



**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")

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**UNAUDITED CONSOLIDATED INTERIM  
RESULTS FOR THE SIX MONTHS  
ENDED 31 DECEMBER 2013**

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**Highlights**

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<b>Revenue up</b>	<b>32%</b>	<b>R63.2 million</b>
<b>EPS up</b>	<b>10%</b>	<b>9.88 cents</b>
<b>Profit before tax up</b>	<b>10.5%</b>	<b>R19 million</b>
<b>Cash flow from operating activities up</b>	<b>23.1%</b>	<b>R14.5 million</b>
<b>NAV per share up*</b>	<b>8.5%</b>	<b>90.94 cents</b>
<b>Cash reserves up*</b>	<b>9.6%</b>	<b>R104.7 million</b>

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\* December 2013 compared to December 2012

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## COMMENTARY

The board of directors of FoneWorx (“the board”) present the unaudited consolidated interim results for the six months ended 31 December 2013 (“the interim period”) and should be read in conjunction with the most recent audited annual financial statements for the year ended 30 June 2013.

The unaudited consolidated interim financial statements are available to be viewed on the company's website: [www.foneworx.co.za](http://www.foneworx.co.za)

Group revenue increased by 32.1% to R63.2 million from R47.9 million in the previous corresponding period, while gross profit increased by 21.86% from R29.9 million to R36.5 million. This is partly attributed to a change in payment policy that some network providers had where they now pay us our full revenue earned through value added services and then charge us separately the bearer cost of such services.

Profit before tax increased by 10.5% from R17.2 million to R19 million and profit after tax for the period increased by 10% from R12.2 million in the previous corresponding period to R13.4 million in this reporting period.

Staff costs for the period increased by 64% from R7.7 million to R12.6 million. This is mostly due to the increase in the number of staff by 46% from 52 for the previous corresponding period to 76 people this period. The increase in staff is attributable to the anticipated increase in sales in MediaWorx and the launch of Knowledge 350°. In addition the staff complement in the FoneWorx Call Centre has been increased by 12 people to cater for Dealfinder, a Caxton online digital product.

There has also been a corresponding increase in technical staff to cater for the aforementioned developments.

The total asset value of the group increased by 9.28% from R138.4 million as at 31 December 2012 to R151.2 million as at 31 December 2013 and net asset value per share increased from 83.9 cents per share to 90.9 cents per share, an 8.5% increase. During the interim period the company also declared and paid a dividend of 12 cents per share relating to the 2013 financial year, up 71% from the dividend declared of 7 cents per share relating to the 2012 financial year.

Cash from operating activities increased by 23.1% from R11.8 million to R14.5 million and Cash on hand increased by 9.6% when compared to the previous corresponding period; up from R95.6 million to R104.7 million.

## REVIEW OF OPERATIONS

### MediaWorx

MediaWorx has traditionally been a promoter of the technology services developed by FoneWorx on its managed proprietary technology platform. The technology offered via an ‘a la carte’ menu includes amongst others, services such as: Short Message Service, Interactive Voice Response, Multi Messaging Services, Web Design/Hosting, Fulfilment, Unstructured Supplementary Service Data and Instant Messaging.

MediaWorx has accordingly built a solid reputation of providing a broad range of technology services to well over 800 blue chip clients. This reputation and reliable offering has enabled MediaWorx to become the preferred service provider to a number of advertising agencies, corporates and media houses including SABC Mobile and DSTV Africa.

In addition, MediaWorx has established long-term relationships with many blue chip clients such as Pep Stores where MediaWorx provides the Instant Messaging and USSD applications for Pep Club which currently has in excess of 4.8 million unique users who generate in excess of one billion communication sessions between members on a monthly basis.

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During the period under review MediaWorx successfully established a number of 'eco systems' on behalf of blue chip clients. An example of this is Carling Black Label where close to one million unique entrants participated in developing a solid database around the brand. Through this, MediaWorx dispensed around 800 000 vouchers for instant airtime in consideration for participation. We anticipate growth in developing many more eco systems for large companies who need to build 'opt-in' databases in line with The Protection of Personal Information Act ("POPI").

MediaWorx has developed an African footprint offering a defined range of services in 36 countries in association with 89 mobile networks. MediaWorx has once again been awarded a number of high visibility campaigns such as Big Brother Africa, Big Brother South Africa and Survivor South Africa.

