

FONE ZONE GROUP LIMITED

ABN 62 113 178 519

APPENDIX 4D

Half-Year Report For the six months ended 31 December 2007

Results for announcement to the market

(this information should be read in conjunction with the most recent annual financial report)

Extracts of the Fone Zone Group Limited results for the half year ended 31 December 2007.

REVIEW AND RESULTS OF OPERATIONS

	Half-year ended 31 December 2007 \$000s	Half-year ended 31 December 2006 \$000s	Growth %
Total operating revenue	148,502	99,129	49.8%
Gross operating margin	54,829	42,573	28.8%
Earnings before interest, taxation, depreciation and amortisation	12,155	6,097	99.4%
Earnings before interest and taxation	9,407	3,264	188.2%
Net profit for the period attributable to members	6,250	1,940	222.2%
Earnings per share (cents)	4.60 cents	1.55 cents	196.8%

The strong revenue growth of \$49.373 million was driven by the strategic acquisition of Next Byte (completed in September 2007) as well as by improved sales within the Fone Zone business as a result of the improvement in the MRO/subsidy mix within the growing NextG handset range.

The availability of a broader NextG handset range and the increase in the MRO percentage in the sales mix back towards traditional levels has also bolstered Fone Zone's operating margins from 43% to 45%. The Next Byte business traded as expected with a gross operating margin of 21% resulting in a net group operating margin of 37%.

The Next Byte acquisition demonstrates Fone Zone's intention to diversify the income and profit streams of the group. As part of this diversification process, further investment has been made in strengthening both the management expertise and the IT infrastructure, systems and processes to allow us to operate within a multi branded, multi product environment.

In addition to the initial Next Byte transaction there have been a further 3 successful smaller acquisitions within the Apple Re-Seller channel which have been re-branded and are now successfully operating under the Next Byte brand.

The Next Byte brand has traded in line with our expectations and continues to grow strongly off the back of Apple's new range of iPods and more significantly, Apple's increasing share of the computer market.

Cash Flow

Net cash flow from operating activities is abnormally high due to \$15.1m in December 07 trade creditors being paid in early January 08.

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Dividends

The company has resolved to pay a fully franked dividend of 2.5 cents per share.

The dividend will be payable on 2 April 2008 and the record date for determining entitlements to the final ordinary dividend payable is 12 March 2008.

Other information

Net tangible asset backing (9.7) cents per share (2006: 2.5 cents per share)

Entity over which control has been gained during the period

On 1 September 2007 Fone Zone Group Limited acquired 100% ownership of Next Byte Holdings Pty Ltd.

From the date of acquisition, Next Byte Holdings Pty Ltd has contributed \$2.158Million to the net profit after tax of the group.