

INFOWAVE HOLDINGS LIMITED

(Registration number 1998/017276/06
Share code: IFW ISIN: ZAE000016440
("InfoWave" or "the company")

Abridged Consolidated Income Statement (unaudited)

	6 months ended 31 August 2006 R'000	6 months ended 31 August 2005 R'000	Year ended 28 February 2006 R'000
Revenue	25 958	17 683	34 398
Profit from operations (before interest)	3 984	3 462	6 761
Net interest income	95	60	140
Preference dividends received	134	137	273
Revaluation of listed preference shares	(436)	4	308
Share of profit from associate	422	88	55
Profit before taxation	4 199	3 751	7 537
Taxation	(1 713)	(1 406)	(2 530)
Normal taxation	(1 348)	(1 102)	(2 226)
Secondary taxation on companies	(365)	(304)	(304)
Profit for the period	2 486	2 345	5 007
Attributable to minorities	(155)	–	–
Attributable to ordinary shareholders	2 641	2 345	5 007
Headline profit			
Profit attributable to ordinary shareholders	2 641	2 345	5 007
Headline profit	2 641	2 345	5 007
Number of ordinary shares in issue ('000)	86 906	85 572	85 821
Weighted average ordinary shares in issue ('000)	86 546	84 831	85 280
Headline earnings per ordinary share (cents)	3,05	2,76	5,87
Earnings per ordinary share (cents)	3,05	2,76	5,87
Fully diluted earnings per share (cents)	3,02	2,70	5,74
Return on equity (%)	22,12	23,02	42,37
Return on assets (%)	13,51	16,30	31,87

Abridged Consolidated Cash Flow Information (unaudited)

	6 months ended 31 August 2006 R'000	6 months ended 31 August 2005 R'000	Year ended 28 February 2006 R'000
Cash flows from operating activities			
Profit from operations (before interest and dividends)	3 984	3 462	6 761
Adjustment for:			
Share-based payment expense	161	139	329
Depreciation and amortisation	494	235	536
Cash generated from operations, before working capital changes	4 639	3 836	7 626
Working capital changes			
Increase in receivables	(2 551)	(745)	(457)
Increase in payables	666	141	569
Cash generated from operations	2 754	3 232	7 738
Taxation paid	(1 507)	(1 312)	(2 598)
Net interest income	95	60	140
Preference dividends received	134	137	273
Dividend paid to shareholders	(3 021)	(2 567)	(2 567)
Net cash (outflow)/inflow from operating activities	(1 545)	(450)	2 986
Cash flow from investing activities			
Acquisition of equipment	(268)	(174)	(464)
Investment in intangible assets	–	–	(425)
(Increase)/decrease in investment in associated company	(137)	–	29
Acquisition of subsidiaries	(626)	–	–
Sale of minority stake in subsidiaries	261	–	–
Net cash outflow from investing activities	(770)	(174)	(860)
Cash flows from financing activities			
Proceeds from share issues	210	334	356
Net cash outflow from financial activities	210	334	356
Net (decrease)/increase in cash resources	(2 105)	(290)	2 482
Cash resources at beginning of period	4 254	1 772	1 772
Cash resources on acquisition of subsidiaries	246	–	–
Cash resources at end of period	2 395	1 482	4 254

Directors' Comment

These results have been prepared in accordance with International Financial Reporting Standards (IFRS). There have been no changes in accounting policies.

The directors endorse the aims of the King Report on Corporate Governance in conducting the affairs of the company with integrity and in accordance with the highest standards of corporate practice. The company is committed to the principles of openness, integrity and accountability in its dealings with all its stakeholders.

Report to the Stakeholders

Financial results

Revenue grew 46,8% over the comparative period in the prior year to R26 million. ApplyIT which was acquired with effect from 1 March 2006, contributed R4,1 million to revenue during the period, which accounted for half of the growth in revenue.

InfoWave (Pty) Limited and InfoWave Internet Solutions (Pty) Limited performed well in the period under review growing revenue by 23,6% and profit after tax by 21,7% due to strong demand for project work. Although

UNAUDITED GROUP RESULTS

for the six months ended 31 August 2006

Ukuze uthole imphumela yesingisi uyacelwa ukuba ubheke kwi "website" ethi www.infowave.co.za.

