



FoneWorx Holdings Limited

Incorporated in the Republic of South Africa

(Registration Number: 1997/010640/06)

Share Code: FWX ISIN number: ZAE000086237

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

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

Revenue up 12.5%

Profit before tax up 14.3%

Cash reserves up 117.5%

Profit for the period up 24.2%

Business and Registered Office:

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Company Secretary: P A Scholtz CA(SA)

Auditors: Deloitte & Touche

Transfer Secretaries: Computershare Investor Services (Proprietary) Limited

Designated Adviser: Merchantec (Proprietary) Limited

Website: www.foneworx.co.za

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
ASSETS			
Non-current assets	18 936	11 032	18 559
Property, plant and equipment	17 369	10 458	17 251
Intangible assets	730	44	196
Deferred tax asset	837	–	1 112
Investment in associate and joint venture	–	530	–
Current assets	67 920	37 187	66 356
Inventory	240	30	14
Loan to director	–	12	60
Current tax receivable	–	–	–
Trade and other receivables	12 129	11 610	14 069
Cash and cash equivalents	55 551	25 535	52 213
Total assets	86 856	48 219	84 915
EQUITY AND LIABILITIES			
Capital and reserves	58 679	24 179	53 625
Share capital	134	114	134
Share premium	35 575	14 044	35 575
Accumulated profits	22 970	10 021	17 916
Non-current liabilities	9 913	6 977	10 696
Instalment sale agreements	322	1 266	788
Long-term loan	9 120	5 338	9 437
Deferred tax liability	–	373	–
Loans payable	471	–	471
Current liabilities	18 264	17 063	20 594
Trade and other payables	12 382	12 331	13 495
Provisions	3 980	3 135	4 236
Tax payable	377	324	1 374
Current portion of non-current liabilities	1 525	1 273	1 489
Total equity and liabilities	86 856	48 219	84 915
Number of shares in issue	134 402 041	114 071 429	134 402 041
Net asset value per share (cents)	43.66	21.20	39.90

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	Growth %	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Revenue	12.5	39 420	35 045	71 206
Cost of Sales		(16 317)	(15 406)	(32 227)
Gross profit	17.6	23 103	19 639	38 979
Other operating income		8	87	644
Share of profits from joint venture		–	–	133
Staff costs		(7 722)	(6 495)	(13 133)
Depreciation and amortisation expense		(1 489)	(967)	(2 106)
Other operating expenses		(5 291)	(3 240)	(6 826)
Profit from operations	(4.6)	8 609	9 024	17 691
Finance costs		(827)	(384)	(308)
Investment income		3 155	932	2 569
Profit before tax	14.3	10 937	9 572	19 952
Income tax expense		(2 255)	(2 580)	(5 065)
Profit for the period	24.2	8 682	6 992	14 887
Weighted average number of shares in issue		134 402 041	114 071 429	114 515 814
Basic earnings per share (cents)	5.4	6.46	6.13	13.00
Headline earnings per share (cents)	5.4	6.46	6.13	12.75
Diluted earnings per share (cents)	5.4	6.46	6.13	12.80

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Profit attributable to ordinary shareholders	8 682	6 992	14 887
Items included in other operating expenses:			
Profit on the sale of associate	–	–	(270)
Profit on disposal of property, plant and equipment	–	–	(38)
Tax effect of the sale of associate and disposal of property, plant and equipment.	–	–	17
Headline earnings	8 682	6 992	14 596

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2008

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Share capital	134	114	134
Balance at beginning of the period	134	114	114
Issued during the period	–	–	20
Share premium	35 575	14 044	35 575
Balance at beginning of the period	35 575	14 044	14 044
Issued during the period	–	–	21 531
Accumulated profits	22 970	10 021	17 916
Balance at beginning of period	17 916	3 029	3 029
Profit for the period	8 682	6 992	14 887
Dividend paid to shareholders	(3 628)	–	–
	58 679	24 179	53 625

