Annual Report 2011

FoneWorx

FoneWorx Holdings Limited

(Registration number: 1997/010640/06)

Contents

Directors and Administration

Company registration number
1997/010640/06

JSE share code
FWX

Website
www.foneworx.co.za

Directors
Executive
Mark Allan Smith (BA LLB) – Chief Executive Officer
Pieter Albertus Scholtz (CA(SA)) – Financial Director
Ronald Graver
Robert Russell

Non-executive
Ashvin Govan Mancha* (B Proc) - Chairman
Gaurang Mooney* (BA) (Botswana)
(* Independent)

Business address and registered office
FoneWorx House, Corner Bram Fischer Drive and Will Scarlet Road, Ferndale, Randburg, 2194
PO Box 3386, Pinegowrie, 2123
Telephone +27 11 293 0000
Fax 086 610 1000, +27 11 787 2137

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Telephone +27 11 370 7700, Fax +27 11 688 7716
Website www.computershare.com

Auditors
PKF (Jhb) Inc.

Attorneys
Martini-Patlansky Attorneys

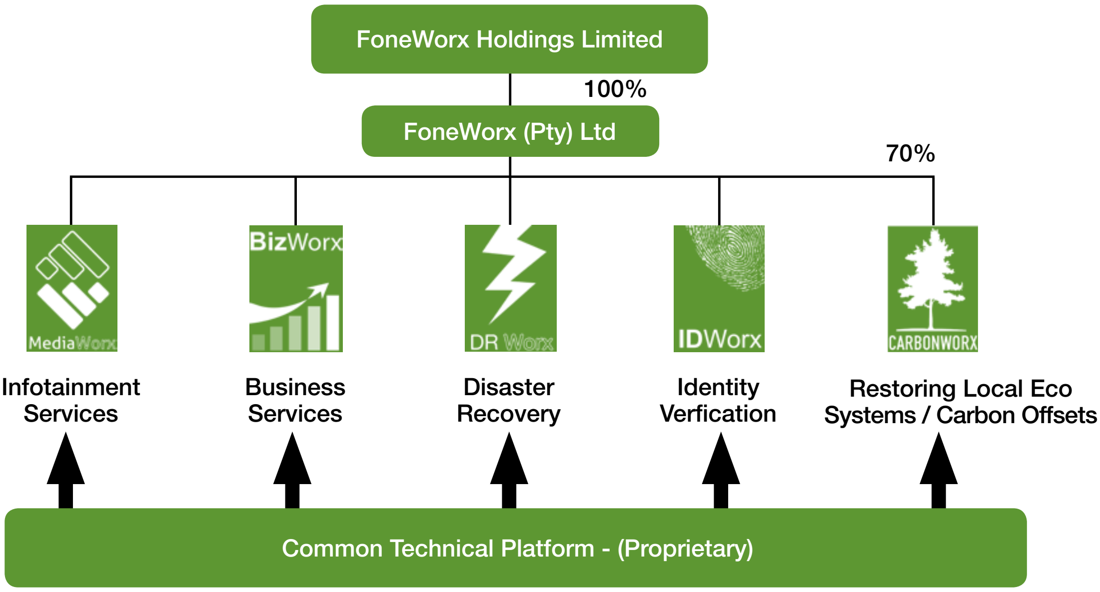
Bankers
First National Bank Limited
Investec Bank Limited

Company Secretary
P A Scholtz (CA(SA))
PO Box 3386, Pinegowrie, 2123

Designated Adviser
Merchantec (Proprietary) Limited

Profile

FoneWorx (Proprietary) Limited, being the main trading subsidiary of FoneWorx Holdings Limited ("FoneWorx" or "the Company" or "the Group"), contributes the majority of the Group's revenue. FoneWorx (Proprietary) Limited has five broad divisions, each of which has defined brand names as set out hereunder:



MediaWorx

MediaWorx provides infotainment services incorporating Short Message Services ("SMS"), Interactive Voice Reponse ("IVR"), Multi Media Services ("MMS") and similar type applications orientated towards the Fast Moving Consumer ("FMCG") Goods environment, advertising agencies, corporates, Non-Governmental Organisations ("NGOs"), government and any institution requiring interactive services. MediaWorx is the preferred service provider to the SABC by virtue of an existing contract and is also the preferred service provider to MultiChoice for services into Africa.

MediaWorx has relationships with 88 networks in 37 African countries and manages around 850 individual campaigns per annum.

