.

MediaWorx currently generates 73.4% (2008: 74.9%) of its revenue through two service large network service providers and BizWorx generated 94.3% (2008: 93.1%) through one single land line service provider.

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 period relate to dividends declared in prior periods.

POST BALANCE SHEET EVENTS

The board of directors of FoneWorx are not aware of any material events that have occurred between the end of the interim period and the date of this report.

ACQUISITION OF SUBSIDIARY

During the period under review the group procured the remaining shares and a loan account in SurveyOnline, a subsidiary of FoneWorx Holdings Limited for one Rand. The net effect of this transaction is that the group reduced its long term liabilities by R471 975 and the resulting gain was accounted for as revenue.

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
Chief Executive Officer

Pieter Scholtz
Financial Director

Johannesburg
16 March 2010

Directors: Ronald Graver, Ashvin Govan Mancha (B Proc) – Chairman*, Andrew Conway Molusi*, April Masitwe*, Gaurang Mooney (BA)* (Botswana), Robert Russell, Mark Smith (BA LLB) – Chief Executive Officer, Pieter Scholtz (CA (SA)) – Financial Director (* Independent)