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 2011

Revenue up 14%

Gross profit up 17%

EPS up 8%

NAV up 14%

Cash reserves up 17%

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") present the unaudited consolidated interim results for the six months ended 31 December 2011 ("the interim period").

Group revenue increased by 14% to R52.5 million from R46.2 million in the previous corresponding period, while gross profit increased from R27.2 million to R31.8 million, a 17% increase from the previous corresponding period.

Group operating expenditure decreased by 4% from R5.8 million to R5.5 million and staff costs increased from R7.5 million to R9.9 million, a 33% increase. This 33% increase is due to an increase in the average cost per head as well as other staff related costs including the provision for staff bonuses, which provision was not applicable in the previous corresponding period as, in terms of the group's remuneration policy, no bonuses are paid if financial performance targets are not met.

Profit before tax increased by 15% from R14.0 million to R16.1 million and profits after tax grew by 10% to R10.7 million from the previous corresponding period's R9.8 million.

Cash on hand increased by 17% when compared to the previous corresponding period; up from R72.9 million to R85.6 million. During the interim period, the company declared and paid a dividend of R7.5 million (5.5 cents per share) relating to the year ended 30 June 2011, 22% up from the previous dividend of R6.0 million (4.5 cents per share) relating to the year ended 30 June 2010. Net asset value per share increased from 64.3 cents in December 2010 to 73.8 cents, a 14% increase.

The growth in revenue and earnings for this interim period is primarily from organic growth, although we are looking at possible acquisitions that could enhance the group's growth.

BUSINESS OVERVIEW

The group has five brands: MediaWorx (infotainment), BizWorx (business services), IDWorx (identity access and verification), DRWorx (disaster recovery) and CarbonWorx (carbon footprint evaluation and eco system restoration).

MediaWorx

This division provides a broad spectrum of interactive services targeted primarily at the Fast Moving Consumer Goods ("FMCG") sector for competitions and promotions using short message services ("SMS"), multi-media services ("MMS"), unstructured supplementary service data ("USSD") and web-based applications integrated to social media services. Our route to market is via advertising agencies and large electronic media players including the SABC and DSTV (Africa).

With greater clarity obtained on the new Consumer Protection Act ("CPA"), MediaWorx was able to achieve positive growth in the period under review, particularly in the area of USSD where a successful application was written and hosted for the Pep chat service. The Pep chat service is an interactive message system used by over two million Pep customers to send messages to each other, which also provides them with access to value added services such as purchasing airtime.

MediaWorx has strengthened its relationship with 86 mobile networks across 36 countries in Africa and continues to provide services to blue chip clients such as DSTV for services like Big Brother Africa.

We have made positive inroads in obtaining new clients and in particular in the Western Cape. Revenue in the Kwazulu-Natal region has also showed improved results.

We anticipate that MediaWorx will grow steadily with new agencies signing up in order for us to manage services on behalf of their clients.

BizWorx

This division provides a broad range of services for small, medium and micro enterprises ("SMMEs") and larger corporates. These services include Fax2Email, PC2Fax, Web2Fax, auto receptionist and bespoke services designed to meet our clients' specific requirements.

We have been extremely satisfied with the uptake of certain new services such as Web2Fax, and believe these new services will improve revenue for BizWorx going forward. Our strategy is to provide every Fax2Email user with a Web2Fax application thereby enabling them to both send and receive faxes digitally.

We are systematically making progress with our Fax2Email services in Zambia, Nigeria and Kenya. Whilst there are still challenges in these territories, we believe that we have made significant inroads and the faxing services which have been deployed in each of these territories are gradually being processed via our technical fax platforms.

IDWorx

This division provides broad based identity access management ("IAM") and identity verification services ("IVS"). These applications are used for the verification and secure storage of documents for Anti-Money Laundering applications ("AML") such as FICA and RICA. Our focus for IDWorx will be on those companies required to verify the authenticity of documents such as Identity Books, and to securely store them, together with ancillary documents relating to their industry, thereby enabling them to be retrieved with secure access and audit trails. This application will be well suited for companies who are required to comply with current legislation (FICA, FAIS, RICA) and future anticipated legislation ("POPI").