BizWorx

BizWorx is the business service arm of FoneWorx, providing a broad range of business applications orientated around small, medium and micro enterprises ("SMMEs") and also incorporates facilities designed specifically for larger corporations or NGOs. BizWorx incorporates a broad range of applications including, but not limited to:

Fax2Email	Web2Fax	IVR
Mobi Website Hosting	Disaster Recovery	Conference Call
MMS	Telco Services	Auto Receptionist
SurveyOnline	Airtime	Address Book
Email	Diary	Classifieds
SMS	Accounting	Business Plans
Business and Legal Forms	Business Management	Credit Card Processing

Profile

BizWorx distributes its broad range of services via a dealer network, and operates through various points of presence. BizWorx has its own proprietary platform for the hosting and management of the various BizWorx applications incorporating Fax2Email and PC2Fax. BizWorx launched Fax2Email approximately six years ago and has developed exceptional technologies in document imaging and management, conversion of hard copy to digital format (tiff or pdf – encrypted or non-encrypted) and the submission of such digital image to email addresses or web pages. BizWorx currently processes approximately 300 000 unique images per day.

Furthermore, BizWorx provides professional services to and designs bespoke services for corporates who wish to incorporate a range of our business services to provide “unified messaging” applications.

IDWorx

IDWorx specialises in identity verification and anti-money laundering solutions (“AML”). In the South African context, this is motivated by legislation such as the Financial Intelligence Centre Act, No. 38 of 2001 (“FICA”) and the Regulation of Interception of Communications and Provision of Communication-related Information Act, No. 70 of 2002 (“RICA”).

Throughout the IDWorx application, FoneWorx continuously strives to provide best verification applications which can be adapted to various institutions and their individual requirements.

CarbonWorx

The primary objectives of CarbonWorx can be defined as:

- the restoration of local eco systems, particularly in rural areas or urban areas where land has been deforested. These identified areas are reforested with endemic or indigenous trees;
- carbon offsetting on a voluntary basis;
- education of scholars and rural communities to develop and maintain indigenous forests;
- the creation of jobs by virtue of the forestation projects;
- food security, incorporating vegetable planting schemes aligned to the forestation projects; and
- the planting of indigenous fruit bearing or medicinal trees to provide a purpose for forestation from a social prospective, which include: cultural, religious and leisure.

The CarbonWorx architecture uses the common platform deployed by FoneWorx for its existing MediaWorx, BizWorx and IDWorx services, as it is a card-based application which uses the various technologies developed by FoneWorx.

DRWorx

DRWorx provides back-up and hosting services, as well as continuity in the event that a client subscribing to the facility encounters floods, fire, telecommunication or electricity outages. DRWorx is a niche hosting and workflow provider aimed specifically at the stockbroking fraternity and small and medium enterprises. A complete state-of-the-art hosting environment has been developed for this application and provides diverse and redundant forms of communications incorporating voice and data feeds.

Chief Executive Officer's Review

Although for the year under review, the Group is marginally down on last year's revenue and net profit before tax, I am satisfied with the Group's overall performance and the positive platform established for the next reporting period.

Financial highlights for the year under review include:

- An increase of 17.1 % in net asset value to R97.1 million from R82.9 million.
- Cash and cash equivalents up by 10.7% from R74.1 million to R82.0 million.
- Group revenue steady at R91.5 million (2010: R91.9 million).
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 1.3% to R28.7 million (2010: R29.1 million).
- Dividend to be paid up 22.2% to 5.5 cents per share from 4.5 cents per share.

The downturn in revenue and net profit before tax materialised mainly due to:

- the negative impact which the 2010 World Cup had on the first six months of the financial year ended 30 June 2011;
- a slow-down in MediaWorx campaigns as a result of uncertainty around the introduction of the Consumer Protection Act 68 of 2008 ("Consumer Protection Act") and relevant regulation, which has subsequently been clarified with the publication of the regulations;
- the cancellation of the Telkom Charity Cup;
- timing delays in certain client campaigns, which have rolled over into the new financial period; and
- generally poor prevailing economic conditions resulting in protracted deal cycles.

Despite the abovementioned factors, Foneworx has a positive inflow of cash.