During the period under review MediaWorx has 're-engineered' itself to provide a much more fundamental and broader strategic offering to our existing clients and, in addition thereto, to open up new channels to gain new clients in varied sectors of the economy. This 're-engineering' in essence moves our solid technical offering to the periphery of our route to market and brings business processes, strategic consulting and knowledge creation to the core of our route to market. In simple terms, MediaWorx will play an increasing role as a management consulting firm and then apply its technology to facilitate the business process developed specifically for each of our clients.

The core of our knowledge creation consulting is underpinned by our new business process called Knowledge 350° which is a roadmap that comprises 15 well-crafted and designed business processes aimed at:

- Increasing a business's knowledge about its customers, its market, regulations and includes a sustainability evaluation.
- Moving a company's marketing strategy from mass marketing to one-to-one marketing.
- Building databases to create granularity around a single customer view as opposed to 'clustered views'.

POPI which has now been signed and promulgated into law, will have a dramatic impact on marketing, IT, security, data management and processing. Knowledge 350° and its associated proprietary tools will provide companies a clear road map to not only be compliant with POPI, but also increase their knowledge of customers and market more effectively based on knowledge creation and the unlocking of economic value.

The Knowledge 350° integrated roadmap includes: surveys, market research, gamification, search engine optimisation, web evaluation, social networking interfaces, loyalty services and creating new customer experiences on a bespoke basis.

Knowledge 350° will enhance MediaWorx by:

- Introducing new revenue streams via strategic consulting.
- Establishing new markets, thus broadening the geographic and sectoral footprint of MediaWorx.
- Establishing long-term relationships with clients as opposed to our traditional ad hoc short-term relationships.

Knowledge 350° has already shown good results in its early 'soft launch' phase by enabling MediaWorx to secure many new blue chips clients with good prognoses of long-term relationships.

With POPI forming an important thread throughout the Knowledge 350° process, we anticipate huge interest in our new offering particularly within the next 24 months as businesses grapple with the impact of POPI.

Knowledge 350° has opened up exciting avenues for potential acquisitions of companies that complement the underlying business process and executive management are currently evaluating various options in this regard.

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## **BizWorx**

BizWorx provides Fax2Email, Email2Fax, corporate SMS, virtual airtime and bespoke services.

Fax2Email continues to provide solid annuity income albeit with pedestrian growth. During the six months under review our automated platform processed over 30 million unique images which translates to an average of around 230 000 per working day. The reverse of Fax2Email, which is Email2Fax, has shown good growth on a day-to-day basis and shows promising growth. Email2Fax is a prepaid model with no bad debts and Fax2Email is underpinned by Telkom as the carrier and billing agent for the service, providing secure risk-free annuity revenue.

Both services are fully automated with built in redundancy and diversity and thus have very little impact on capex or additional human resource for maintenance or growth.

We anticipate BizWorx's services to continue providing solid annuity income whilst enabling the group to continue to incubate and grow new products and services.

## **Call Centre**

During the period under review the call centre has been increased from 20 seats to 70 seats. New state-of-the-art systems have been included in the revamp and include: voice over IP applications, new voice logging capabilities and enhanced facilities.

FoneWorx has primarily, via MediaWorx, secured a number of blue chip clients for the call centre typically on the back of other services offered by MediaWorx. This has created additional revenue streams which we anticipate to continue into the next six months and beyond.

Due to the fact that MediaWorx and the other operating divisions provide turnkey solutions to clients, call centre applications form an integral part of most campaigns enabling the call centre to grow in pace with services that are promoted by MediaWorx.

As previously mentioned, additional seats have also been added in the call centre to facilitate the data capture for Caxton's Dealfinder which is an online portal that showcases the most relevant, up-to-date and exciting deals offered by retailers throughout South Africa.

## **Fulfilment Services**

A new and larger fulfilment centre has been established at our Head Office in Randburg to cater for the increase in fulfilment services which are aligned to the Fast Moving Consumer Goods promotional campaigns and new clients which we intend to attract using the enhanced Knowledge 350° process. The new fulfilment centre will also cater for fulfilment for Caxton magazines where entrants to promotional competitions receive benefits or samples from various brands within the Caxton stable.