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2008

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Cash flow from operating activities	6 227	11 564	20 954
Net cash generated from operations	10 504	13 196	24 031
Finance costs	(827)	(384)	(308)
Investment income	3 155	933	2 569
Normal tax paid	(2 977)	(2 181)	(5 338)
Dividend paid	(3 628)	–	–
Cash flow from investing activities	(2 142)	(5 181)	(3 124)
Cash flow from financing activities	(747)	4 505	19 736
Net increase in cash and cash equivalents	3 338	10 888	37 566
Cash and cash equivalents at beginning of the period	52 213	14 647	14 647
Cash and cash equivalents at end of the period	55 551	25 535	52 213

FINANCIAL COMMENTARY

The directors of FoneWorx are pleased to present the unaudited interim results for the six months ended 31 December 2008. These results reflect continued positive growth in all key performance areas.

Revenue for the group increased by 12.5% to R39.4 million compared to R35 million for the previous corresponding period and also improved gross profit from R19.6 million to R23.1 million, an increase of 17.6% from the previous corresponding period. The profit after tax for the period grew by 24.2% to R8.7 million from R7 million. Earnings per share did not display the same growth as a result of the issue of 20 333 612 shares to Kabo Capital (Proprietary) Limited prior to the start of this financial period, which increased the weighted average number of shares, thus diluting earnings per share.

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 the Infotainment Services and Business Services have contributed to the bottom line.

The group's cash position improved to cash on hand of R55.5 million compared to R25.5 million in the previous corresponding period, which represents an increase of 117.6%. The group remains debt free, except for short-term finance for vehicles and capital equipment, and a ten year bond of R9.2 million on the head office building in Randburg.

During the period under review the staff complement was increased to cater for the development of a number of new solutions resulting in an increase in staff expenditure of 18.9% when compared to the previous corresponding period. This expenditure was essential for the group to continue to support and enhance existing services reflecting growth as well as the introduction of new services.

The operating space at the group's head office was doubled as we acquired ownership of the remaining 50% of the building to cater for new training facilities and our new Disaster Recovery and Work Continuity offering.

Similarly with the additional space, investment in capital goods increased which resulted in a 54% increase in depreciation charged for the period.

BUSINESS OVERVIEW

The group is structured in four distinct divisions namely: Infotainment Services, Business Services, Switching Services (Identity Access Management / Financial Intelligence Centre Act, 2001 (Act 38 of 2001) ("FICA")) and Disaster Recovery (Work Continuity) Services.

Infotainment Services incorporates above and below the line interactive services incorporating Short Message Services ("SMS"), Interactive Voice Response ("IVR") and Multi Media Solutions ("MMS"). This division's revenue continued to grow during the period under review and over 450 campaigns were managed. Our clients in this division typically include advertising agencies, Fast Moving Consumer Goods companies ("FMCG") and corporates. Media clients include the SABC and MultiChoice for African services. FoneWorx Infotainment Services are offered in 32 countries over 56 distinct networks. Content services have been incorporated into this division.

Business Services continued to show good growth during the period under review. The bouquet of services in this division includes: Fax2Email, PC2Fax, Document Storage, Fax On Demand, Auto Receptionist and bespoke services designed specifically to meet our clients' needs. The typical clients for these services include small, medium and large corporates. The uptake and growth in these services has been exceptionally good and we expect this trend to continue.

Switching Services incorporates Identity Access Management ("IAM"), secure document storage and Anti-Money Laundering ("AML") solutions incorporating products for South Africa and the rest of the globe. In South Africa the solution is orientated around FICA and Regulation of Interception of Communications and Provision of Communication Related Information Act, 2002 (Act 70 of 2002) ("RICA").

The FICA solution was successfully trialed with a division of a large bank from October 2008 to December 2008 and the outcome was very positive. Over one hundred attorneys and other professionals have been exposed to and trained on the system.