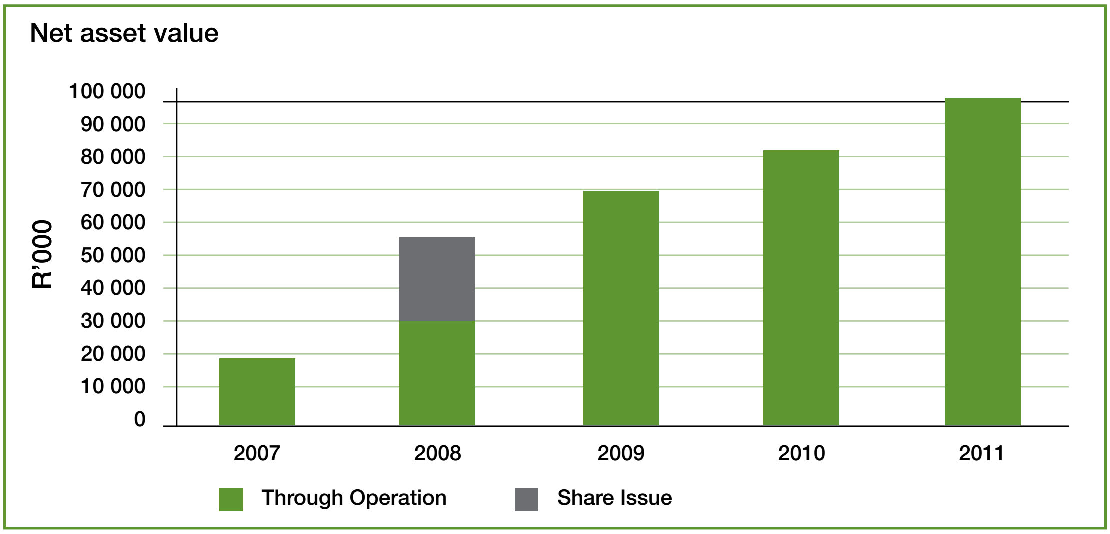
The Group constantly strives to improve its products and service offering to its customers and dealers, and I am pleased that great strides were made in this regard during the year under review, thereby establishing a solid platform for our next financial year.

Financial Performance

Net asset value

The net asset value of the Group has increased to R97.1 million (2010: R82.9 million) over the past year, an increase of 17.1%. Cash and cash equivalents have increased by 10.7% to R82.0 million (2010: R74.1 million).

Increase in net asset value from 2007 to 2011 is set out below.



Chief Executive Officer's Review

The Group consistently looks for value adding acquisitions that complement its five divisions and cash on hand would be used for an appropriate acquisition.

In addition, a portion of the Group's cash resources will be used in deploying the Africa BizWorx Fax2Email expansion.

Revenue

The Group's revenue has remained steady at R91.5 million (2010: R91.9 million). Revenue is made up as follows:

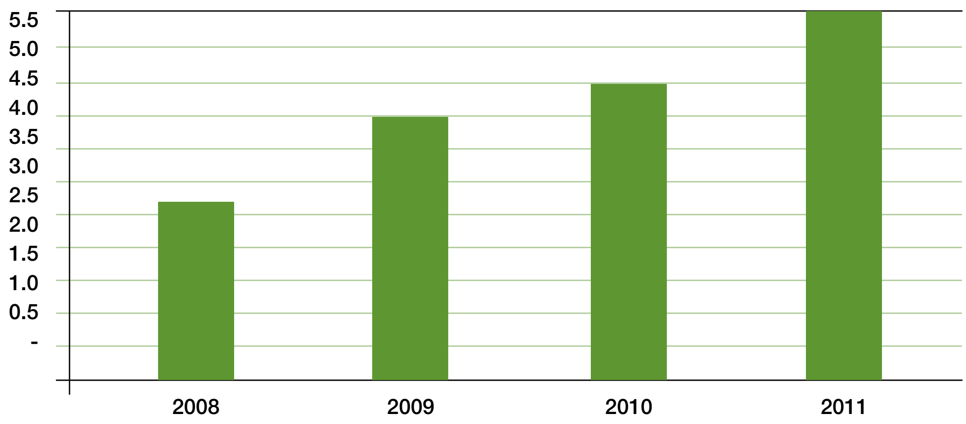
• BizWorx:	R64.4 million	(2010: R64.3 million)
• MediaWorx:	R24.6 million	(2010: R26 million)
• Developing business units:	R2.5 million	(2010: R1.6 million)

Dividends

During the year under review the Group declared and paid a dividend of R6,120,092 (4.5 cents per share) (2010: R5,440,082 (4 cents per share)) being an increase of 12.5%.

On 22 September 2011, the directors declared a dividend of 5.5 cents per share relating to the profits for the period under review. The dividend comprise a regular dividend of 4.3 cents per share as well as a special dividend of 1.2 cents per share.