With many of the promotional services provided by MediaWorx, fulfilment together with the call centre provide an integral solution and we anticipate that fulfilment as a service will also grow incrementally with the growth of additional MediaWorx services.

## **IDWorx**

IDWorx is a cloud-based private vault for storing personal information all in one place.

This product is aimed specifically at individuals across the LSM spectrum and will enable subscribers to not only comply with regulatory compliance such as FICA, FAIS and RICA, but will also assist them in the regulatory requirements of POPI. Being a cloud-based application, the service incorporates mobile apps for all major handset operating systems. The service enables subscribers to consolidate important documents, medical records and the like into a single secure vault and then have the control to 'push' documents to service providers requiring these documents or simultaneously allowing selected companies or individuals to 'pull' documents from the secure vault with an audit trail of persons who have accessed their personal database.



We anticipate that this product, branded as YourIdentity4U, will play a pivotal role in the regulatory requirements of POPI, where the application can be used by individuals within an organisation who are required to store documents in a particular secure format in line with the requirements of POPI and also enable the individual to manage the documents in an appropriate and secure fashion.

### **Loyalty Services**

During the period under review FoneWorx entered into an agreement with Sinfic, a company based in Portugal and operating in Brazil, Europe and Africa, for the exclusive use (in South Africa) of a loyalty programme which has been developed over the last 8 years.

The loyalty programme provides a fully-fledged treasury system, catalogue and Application Programming Interfaces for connections to point of sale devices, cell phones and tablets.

The loyalty programme will generate a new revenue stream for FoneWorx as a stand-alone application and as an element of Knowledge 350°, where the application will be used as a profiling and measurement tool.

### **PROSPECTS**

We remain optimistic about the next six months to our financial year end in June 2014. We are very excited about the re-engineered MediaWorx route to market incorporating Knowledge 350° as we believe that 'knowledge' will become the next intellectual property for corporations, specifically as there has been a dramatic move to one-to-one marketing which has been facilitated by the massive roll-out of smart devices enabling consumers to access information that is relevant to them as and when required. It is imperative going forward (not only due to legislative requirements such as POPI) that companies become sensitive to the fact that consumers are becoming more demanding and require a relevant dialogue particularly through engagement via various digital channels. In order to create the relevant dialogue, companies must develop single customer views and deep granularity around each customer so as to communicate in the most relevant fashion possible.

Knowledge 350° will assist clients in this process and enable FoneWorx to build intelligent databases with intuitive marketing interfaces that can communicate effectively to 'connected consumers' in relevant and selected channels.

We accordingly anticipate good growth in MediaWorx over the next six months with the deployment of Knowledge 350° which will then facilitate the acceleration of a number of the technical services which have been developed by FoneWorx over the last 17 years in a structured format.

Our enhanced call centre, fulfilment centre and new loyalty programme all augur well for enhanced earnings.

We are also actively evaluating niche acquisitions to complement our new Knowledge 350° business process.

We would like to thank our Directors, management, employees, dealers, partners and other stakeholders for their continued support.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited as at 31 December 2013 R'000	Unaudited as at 31 December 2012 R'000	Audited as at 30 June 2013 R'000
	Growth			
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>24 338</b>	25 627	24 716
Property, plant and equipment		<b>15 514</b>	16 800	15 893
Intangible assets		<b>8 824</b>	8 827	8 823
<b>Current assets</b>		<b>126 932</b>	112 802	134 966
Inventory		<b>490</b>	391	348
Current tax receivable		-	1 523	39
Trade and other receivables		<b>21 691</b>	15 268	25 244
Cash and cash equivalents		<b>104 751</b>	95 620	109 335
<b>Total assets</b>		<b>151 270</b>	138 429	159 682
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>		<b>123 686</b>	114 042	126 571
Share capital		<b>136</b>	136	136
Share premium		<b>52 489</b>	35 619	52 488
Accumulated profits		<b>71 061</b>	78 287	73 947
<b>Non-current liabilities</b>		<b>4 890</b>	6 943	4 908
Interest bearing liabilities		<b>3 974</b>	5 643	4 574
Deferred tax liability		<b>916</b>	1 300	334
<b>Current liabilities</b>		<b>22 694</b>	17 444	28 200
Trade and other payables		<b>16 411</b>	12 905	20 020
Provisions		<b>4 468</b>	2 878	6 303
Tax payable		<b>346</b>	-	-
Unclaimed dividends		-	47	69
Current portion of non-current liabilities		<b>1 469</b>	1 614	1 808
<b>Total equity and liabilities</b>	9.28%	<b>151 270</b>	138 429	159 679
Net asset value per share (cents)	8.46%	<b>90.94</b>	83.85	93.07
Net tangible asset value per share (cents)	9.17%	<b>84.46</b>	77.36	86.58
Number of shares in issue		<b>136 002 041</b>	136 002 041	136 002 041



