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 2010

NAV up 19%

Dividends paid up 11%

Revenue up 1%

Cash reserves up 9%

EPS up 1%

HEPS up 6%

Directors: Ronald Graver, Ashvin Govan Mancha (B Proc) - Chairman*, Gaurang Mooney (BA)* (Botswana), Robert Russell, Mark Smith (BA LLB) – Chief Executive Officer, 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

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 2010 ("the interim period").

Revenue for the group increased by 0.9% to R46.2 million from R45.8 million in the previous corresponding period, while gross profit decreased from R28.8 million to R27.2 million, a 5.6% decrease from the previous corresponding period. This decrease is attributed to the higher cost of sales within the product mix of the MediaWorx business segment.

Operating expenditure of the group increased by 16.0% from R5.0 million to R5.8 million, primarily due to the costs of setting up our new Fax2Email platforms in Kenya, Zambia and Nigeria. Staff costs reduced from R9.7 million to R7.5 million, a 22.7% reduction. This is due to a reduction in average cost per head and other staff related costs.

Profit after tax grew by 1.0% to R9.8 million from the previous corresponding period's R9.7 million.

During the interim period, all the share options held by the Interconnective Solutions Share Incentive Trust were taken up by the option holders with the result that, as at reporting date, the number of shares in issue increased by 1.2% from 134 402 041 to 136 002 041, with the weighted average number of shares in issue during the interim period being 134 533 189.

Cash on hand increased by 9.0% when compared to the previous corresponding period; up from R66.9 million to R72.9 million. During the interim period, the company declared and paid a dividend of R6.0 million (4.5 cents per share), 11.1% up from the previous dividend of R5.4 million (4 cents per share). Net asset value per share increased from 53.9 cents in December 2009 to 64.3 cents, a 19.3% increase.

The group's interim earnings are flat primarily due to the negative impact of the 2010 Soccer World Cup ("World Cup") on the earnings of BizWorx and MediaWorx between June 2010 and August 2010.

BizWorx's services, such as Fax2Email, PC2Fax, document storage, fax on demand and auto receptionist, are premised on subscribers being in the office in the context of "business as usual". However, the World Cup had a negative impact on "office occupancy" with a vastly reduced presence. Many office-goers were either at stadiums, fan parks or out of the country thus reducing our business traffic. The MediaWorx offerings were also negatively impacted by the delay in services being launched or decisions being held off until after the end of the World Cup. One such example is the Telkom Charity Cup which the group has managed for the last seven years and which traditionally commences in June and runs for eight weeks. Due to the World Cup, the Telkom Charity Cup was delayed by two weeks and ended one week early, thus reducing revenue from this campaign.

Disaster Recovery for the group

A number of the group's services are critical to FoneWorx' clients, namely business subscribers and media houses, and therefore minimum downtime is crucial to maintain best of class service.

Accordingly, in line with the guidelines set out in the third report on Corporate Governance in Southern Africa ("King III") pertaining to risk, and in association with the internal audit committee's input on the management of risk relating to group operations, FoneWorx has embarked on the development of a comprehensive disaster recovery programme incorporating contingency and diversification plans in operating sites and with regards to telecommunications.

To achieve its objectives, an amount of R2.6 million has been earmarked for this programme, R2.0 million of which was expensed during the interim period. The programme is expected to be completed by June 2011. The assets in the statement of financial position reflect this increase.

This strategy will enable the group's critical services to operate from diverse sites. In the event of a complete disaster occurring at head office where the majority of the server farm currently resides, FoneWorx' operating divisions will be able to operate fully from alternate sites with minimal to no disruption to client services.

Business Overview

The group has five brands: MediaWorx (infotainment), BizWorx (business services), IDWorx (identity access management), DRWorx (disaster recovery) and CarbonWorx (restoration of ecosystems). These brands are divided into three segmental divisions for reporting purposes, and are discussed in detail in "segmental reporting" below.

MediaWorx

The MediaWorx brand provides a broad range of infotainment services, including short message services, interactive voice response, multimedia services and fulfillment.

MediaWorx services are offered both in South Africa and on the rest of the continent, and include 36 countries across 86 mobile networks. Clients include Media groups such as the SABC for local services and Multichoice for services to the continent, Fast Moving Consumer Goods enterprises and general corporate clients.

Significant inroads, for new services that will launch in the group's next reporting period, have been made into Africa.

BizWorx

The BizWorx brand incorporates a broad range of business services including Fax2Email, PC2Fax, document storage, fax on demand and auto receptionist, which are either sold as stand alone products or are bundled in a product called The Virtual Business Centre ("VBC"). Except for the decline experienced during the World Cup, BizWorx' services continued to grow in numbers with Fax2Email subscribers listed at 310,000 with monthly growth around 4,000 new subscribers.

Substantial progress has been made with our expansion into Africa. During the period under review, extensive work was done in Zambia, Kenya and Nigeria, where trading entities were formed under the name and style; FoneWorx Zambia, FoneWorx Kenya and FoneWorx Nigeria.

The group's proprietary equipment for Fax2Email and PC2Fax has been deployed in Zambia and Kenya. Equipment will be deployed in Nigeria during April 2011.