Dividend per share



Earnings

Earnings per share ("EPS") of the Group, based on the weighted average number of shares in issue decreased by 3.7% to 14.44 cents from 15 cents in the previous corresponding period. Headline earnings per share ("HEPS") decreased to 14.47 cents from 15.1 cents, a decline of 4.2%.

Profit before tax decreased by 3.2% to R27.8 million (2010: R28.7 million) and gross profit reduced by 3.5% to R55.5 million (2010: R57.7 million), equating to a gross profit margin of 60.6% (2010: 62.7%).

Net profit for the year under review decreased to R19.5 million (2010: R20.2 million) reflecting a 3.5% decrease.

Operational Performance

FoneWorx is predominantly an information, communication and technology company that focusses on switching various formats of voice and data through its distributed proprietary technology platform. The Group's extensive intellectual platform embedded in its technology enables it to provide a broad range of products and services which have been divisionalised and branded as follows:

MediaWorx

This division is the most mature and continues to perform well with its diverse range of bearer technologies incorporating, IVR, SMS, MMS, Unstructured Supplementary Services Data ("USSD") and mobi applications.

This division was exposed to the effects of uncertainty pertaining to the implementation of the Consumer Protection Act which was occasioned by the delay in the publication of the regulations. This caused a slowdown in a number of promotions and competitions as media houses, advertising agencies and Fast Moving Consumer brands were uncertain as to the regulated SMS rates and tariffs. Post the release of the regulations, clarity in the process and tariffs has resulted in a marked improvement in the number of campaigns. Although the maximum rate for promotions and competitions has been limited to R1.50 per SMS, the division has seen an increase in volumes which has mitigated revenue reductions.

During the year under review, this division successfully managed 750 campaigns for a number of established brands such as: Telkom Win Your Share, Telkom Charity Cup, Telkom Knockout, Cornetto, Top Billing, SA's Got Talent, SATMA Awards, Metro FM Awards, SA Sports Awards and PepTxt. It was unfortunate that the Telkom Charity Cup was cancelled by Telkom as FoneWorx has run this event for the past 8 years. However, the division continues to host and manage the Telkom Knock-Out which is much bigger this year and starts on 4 October 2011.

The Cape Town office moved into new leased premises on 21 July 2011. This move has improved the branding in Cape Town and places FoneWorx in a good position to manage the increase in work for the region.

MediaWorx Africa

MediaWorx has a presence in 37 countries in Africa comprising 88 mobile networks. It manages numerous SMS interactive campaigns, including such well-known brands as Big Brother Africa. During the year under review 14 campaigns were managed for major brands such as Big Brother, Face of Africa, and Naija Singhs.

This division hosts and manages a system for Samsung which maintains a data base to register mobile handsets for warranty purposes and to distinguish between grey imports and genuine devices.

BizWorx

During the year under review three independent technical platforms were deployed in Zambia, Nigeria and Kenya, following the formation of operating legal entities in these same three countries.

The installations of the technical platforms came with a number of logistical, regulatory, cultural and operational challenges, which required us to adapt our South African offering of Fax2Email and Web2Fax to meet the local requirements of these territories. The offering in these territories includes a pre-paid scratch card offering which minimises any bad debt and is very simple and easy to use. The technical platforms are running well on test and all the technical architecture, including the VOIP routing to the Group's Randburg Call Centre for customer care, is working well.

The Africa division has a number of challenges in the marketing roll-out in these territories, but remain very positive about these markets and revenue opportunities.

Chief Executive Officer's Review

IDWorx

This division develops and manages bespoke identity verification and image storage systems to corporate and governmental institutions.

The software and intellectual property is proprietary and can be effectively applied to meet the requirements of various forms of legislation, such as FICA, RICA and the Consumer Protection Act.

IDWorx continues to pilot one of these applications with CIPC (formerly the Companies and Intellectual Property Registration Office), which is used by agents who are required to manage on-line changes to certain company forms. IDWorx has also successfully developed a FICA application for the stockbroking industry and has piloted the application with a private stockbroking firm.

A new application for the security and leisure industry has been developed which will assist this sector with the identity management of its staff. This application will also be piloted in both the security industry (security officers / manned guarding) and tourism industry during the latter half of 2011.

Should the Protection of Personal Information Bill ("POPI") be passed into legislation, then the IDWorx application will provide a solution for a number of affected industries.