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Unaudited six months ended 31 December 2013 R'000</b>	Unaudited six months ended 31 December 2012 R'000	Audited 12 months ended 30 June 2013 R'000
	Growth			
<b>Revenue</b>	32.1%	<b>63 279</b>	47 897	107 367
Cost of Sales		<b>(26 822)</b>	(17 980)	(41 180)
<b>Gross profit</b>	21.86%	<b>36 457</b>	29 917	66 187
Other operating income		<b>603</b>	30	659
Staff costs		<b>(12 600)</b>	(7 686)	(19 102)
Depreciation and amortisation expense		<b>(2 432)</b>	(2 150)	(4 520)
Other operating expenses		<b>(5 468)</b>	(5 163)	(11 875)
<b>Operating profits</b>		<b>16 560</b>	14 948	31 349
Finance costs		<b>(228)</b>	(294)	(547)
Investment income		<b>2 674</b>	2 548	4 833
<b>Profit before tax</b>	10.5%	<b>19 006</b>	17 202	35 635
Income tax expense		<b>(5 572)</b>	(4 992)	(10 704)
<b>Profit for the period</b>	10.02%	<b>13 434</b>	12 210	24 931
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>	10%	<b>13 434</b>	12 210	24 931
<b>Profit attributable to the equity holders of the parent company</b>	10%	<b>13 434</b>	12 210	24 931
Weighted average number of shares in issue		<b>136 002 041</b>	136 002 041	136 002 041
Basic earnings per share (cents)	<b>10%</b>	<b>9.88</b>	8.98	18.33
Headline earnings per share (cents)*	<b>10%</b>	<b>9.88</b>	8.98	18.33
Diluted earnings per share(cents)	<b>10%</b>	<b>9.88</b>	8.98	18.33

\*There have been no headline earnings adjustments between earnings per share and headline earnings per share.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital R'000	Share Premium R'000	Total Share R'000	Retained Income R'000	Total Equity R'000
<b>Audited balance at 1 July 2012</b>	<b>136</b>	<b>36 373</b>	<b>36 509</b>	<b>75 597</b>	<b>112 106</b>
Changes in equity					
Total comprehensive income for the period	-	-	-	12 210	12 210
Cost to issue equity	-	(754)	(754)	-	(754)
Dividends	-	-	-	(9 520)	(9 520)
<b>Total changes</b>	<b>-</b>	<b>(754)</b>	<b>(754)</b>	<b>2 690</b>	<b>1 936</b>
<b>Unaudited balance at 1 January 2013</b>	<b>136</b>	<b>35 619</b>	<b>35 755</b>	<b>78 287</b>	<b>114 042</b>
Changes in equity					
Total comprehensive income for the period	-	-	-	12 721	<b>12 721</b>
Share repurchase 1 October 2012	(40)	(36 373)	(36 413)	(17 062)	<b>(53 475)</b>
Share issue 1 October 2012	40	53 435	53 475	-	<b>53 475</b>
Cost to issue equity	-	(192)	(192)	-	<b>(192)</b>
Dividends	-	-	-	-	-
<b>Total changes</b>	<b>-</b>	<b>16 870</b>	<b>16 870</b>	<b>(4 341)</b>	<b>12 529</b>
<b>Audited balance at 1 July 2013</b>	<b>136</b>	<b>52 489</b>	<b>52 625</b>	<b>73 946</b>	<b>126 571</b>
Changes in equity					
Total comprehensive income for the period	-	-	-	13 434	13 434
Dividends	-	-	-	(16 319)	(16 319)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 885)</b>	<b>(2 885)</b>
<b>Unaudited balance at 31 December 2013</b>	<b>136</b>	<b>52 489</b>	<b>52 625</b>	<b>71 061</b>	<b>123 686</b>