Our Fax2Email and PC2Fax services will commence commercially in Zambia during March 2011 and in Kenya during April 2011. It is anticipated that services will commence in Nigeria some time during May 2011 or June 2011.

IDWorx

The IDWorx brand provides identity access management ("IAM") solutions, incorporating secure document storage and biometrics. These applications can be used for local Anti-Money Laundering applications ("AML") such as FICA, as well as similar AML legislation in other countries.

The brand "YourIdentity" was successfully deployed in the Companies and Intellectual Property Registration Office ("CIPRO") over the last 18 months and has become the *de facto* standard for agents wishing to access the CIPRO website for certain applications.

During the interim period, a new IAM application was written and commercialised for the security industry. This application will provide an identity card for security officers and will be managed via a secure central portal. The launch of this application is anticipated to take place during April 2011.

A bespoke FICA application was also developed and tested for the stockbroking fraternity and the first system was deployed during March 2011.

DRWorx

The DRWorx brand provides disaster recovery and workflow continuity for targeted niche clients such as stockbrokers. The first stockbroker occupied FoneWorx' hosting environment approximately 12 months ago for testing and quality control purposes to meet the JSE Limited's ("JSE") requirements.

FoneWorx/DRWorx was required to obtain prior accreditation from the JSE as the hosted environment on shared services was a new concept to both the JSE and to stockbrokers. Final approval and accreditation was provided by the JSE during January 2011, and accordingly the FoneWorx/DRWorx site is now recognised as an approved JSE site.

CarbonWorx

The CarbonWorx brand is primarily focused on the restoration of ecosystems (afforestation projects), greenhouse gas ("GHG"), corporate footprint analysis and carbon offsets.

Electronic mechanisms and transformation projects have been developed for sequestering carbon dioxide through voluntary offset projects which are developed in association with local land owners throughout South Africa. These transformation projects have a multi-faceted approach including job creation, restoration of ecosystems, transfer of skills and GHG offsets.

The official launch of CarbonWorx was held in the Eastern Cape on 2 August 2010 and was attended by various members of parliament, including the Minister of Environmental Affairs. The first afforestation site in Mthatha, Eastern Cape was opened with the first few thousand trees planted.

PROSPECTS

The financial year to June 2011 is expected to be challenging as a result of the difficult first six months. However, we remain positive, particularly with regard to the launching of our BizWorx Fax2Email platforms in Zambia, Kenya and Nigeria. Furthermore, an additional three countries on the African continent have also been identified and preliminary work continues for launch in these territories later in this calendar year. These launches require low capital investment due to the fact that FoneWorx has developed these platforms and the software is proprietary. In addition, they are annuity based services with very low maintenance.

With sustainability and climate change issues continuously gaining momentum we are also confident that CarbonWorx will grow from strength to strength, particularly in view of the launch of the South African National Green Paper 2010 and The 17th Conference of the Parties of the United Nations Framework Convention on Climate Change being held in South Africa in November 2011.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Growth	**Unaudited as at 31 December 2010 R'000**	Unaudited as at 31 December 2009 R'000	Audited as at 30 June 2010 R'000
ASSETS				
Non-current assets		**26 276**	21 455	22 317
Property, plant and equipment		**21 253**	18 089	17 643
Intangible assets		**5 023**	3 207	4 016
Deferred tax asset		**-**	159	658
Current assets		**90 393**	83 406	90 704
Inventory		**1 767**	764	784
Current tax receivable		**194**	-	208
Trade and other receivables		**15 483**	15 693	15 574
Cash and cash equivalents		**72 949**	66 949	74 138
Total assets		**116 669**	104 861	113 021
EQUITY AND LIABILITIES				
Capital and reserves		**87 441**	72 441	82 921
Share capital		**136**	134	134
Share premium		**36 373**	35 575	35 575
Accumulated profits		**50 932**	36 732	47 212
Non-current liabilities		**9 769**	9 029	8 431
Interest bearing liabilities		**9 064**	9 029	8 431
Deferred tax liability		**705**	-	-
Current liabilities		**19 459**	23 391	21 669
Trade and other payables		**16 088**	15 202	14 951
Provisions		**1 402**	4 976	5 538
Tax payable		**340**	388	24
Unclaimed dividends		**13**	5	14
Bank overdraft		**-**	1 433	-
Current portion of non-current liabilities		**1 616**	1 387	1 142
Total equity and liabilities		**116 669**	104 861	113 021
Net asset value per share (cents)	19.3%	**64.3**	53.9	61.7
Net tangible asset value per share (cents)	17.7%	**60.6**	51.5	58.7
Number of shares in issue		**136 002 041**	134 402 041	134 402 041