DRWorx

DRWorx is a niche disaster recovery and work-flow continuity solution aimed at the stockbroking fraternity and small businesses. During the year under review, the FoneWorx hosting and infrastructure environment was approved by the JSE Limited ("JSE") as an approved hosting site. Currently, three stockbroking firms have availed themselves of this facility as part of the Shared Infrastructure Providers ("SIPs") JSE accreditation policy.

CarbonWorx

This division has four main drivers which incorporate:

- **Carbon Footprint Evaluation**

  Many corporates are becoming more aligned to sustainability reporting and are conscious of the need to understand their own corporate footprint. CarbonWorx will assist companies to quantify their footprint in line with international standards ISO 14064 and the Greenhouse Gas Protocols.

- **Training**

  Understanding the impact of global warming and climate change is becoming an essential element of strategy and in understanding sustainability. The CarbonWorx two day training course will assist corporates to train staff in having a better understanding of the challenges being faced.

- **Afforestation and Carbon Sequestration**

  The primary driver is the restoration of eco systems, the creation of "green jobs" and the transfer of skills and education.

  CarbonWorx' strategy is aligned with the National Climate Change Response Green Paper of 2010 which, *inter alia:* "encourages agro-forestry and indigenous tree production as a potential socio economic benefit of environmentally integral planting regimes and tree breeding as an adaptive response to changing landscape conditions."

- **Afforestation and Carbon Sequestration *(continued)***

  CarbonWorx has formed a working relationship with The Champions of the Environment Foundation [Bantu Holomisa, Chairperson], Contralesa [Phatekile Holomisa] and the Department of Environmental and Water Affairs for the various afforestation initiatives. The first site in Mthatha, Eastern Cape was completed in the latter half of the year under review with the planting of over 3 000 indigenous trees in a fully verified site. Three larger sites are currently being developed and will create 76 jobs for members of the local communities for a minimum period of two years for the development of these sites.

  New sites in KwaZulu-Natal are currently being planned for similar community projects.

  All CarbonWorx's projects follow the guidelines of the Clean Development Mechanism ("CDM") as developed by the United Nations Framework Convention on Climate Change ("UNFCCC").

  With the build-up to the Conference of the Parties (COP 17) which will take place in Durban in November 2011, it is anticipated that this division will receive more traction.

- **Point Accumulation Programme**

  This division is currently signing up retail outlets who will provide green points to CarbonWorx cardholders who purchase goods or services from them. The cardholder can then redeem the points for trees via the CarbonWorx website.

Prospects

The board of directors of FoneWorx ("the Board") remains confident about the outlook for the ensuing year to June 2012. The beginning of the new financial year has been positive and the Board is hopeful that all the energy and work that was deployed in the year under review will start to reap the rewards going forward.

Despite its marketing challenges in various African territories, the Board believes that the development of the Fax2Email and Web2Fax services into Africa will render positive rewards.

MediaWorx and BizWorx continue to provide solid annuity income and the Board are positive that the newer divisions will provide new revenue streams to the Group and open up new channels for leveraging relatively untapped sectors of not only the South African economy, but also those in the rest of Africa.

I would like to thank my co-directors for their continued strategic and operational contributions to the growth of the Group.

A special thanks to all our staff and dealers for the part they have played over the past year.

In addition, I would like to thank our customers, suppliers and shareholders for their continued support.

Mark Smith
Chief Executive Officer
22 September 2011

Corporate Governance Report

for the year ended 30 June 2011

The board of directors of FoneWorx ("the Board") recognises the need to conduct the affairs of FoneWorx with integrity and in compliance with the King Code of Governance Principles, as set out in the King III Report ("King III").

The directors are of the opinion that the Group has complied with King III in the year under review with the exception of certain areas as indicated in this report.

Corporate code of conduct

FoneWorx is committed to

- integrity and best practice in its dealings with stakeholders and society at large;
- doing business with customers and suppliers using best ethical practices;
- employment practices which are non-discriminatory and which include training and skills development; and
- doing business in a manner that is sustainable for all stakeholders, the details of which are set out on pages 13 to 16.

The Board

FoneWorx has a unitary Board which comprises of four executive directors and two independent non-executive directors. In addition there are two vacancies currently on the Board earmarked for non-executive directorships. The Board, which is in the process of evaluating candidates, will appoint them in due course. The directors are of the opinion that this structure is effective and believe that an appropriate policy is in place to ensure that a balance of power and authority exists amongst directors, so that no one director has unfettered powers of decision making. Due to the size of FoneWorx the Board has elected not to form a nomination committee to coordinate and evaluate appointments to the Board. The decision for all appointments to the Board is a matter to be decided on by the Board as a whole, and procedures for such an appointment are formal and transparent.