## CONSOLIDATED STATEMENT OF CASH FLOWS

		<b>Unaudited six months ended 31 December 2013 R'000</b>	Unaudited six months ended 31 December 2012 R'000	Audited 12 months ended 30 June 2013 R'000
	Growth			
<b>Cash flow from operating activities</b>	23.1%	<b>14 529</b>	11 803	28 022
Net cash generated from operations		<b>16 862</b>	14 510	33 889
Finance costs		<b>(228)</b>	(294)	(547)
Investment income		<b>2 674</b>	2 548	4 833
Normal tax paid		<b>(4 779)</b>	(4 961)	(10 153)
<b>Cash flow from investing activities</b>	42.2%	<b>(1 959)</b>	(3 388)	(4 847)
Purchase of property, plant and equipment		<b>(616)</b>	(428)	(890)
Proceeds on disposal of property, plant and equipment		<b>96</b>	-	-
Expenditure on product development		<b>(1 439)</b>	(2 960)	(3 957)
<b>Cash flow from financing activities</b>	(47.71%)	<b>(835)</b>	(1 597)	(2 665)
Dividends paid	71.42%	<b>(16 319)</b>	(9 520)	(9 497)
Net increase in cash and cash equivalents		<b>(4 584)</b>	(2 702)	11 013
Cash and cash equivalents at beginning of the period		<b>109 335</b>	98 322	98 322
<b>Cash and cash equivalents at end of the period</b>	9.55%	<b>104 751</b>	95 620	109 335

## 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 2013. 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, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the Listings Requirements of the JSE.

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

The unaudited consolidated interim results for the six months ended 31 December 2013 have not been 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. 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 reportable segments:

- BizWorx: the segment focusing on business related products; and
- MediaWorx: the segment focusing on information and entertainment services.

	<b>Unaudited six months ended 31 December 2013 R'000</b>	Unaudited six months ended 31 December 2012 R'000	Audited 12 months ended 30 June 2013 R'000
<b>Revenue</b>			
BizWorx	<b>32 912</b>	28 342	64 922
MediaWorx	<b>30 367</b>	19 555	42 445
	<b>63 279</b>	47 897	<b>107 367</b>
<b>Cost of sales</b>			
BizWorx	<b>(7 998)</b>	(7 247)	(15 597)
MediaWorx	<b>(18 824)</b>	(10 733)	(25 583)
	<b>(26 822)</b>	(17 980)	<b>(41 180)</b>
<b>Gross Profit</b>			
BizWorx	<b>24 914</b>	21 095	<b>49 325</b>
MediaWorx	<b>11 543</b>	8 822	<b>16 862</b>
	<b>36 457</b>	29 917	<b>66 187</b>

The accounting policies applied to the operating segments are 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, 5.1% (2012: 4.3%) of MediaWorx’s 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 47.7% (2012: 45.5%) of its revenue through two large network service providers and BizWorx generated 96.5% (2012: 94.2%) 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.

## **CHANGES TO THE BOARD**

The following appointments were made to the Board during the period under review:

### **Independent Non-Executive Directors**

Paul Jenkins (appointed on 17 September 2013)

Roger Pitt (appointed on 17 September 2013)

### **Non-Executive Directors**

Marc du Plessis (appointed on 17 September 2013)

Piet Greyling (appointed on 18 September 2013)

For and on behalf of the board

Ashvin Mancha  
Chairman

Mark Smith  
Chief Executive Officer

Pieter Scholtz  
Financial Director

Johannesburg  
28 February 2014



Directors: Ashvin Mancha\*\* - Chairman,  
Mark Smith – Chief Executive Officer, Pieter Scholtz - Financial Director,  
Gaurang Mooney\* (Botswana), Graham Groenewaldt – Sales Director,  
Paul Jenkins\*\* , Roger Pitt\*\* , Marc du Plessis#, Piet Greyling#

# *Non-executive*

\* *Independent*

Website: [www.foneworx.co.za](http://www.foneworx.co.za)

Company Secretary: P A Scholtz (CA (SA))

Designated Adviser: Merchantec Capital

Transfer Secretaries: Computershare Investor Services Proprietary Limited