Abridged Consolidated Balance Sheet (unaudited)

	31 August 2006 R'000	31 August 2005 R'000	28 February 2006 R'000
Assets			
Non-current assets			
Property and equipment	936	518	613
Intangible assets	545	24	342
Goodwill	44	–	–
Investment in associated company	647	393	214
Deferred taxation asset	215	296	198
	2 387	1 231	1 367
Current assets			
Trade and other receivables	10 640	7 413	7 328
Listed preference shares*	4 131	4 262	4 567
Cash resources	2 395	1 482	4 254
	17 166	13 157	16 149
Total assets	19 553	14 388	17 516
Equity and liabilities			
Capital reserves			
Issued capital	9	9	9
Share premium	671	438	461
Share-based payment reserve	624	273	463
Accumulated profit	12 066	9 784	12 446
Equity attributable to ordinary shareholders	13 370	10 504	13 379
Minority interest	436	–	–
	13 806	10 504	13 379
Non-current liabilities			
Deferred taxation liability	77	114	203
Current liabilities			
Trade and other payables	5 671	3 770	3 934
Total equity and liabilities	19 553	14 388	17 516
Net asset value	13 370	10 504	13 379
Net asset value per ordinary share (cents)	15,38	12,28	15,59
Liquidity ratio (times)	3,03	3,45	4,10
Solvency ratio (times)	3,40	3,70	4,23
Market price per share			
Close (cents)	55	50	65
High (cents)	72	50	65
Low (cents)	50	33	32
Capital expenditure for the period	268	174	464
Capital expenditure authorised	891	348	744

* These comprise an investment in Standard Bank preference shares and have a coupon rate of 70% of prime.

ApplyIT contributed a loss of R0,15 million to the group, this represents a significant improvement over its historic performance prior to its acquisition. This improved performance is in line with the group's projection on which the investment was based. The start up company InfraSoft which markets the DevMan product in the public sector underperformed against expectations due to longer than expected sales cycles and contributed a loss of R0,2 million. The market has expressed very positive sentiments about the product and increased focus is being placed on closing the sales opportunities. The share of profits before tax from the associated company, Adapt-IT, which focuses in the public sector grew by 480% to R0,5 million, exceeding expectations.

Cash resources reduced by R1,9 million since year end primarily due to the investment in ApplyIT and the improved annual dividend. Surplus cash of R4,1 million is invested in listed preference shares which devalued by R0,4 million during the interim period.

Profit attributable to ordinary shareholders grew 12,6% to R2,6 million (R2,3 million) while earnings per share grew by 10,5% to 3,05 (2,76) cents per share on the comparative period in the prior year.

The group has a strong balance sheet and has surplus cash retained for investment in acquisitive growth opportunities.

Dividend

Ordinary dividend number 4 of 3,67 cents per share was paid to shareholders on 12 June 2006. This represented a dividend cover of 1,6 times. The company has a policy to declare dividends at the end of the financial year and not at the interim reporting date.

Strategy

In parallel with driving organic growth of the core business, it is the group's strategy to diversify by acquisitive growth in the niche software products space. InfoWave acquired a 63,8% stake in niche software and solutions business Apply-IT (Pty) Limited with effect from 1 March 2006. ApplyIT specialises in operational, health, safety, environment and quality management systems.

The Board

There have been no changes in the board's composition since 28 February 2006.

BEE

InfoWave Holdings Limited is 25% black-owned and a total of 61% of employees across all group companies are black. InfoWave remains committed to genuine broad based transformation across all aspects of the Department of Trade and Industry's Codes of Good Practice.

Prospects

The prospects of the core business for the remainder of the financial year are sound. Focus is being placed on the performance of ApplyIT and InfraSoft to ensure their success, sustainability and positive contribution to the group. InfoWave will continue to pursue acquisitive growth opportunities in line with our strategy.

Appreciation

InfoWave marked its tenth anniversary on 1 June 2006 and expressed thanks to its customers for the success of the longstanding relationships with them. The group also recognises all employees for their dedication and hard work, and in particular those who have served the company since its founding.

On behalf of the board

RP Collis

Non-executive chairman

T Dunsdon

Chief executive officer

Durban

6 October 2006



Group Statement of Changes in Equity (unaudited)

	Share capital R'000	Share premium R'000	Accumulated profit R'000	Share-based payment reserve R'000	Attributable to equity holders of InfoWave R'000	Minority interest R'000	Total R'000
Balance at 28 February 2005	8	105	10 006	134	10 253		10 253
Net profit for the year	–	–	5 007	–	5 007		5 007
Shares issued during the year	1	356	–	–	357		357
Share-based payment reserve	–	–	–	329	329		329
Dividend paid	–	–	(2 567)	–	(2 567)		(2 567)
Balance at 28 February 2006	9	461	12 446	463	13 379		13 379
Subsidiary acquired						591	591
Net profit for the period	–	–	2 641	–	2 641	(155)	2 486
Shares issued during the period		210	–	–	210		210
Share-based payment reserve	–	–	–	161	161		161
Dividend paid	–	–	(3 021)		(3 021)		(3 021)
Balance at 31 August 2006	9	671	12 066	624	13 370	436	13 806

Directors

RP Collis (*Non-executive Chairman*)
T Dunsdon (*Chief Executive Officer*), MCB Lionnet, CL von Pannier
C Jessop, BR Carrilho, WK Shuenyane (*non-executive director*)
P Aposporis*, Dr AB Ravnö*
(*Independent non-executive directors)

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