The Board informally reviewed its performance during the year under review and will institute a formal system of appraisal during the forthcoming year.

The executive directors are responsible for implementing strategic and operational decisions in the conduct of the Group's business. The independent non-executive directors support the executive directors and supplement the skills and judgement of the executive directors in the overall direction of the Group. The roles of Chairman of the Board, who is independent, and Chief Executive Officer are separate.

The day-to-day management of the Group vests in the Executive Committee ("Exco"), which consists of the four executive directors plus two senior executives, a consultant and an internal legal professional. Exco, which meets weekly formulates the strategy of the Group including the Group I.T strategy, and Exco also monitors the Group's performance. Each executive has clear areas of responsibility for which he/she is responsible to Exco.

No director or officer of the Group had an interest in any contract of significance during the financial year under review.

Company Secretary

The Company Secretary provides the directors with detailed guidance as to their duties, responsibilities and powers and ensures they are aware of all the regulations and good governance matters relevant to the Group.

Remuneration committee

The remuneration committee consists of two independent non-executive directors, namely Ashvin Mancha and Gaurang Mooney. The remuneration committee meets as required to determine remuneration levels and the directors' bonus scheme. The remuneration committee met once during the year under review and all members were present. This committee ensures that remuneration levels are appropriate to attract and retain the staff needed to run the Group successfully.

Audit and Risk Committee

The membership of the Audit and Risk Committee consisted of two independent non-executive directors during the past year. However, the Board intends to appoint a third non-executive director once the board vacancies are filled to comply with the Companies Act, 2008 (Act 71 of 2008) as well as the requirements of King III. The two current members are Ashvin Mancha and Gaurang Mooney. A full Audit and Risk Committee report is set out on page 19 of the Annual Report.

Attendance at Board and Committee meetings

	Board		Audit and Risk Committee		Remuneration Committee	
	Number of meetings	Attended	Number of meetings	Attended	Number of meetings	Attended
A Mancha	3	3	3	3	1	1
G Mooney	3	3	3	3	1	1
M Smith	3	3	3*	3*		
A Molusi (Resigned 17/11/2010)	3	1				
A Masitwe (Resigned 17/11/2010)	3	1				
R Russell	3	3				
R Graver	3	3				
P Scholtz	3	3	3*	3*		
Merchantec Capital (Designated Adviser)	3*	3	3*	3*		

* By invitation only

Corporate Governance Report

for the year ended 30 June 2011

Employment equity

The Group's approach has been to encourage all staff to reach their maximum potential irrespective of gender, race or creed. While this focus remains in place, the Group is committed to increasing the participation of historically disadvantaged staff in its structures as per legislative and regulatory requirements. The requisite employment equity reports have been submitted to the Department of Labour. In terms of the latest report the staff profile is currently as follows:

Occupations levels	Designated							Non-designated			Total
	Male			Female				White Male	Foreign nationals		
	A	C	I	A	C	I	W		Male	Female	
Senior Management								6			6
Skilled technical and academic qualified workers, junior management, supervisors, foremen and superintendents			1		1		5	6	2		15
Semi skilled and discretionary decision making	4		1	4		1	10	15			35
Unskilled and defined decision making	1			2							3
Total Permanent	**5**	**0**	**2**	**6**	**1**	**1**	**15**	**27**	**2**	**0**	**59**
Non Permanent	2	2				1					5
Grand Total	**7**	**2**	**2**	**6**	**1**	**2**	**15**	**27**	**2**	**0**	**64**

The employment equity and skills retention function falls within the mandate of nominated individuals who are responsible for monitoring the progress made in these areas and reporting to the Board thereon.

Broad Based Black Economic Empowerment

FoneWorx is committed to complying with the Department of Trade and Industry's Black Economic Empowerment Codes of Good Practice. It is diligently seeking to increase its shareholding by Historically Disadvantaged Individuals even though similar efforts in the past have been fruitless. The Group is a Level 7 Contributor in terms of the Broad Based Black Economic Empowerment Act.

Closed period

In line with the JSE Listings Requirements, FoneWorx enforces a restricted period for transacting in its shares. In terms of this requirement, no dealing in shares by staff and directors is allowed from the end of the reporting period to the time that the results are released or at any time that FoneWorx is trading under a cautionary announcement. A procedure to monitor all transactions by staff and directors is in place.