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Growth	**Unaudited six months ended 31 December 2010 R'000**	Unaudited six months ended 31 December 2009 R'000	Audited 12 months ended 30 June 2010 R'000
Revenue	1%	**46 230**	45 800	91 921
Cost of sales		**(18 986)**	(17 026)	(34 232)
Gross profit	(5%)	**27 244**	28 774	57 689
Other operating income		**285**	473	661
Staff costs		**(7 499)**	(9 720)	(18 417)
Depreciation and amortisation expense		**(1 935)**	(1 980)	(3 827)
Other operating expenses		**(5 820)**	(5 027)	(10 819)
Finance costs		**(453)**	(620)	(1 272)
Investment income		**2 222**	2 284	4 703
Profit before tax	(1%)	**14 044**	14 184	28 718
Income tax expense		**(4 275)**	(4 498)	(8 553)
Profit for the period	1%	**9 769**	9 686	20 165
Other comprehensive income		**-**	-	-
Total comprehensive income for the period		**9 769**	9 686	20 165
Profit attributable to the equity holders of the parent company		**9 769**	9 686	20 165
Headline earning reconciliation				
Adjustment for:				
Net after tax loss on sale of property, plant and equipment & shares in subsidiary		**42**	(471)	124
Headline earnings	6.5%	**9 811**	9 215	20 289
Weighted average number of shares in issue		**134 533 189**	134 402 041	134 402 041
Basic earnings per share (cents)	0.7%	**7.26**	7.21	15.00
Headline earnings per share (cents)	6.3%	**7.29**	6.86	15.10
Diluted earnings per share (cents)	0.7%	**7.26**	7.21	14.96

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Share capital	**136**	134	134
Balance at beginning of period	**134**	134	134
Share options taken up by staff	**2**	-	-
Share premium	**36 373**	35 575	35 575
Balance at beginning of period	**35 575**	35 575	35 575
Share options taken up by staff	**798**	-	-
Accumulated profits	**50 932**	36 732	47 212
Balance at beginning of period	**47 212**	32 486	32 487
Profit for the period	**9 769**	9 686	20 165
Dividend paid to shareholders	**(6 049)**	(5 440)	(5 440)
	87 441	72 441	82 921
Dividend declared (cents per share)	**4.5**	4	4

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 December 2010 R'000	Unaudited six months ended 31 December 2009 R'000	Audited 12 months ended 30 June 2010 R'000
Cash flow from operating activities	**9 565**	13 824	25 289
Net cash generated from operations	**10 379**	16 393	31 217
Finance costs	**(453)**	(620)	(1 273)
Investment income	**2 222**	2 284	4 703
Normal tax paid	**(2 583)**	(4 233)	(9 358)
Cash flow from investing activities	**(6 613)**	(1 448)	(3 454)
Purchase of intangible asset	**(728)**	-	(27)
Procurement of subsidiary	**-**	-	-
Purchase of property, plant and equipment	**(4 109)**	(1 001)	(1 813)
Proceeds on disposal of property, plant and equipment	**-**	-	-
Proceeds on disposal of intangible assets	**-**	-	-
Expenditure on product development	**(1 776)**	(447)	(1 614)
Cash flow from financing activities excluding dividends paid	**1 909**	(1 576)	(2 420)
Dividends paid	**(6 049)**	(5 440)	(5 435)
Net increase in cash and cash equivalents	**(1 188)**	5 360	13 983
Cash and cash equivalents at beginning of period	74 138	**60 156**	60 155
Cash and cash equivalents at end of period	**72 950**	65 516	74 138

BASIS OF PREPARATION

The accounting policies applied in the preparation of these unaudited 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 2010. These unaudited consolidated interim results 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, AC500 series of interpretations as issued by the Accounting Principles Board, and the Listings Requirements of the JSE.

The interim results have not been audited or reviewed by the group'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 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: consisting of the three brands that are still within the development and piloting phase, namely CarbonWorx, DRWorx and IDWorx.

SEGMENTAL REPORTING (continued)

	Unaudited six months ended 31 December 2010 R'000	Unaudited six months ended 31 December 2009 R'000	Audited 12 months ended 30 June 2010 R'000
Revenue			
BizWorx	**31 537**	32 252	64 246
MediaWorx	**13 562**	12 552	26 080
Development	**1 131**	996	1 596
	46 230	45 800	91 922
Cost of sales			
BizWorx	**(10 569)**	(10 745)	(21 452)
MediaWorx	**(8 180)**	(6 003)	(12 134)
Development	**(237)**	(278)	(646)
	(18 986)	(17 026)	(34 232)
Gross Profit			
BizWorx	**20 968**	21 507	42 793
MediaWorx	**5 382**	6 549	13 946
Development	**894**	718	950
	27 244	28 774	57 689

The accounting policies applied to 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, 4.5% (six months 2009: 2.0%; 12 months 2010: 3.5%) of MediaWorx' revenue can be attributed to Africa sales. The company allocates revenue to each country based on the relevant domicile of the customer. All of the company's assets are located in South Africa.

MediaWorx currently generates 63.7% (2009: 73.4%) of its revenue through two large network service providers and BizWorx generated 98.1% (2009: 94.3%) 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 period relate to dividends declared in prior periods.

POST BALANCE SHEET 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

Between 30 June 2010 and the date of this report, Messrs Andrew Conway Molusi and Mr April Masitwe resigned as independent non-executive directors, with effect from 17 November 2010.

For and on behalf of the board

Ashvin Mancha
Chairman

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Johannesburg
16 March 2011