FoneWorx Academy was launched, which incorporates a state-of-the-art interactive training facility to train Commissioners of Oaths and Accountable Institutions. The training is provided by specialist trainers and enables participants to be trained on the FoneWorx AML solution as well as on the legislation pertaining to all AML initiatives. The solution has been exposed to a number of Accountable Institutions and supervisory bodies and it is anticipated that a number of pilot projects will commence within the next few months.

The solution will result in a national database of prescribed documents being developed in a digital format using secure Public Key Infrastructure. In addition, FoneWorx incorporated innovative finger vein biometrics into the solution which dramatically enhances the security profile of the product. The finger vein biometrics was developed by Hitachi in association with FoneWorx's programming staff. FoneWorx has been appointed as a re-seller of this technology by Hitachi and will offer this solution exclusively throughout Africa.

FoneWorx has received very positive interest from Nigeria, Kenya, Ghana and Tanzania for the AML solution and we are commencing discussions with such interested parties.

The solution is transaction based and it is anticipated that this application can generate large volumes.

Disaster Recovery (Work Continuity) is a new division and is primarily targeted at a niche market for Disaster Recovery (Work Continuity). FoneWorx has developed a state-of-the-art hosting environment specifically aimed and geared at the stockbroking and trading fraternity. The facility will provide back-ups, storage and complete work continuity facilities to enable stockbrokers and allied companies to continue working in the event of a disaster at their primary place of business; this could include: power outages, communication failures, fires, Acts of God and the like.

PROSPECTS

The outlook for the full financial year to June 2009 remains positive particularly with the positive response to our FICA solutions and Disaster Recovery (Work Continuity) services. As mentioned in the business overview above, the group has spent both time and resources in the gearing up of our AML and work continuity services which will bode well for future growth and also provide the group with new revenue streams not traditionally associated to the group.

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

DIVIDEND POLICY

It is the board's policy to pay annual dividends and therefore no interim dividend is declared.

BASIS OF PREPERATION

The accounting policies applied in the preparation of these condensed financial statements which are based on reasonable judgments 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 2008. 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 interim results have not been audited or reviewed by the company's auditors.

SEGMENTAL REPORTING

The company has not elected early adoption of IFRS 8: Segmental Reporting, and will only implement IFRS 8 for the period commencing on 1 July 2009. Management has therefore not presented segmental reporting during the period being reported on.

The group is engaged in the Information and Communications Technology ("ICT") 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.

POST BALANCE SHEET EVENTS

On Saturday, 21 February 2009 a fraud was committed through the company's bank accounts, held at ABSA Bank Limited ("the Bank").

It is understood that unauthorised person/s, unknown to FoneWorx, accessed the company's bank accounts and made unauthorised transfers from eight company accounts and unlawfully transferred R3.1 million into unknown accounts held at the Bank. Funds were subsequently withdrawn from the unknown accounts via Autotellers, retail banks etc.

In our opinion the Bank has conducted an incomplete forensic audit and despite this they have thus far declined any liability and they have been unable or unwilling to supply to FoneWorx critical information as to how the fraud was effected.

FoneWorx, assisted by an independent third party, has conducted its own due diligence in respect of the fraud committed, the results of which have cleared the company's staff of any involvement.

The Bank has subsequently indicated that they can recover an amount of R1 549 958, leaving a shortfall of R1 550 042 of which the Bank has to date declined to refund. FoneWorx intends to continue its discussions with the Bank in the attempt to recover the shortfall, but may need to resort to litigation if such discussions fail.

Other than as set out above, the directors are not aware of any other matter or circumstance arising since the end of the six months ended 31 December 2008.

DIRECTORATE

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

Directors: Ronald Graver, Ashvin Govan Mancha* (*Chairman*), Gaurang Mooney* (*Botswana*), Robert Russell, Mark Smith (*Chief Executive Officer*), Pieter Scholtz (*Financial Director*) Andrew Connie Molusi*, April Masitwe*

* *Independent non-executive*

For and on behalf of the board

Ashvin Mancha
Chairman

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Johannesburg
25 March 2009