Sustainability Report

FoneWorx recognises that companies locally and globally face an array of challenges ranging from global warming, social issues including access to limited resources and gaining access to digital services and knowledge and sustainable employment.

The Group's primary focus is upon delivering a broad range of goods and services primarily within the domain of information, communication, technology (ICT) and sustainability services.

The Group recognises the need to deliver and maintain such goods and services in a manner which positively impacts on the environment, communities and defined stakeholders. In achieving this the Group aims to develop and enhance a sustainable business model which is founded on sound and ethical business practices and incorporate positive governance and social and environmental objectives.

Reporting and Boundaries

This is the Group's first report in this format and accordingly, the report was prepared with the knowledge that FoneWorx approach is one of an unfolding journey and not an event. The Executive Committee, in association with the engagement of other internal leaders, was consulted with a view to developing this journey with the need to ensuring that the Group must continue to develop and prosper within an increasingly uncertain and volatile external environment by developing and enhancing the appropriate governance and competencies within the changing environment in which it operates.

This report was also developed around the basic tenets and guidelines of the Global Reporting Initiatives ("GRI") incorporating such issues as materiality and will be enhanced year on year in content, disclosure and depth as the Group lives the journey. This report should also be read in conjunction with other sections of this Annual Report, including Risk Management.

This report will primarily focus on the Group's operations in South Africa as our ventures into other regions of Africa are embryonic vis-à-vis this reporting period.

There have been no re-statements of sustainability information or measurement methodologies in relation to the prior year's Annual Report.

Governance, Commitments and Engagements

Governance, commitments and engagements of the Group are set out under the Audit and Risk Report. This committee is responsible for overseeing the identification of risks, opportunities and adherence to sound codes of conduct and principles.

Stakeholder Relations and Engagements

The Group is conscious of the need to build long-term relationships with its key stakeholders on a transparent basis. Stakeholders include: employees, shareholders, investors, analysts, media, customers, dealers, business partners, communities and government.

The nature of engagement with such stakeholders include face-to-face meetings, formal meetings, workshops, press announcements and the release on SENS of the Group's interim and year end results. Meetings are held on either set dates or on an ongoing basis, the frequency being determined by the relevant stakeholder.

Sustainability Report

Key Impacts and Risks

Context	Description / Comment / Impact	Response
General Economic Conditions	With an economic downturn and high unemployment, disposable income is reduced which can have a negative effect on revenue and profitability.	The Group is increasing the mix and range of products and services across the LSM profile to appeal to a broader range of customers.
Reliance on network supply and WASP agreements	A large percentage of the Group's revenue is generated via these agreements which are either non-exclusive or where revenues may be amended by the network at their discretion.	The Group continues to introduce new products and services into new markets with less reliance on these supply agreements.
People	The Group's future performance will depend largely on human capital and technology. The latter is developed from the intellectual capital of scarce human resource and the challenges to develop and retain skills.	Key management is subject to restraint agreements and there is a process of developing succession planning throughout all levels of management. The Group's remuneration policy also seeks to place a focus on staff retention.
Systems	The core to all the Group's products and services is technology and the need to keep in-line or ahead of the technology development curve. The misalignment between the business offering and technology delivery could result in lost opportunities, sales and revenue.	Exco takes responsibility for evaluating all technical processes to ensure alignment with business objectives and carefully measures project priorities, service delivery, customer care and capital investment.
Business Interruption	The Group relies heavily on its technology platform; a significant disaster would result in inadequate business continuity and supply of services which would impact on our reputation and profitability.	The Group has developed a formal, documented continuity plan which includes operating out of two sites other than its primary site on a continuous basis (live) to minimise any downtime. This is an ongoing process and part of the journey. Substantial capital and time has been spent on this business continuity, diversity and redundancy.
Legislation	The Group's ability to identify and comply with all relevant legislation that could impact on the Group's performance, such as the Consumer Protection Act, WASPA Code of Conduct and Protection of Personal Information Bill.	Legislative compliance is managed by internal legal executives and, where relevant, with external advice. Product development, delivery and marketing are managed around this process.

Environment

The Group acknowledges its role in climate change management and responsibility in line with business sustainability. This process is led by the Chief Executive Officer and the Executive Committee which meet on a regular basis to address issues of concern or opportunities for the Group. FoneWorx is sensitive to its social and moral obligation to look after the environment in which it operates.

Given the nature of the Group's products and services, the Group's environmental impact can be regarded as low. Despite this, the Group is aware of the need to continuously enhance practices, improve measurement and monitor carbon emissions.