DRWorx

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

CarbonWorx

This division focuses on providing corporates with a professional service to calculate their carbon footprint in line with ISO 14064 standards. Once this footprint is calculated, corporates are then encouraged to embark on a strategy to reduce their footprint over a defined period. In addition, CarbonWorx enables those corporates to offset a portion or their entire footprint via our tree planting sites, which operate as carbon sinks. Trees are planted in verified and protected sites where the carbon sinks are regularly evaluated and certificates are issued to clients. These sites are operated and maintained in association with the Department of Environmental Affairs. In essence, CarbonWorx provides a consultancy service and also provides linkage to a number of services provided by MediaWorx.

The momentum in CarbonWorx will largely be driven by external factors: primarily the pace at which the United Nations Framework Convention on Climate Change is able to develop a new protocol or legal instrument when the current Kyoto Protocol expires.This will create the impetus on corporates to align themselves with sound sustainable strategies including carbon calculations and offsetting.

Prospects

We are positive about the next six months to our financial year ending June 2012. We believe that there will be positive growth in the entertainment and media sector, particularly with regard to digital spending incorporating mobile and wireless applications. Our two main revenue generators, MediaWorx and BizWorx, operate in an industry where behaviour patterns are moving from outdated or traditional business to a growing digital element. This rapid and accelerating digitisation of elements, including content, business processes and product innovation will work well for the group. Social media and mobile applications will also have a positive impact on the group. With the growth of digitised content, web access and mobile applications, clients will require the capacity to mine and analyse detailed and granular information not previously available. The group is well placed to be in this innovation space.

We remain optimistic about the roll-out of our fax services in Zambia, Nigeria and Kenya and anticipate traction in the latter half of this calendar year.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Change	**Unaudited six months ended 31 December 2011 R'000**	Unaudited six months ended 31 December 2010 R'000	Audited 12 months ended 30 June 2011 R'000
Revenue	14%	**52 561**	46 230	91 579
Cost of sales		**(20 776)**	(18 986)	(36 054)
Gross profit	17%	**31 785**	27 244	55 525
Other operating income		**173**	285	506
Staff costs	33%	**(9 963)**	(7 499)	(17 236)
Depreciation and amortisation expense		**(2 175)**	(1 935)	(4 217)
Other operating expenses	(4%)	**(5 590)**	(5 820)	(10 089)
Finance costs		**(390)**	(453)	(914)
Investment income		**2 264**	2 222	4 229
Profit before tax	15%	**16 104**	14 044	27 804
Income tax expense		**(5 395)**	(4 275)	(8 280)
Profit for the period	10%	**10 709**	9 769	19 524
Other comprehensive income		**-**	-	-
Total comprehensive income for the period		**10 709**	9 769	19 524
Profit attributable to the equity holders of the parent company		**10 709**	9 769	19 524
Headline earnings reconciliation				
Adjustment for:				
Net after tax (profit)/loss on sale of property, plant and equipment & shares in subsidiary		**(51)**	42	40
Headline earnings	9%	**10 658**	9 811	19 564
Weighed average number of shares in issue		**136 002 041**	134 533 189	135 202 041
Basic earnings per share (cents)	8.44%	**7.87**	7.26	14.44
Headline earnings per share (cents)	7.46%	**7.84**	7.29	14.47
Diluted earnings per share (cents)	8.44%	**7.87**	7.26	14.44

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Share capital	**136**	136	136
Balance at beginning of period	**136**	134	134
Share options taken up by staff	**-**	2	2
Share premium	**36 373**	36 373	36 373
Balance at beginning of period	**36 373**	35 575	35 575
Share options taken up by staff	**-**	798	798
Accumulated profits	**63 845**	50 932	60 616
Balance at beginning of period	**60 616**	47 212	47 212
Total comprehensive income for the period	**10 709**	9 769	19 524
Dividend paid to shareholders	**(7 480)**	(6 049)	(6 120)
Total equity	**100 354**	87 441	97 125
Dividend declared (cents per share)	**5.5**	4.5	4.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Change	**Unaudited as at 31 December 2011 R'000**	Unaudited as at 31 December 2010 R'000	Audited as at 30 June 2011 R'000
ASSETS				
Non-current assets		**23 772**	26 276	24 841
Property, plant and equipment		**18 278**	21 253	18 723
Intangible assets		**5 494**	5 023	6 118
Current assets		**104 850**	90 393	102 663
Inventory		**1 656**	1 767	1 773
Current tax receivable		**1 062**	194	953
Trade and other receivables		**16 492**	15 483	17 870
Cash and cash equivalents		**85 640**	72 949	82 067
Total assets		**128 622**	116 669	127 504
EQUITY AND LIABILITIES				
Capital and reserves		**100 354**	87 441	97 125
Share capital		**136**	136	136
Share premium		**36 373**	36 373	36 373
Accumulated profits		**63 845**	50 932	60 616
Non-current liabilities		**7 582**	9 769	8 934
Interest bearing liabilities		**7 333**	9 064	8 189
Deferred tax liability		**249**	705	745
Current liabilities		**20 686**	19 459	21 445
Trade and other payables		**15 949**	16 088	18 012
Provisions		**2 994**	1 402	1 651
Tax payable		**-**	340	63
Unclaimed dividends		**27**	13	27
Current portion of interest bearing liabilities		**1 716**	1 616	1 692
Total equity and liabilities	10.25%	**128 622**	116 669	127 504
Net asset value per share (cents)	14.76%	**73.8**	64.3	71.4
Net tangible asset value per share (cents)	15.10%	**69.7**	60.6	66.9
Number of shares in issue		**136 002 041**	136 002 041	136 002 041

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 December 2011 R'000	Unaudited six months ended 31 December 2010 R'000	Audited 12 months ended 30 June 2011 R'000
Cash flow from operating activities	**12 939**	9 565	20 381
Net cash generated from operations	**17 128**	10 379	24 650
Finance costs	**(390)**	(453)	(914)
Investment income	**2 264**	2 222	4 229
Normal tax paid	**(6 063)**	(2 583)	(7 584)
Cash flow from investing activities	**(1 056)**	(6 614)	(7 454)
Purchase of intangible asset	**(48)**	(728)	(902)
Purchase of property, plant and equipment	**(1 059)**	(4 109)	(4 432)
Proceeds on disposal of property, plant and equipment	**51**	-	264
Expenditure on product development	**-**	(1 777)	(2 384)
Cash flow from financing activities	**(830)**	1 909	1 108
Dividends paid	**(7 480)**	(6 049)	(6 106)
Net increase / (decrease) in cash and cash equivalents	**3 573**	(1 189)	7 929
Cash and cash equivalents at beginning of period	**82 067**	74 138	74 138
Cash and cash equivalents at end of period	**85 640**	72 949	82 067

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 2011. 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, 2008 (Act 71 of 2008), as amended, AC500 series of interpretations as issued by the Accounting Principles Board, and the Listings Requirements of the JSE.

These financial statements have been prepared under the supervision of Mr Pieter Scholtz CA(SA): Financial Director.

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.

SEGMENTAL REPORTING (continued)

	Unaudited six months ended 31 December 2011 R'000	Unaudited six months ended 31 December 2010 R'000	Audited 12 months ended 30 June 2011 R'000
Revenue			
BizWorx	**32 900**	31 537	64 369
MediaWorx	**18 592**	13 562	24 627
Development	**1 069**	1 131	2 583
	52 561	46 230	91 579
Cost of sales			
BizWorx	**(9 988)**	(10 569)	(20 259)
MediaWorx	**(10 498)**	(8 180)	(14 368)
Development	**(290)**	(237)	(1 427)
	(20 776)	(18 986)	(36 054)
Gross profit			
BizWorx	**22 912**	20 968	44 110
MediaWorx	**8 094**	5 382	10 259
Development	**779**	894	1 156
	31 785	27 244	55 525

The accounting policies applied to the operating segments is 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, 4.5% (six months 2010: 4.5%; 12 months 2011: 4.8%) of MediaWorx' 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 40.3% (2010: 63.7%) of its revenue through two large network service providers and BizWorx generated 96.5% (2010: 98.1%) 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.

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.

For and on behalf of the board

Ashvin Mancha
Chairman

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Johannesburg
29 February 2012