Carbon Footprint

The Group completed its first carbon footprint assessment for the baseline year 2011 (July 2010 – June 2011). This process was done internally following the guidelines established by the Greenhouse Gas Protocols and ISO 14064. This process has not been independently verified due to the relatively small footprint of the Group and the materiality of the footprint.

The 2011 carbon footprint is 1 021,7 tonnes of CO_2e, with 98% of carbon emissions related to electricity consumption.

The operation boundaries measured are as follows:

Scope	Emission Sources	Tonnes CO_2e
Scope 1 Direct Emissions	Consumption of fuel of company-owned vehicles. Consumption of fuel for generators (stationary fuels)	14,61 0,00032
Scope 2 Energy Indirect	Consumption of purchased electricity.	1 007
TOTAL		**1 021,7**

The carbon footprint has enabled the Group to make conscious decisions about reducing its footprint and plan future developments on a sustainable basis.

Environmental Initiatives

Office Buildings

The Group's head office is situated on the corner of Bram Fischer Drive and Will Scarlet Road, Ferndale, Randburg.

The Group has a regional office in Cape Town at Unit B7 (Section 52), Fairways Office Park, Niblick Way, Erf 14267, Somerset West, which is leased.

Electricity

- Lamps in all offices are being replaced with energy efficient 5 watt LED technology and external lighting with 18 watt LED technology.
- The building's lighting is multi-zoned to light only those areas occupied.
- This strategy will reduce energy usage and extend lamp life expectancy.

Water

- The head office has sunk its own borehole which has reduced the use of external water usage by approximately 80%.
- Water consumption is kept to a minimum as the nature of the Group's services is office orientated and limited to drinking purposes and ablution facilities. The borehole water is used as a back-up supply for the humidity function control of the airconditioning in the computer hosting environments.

Airconditioning

- Timers are used to ensure that airconditioning is only used in offices during defined times and is not abused.

Recycling

- All printer cartridges are recycled. Paper is recycled by Mondi Recycling. Old computers are collected by scrap dealers for disposal in an environmentally friendly manner.
- Double sided printing is also encouraged in order to reduce paper usage and electronic dissemination of work is encouraged to strive towards a more paperless work environment.

CarbonWorx

CarbonWorx is a 70% owned subsidiary company of the Group and has, as its primary strategy, the restoration of eco systems and the creation of "green jobs" as defined in Government Gazette 28 April 2011 No. 34247. CarbonWorx established verified sites where indigenous trees are planted in line with the parameters set out in the National Climate Change Response Green Paper 2010 which encourages, *inter alia:*

"Ensure that forest planning tools take into account carbon sequestration in a way that it could provide necessary planning information, so as to aid in obtaining incentives from carbon trading.

Encourage agro-forestry and indigenous tree production as a potential socio-economic benefit of environmentally integral planting regimes, and tree breeding as an adaptive response to changing landscape conditions."

The initiatives of CarbonWorx assist other corporates to offset the whole, or a portion of their carbon footprint, in a way that they assist in creating green jobs and mitigate the negative impacts of climate change.

Human Rights

FoneWorx upholds the concepts of freedom of association and the basic tenets of non-discrimination.

The Group strongly disagrees with any form of child labour and will not associate with any supplier or any product or service making use of such labour.

FoneWorx believes in fostering values-driven and ethical behavior and sound business practices whilst acknowledging the basic principles of human rights.

The Group complies with Human Rights legislation, Basic Conditions of Employment Act and Child Protection Act.

Directors' Responsibility and Approval

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The auditors are responsible for reporting on the fair presentation of the annual financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2008 (Act 71 of 2008), as amended.

The directors are also responsible for the Group and Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for the Company's assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on the going concern basis since the directors believe that the Group and the Company have adequate resources in place to continue in operation for the foreseeable future.

The annual financial statements for the year ended 30 June 2011 set out on pages 21 to 59 were approved by the Board of Directors on 22 September 2011 and are signed on their behalf by:

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Declaration by Company Secretary

In terms of the Companies Act, 2008 (Act 71 of 2008) as amended ("Companies Act"), I declare that, to the best of my knowledge, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date in respect of the financial year reported upon.

Pieter Scholtz CA (SA)
Company Secretary
22 September 2011

PKF

chartered accountants
& business advisers

previously

Fisher Hoffman PKF

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FONEWORX HOLDINGS LIMITED

Report on the Financial Statements

We have audited the financial statements of FoneWorx Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 21 to 59.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of FoneWorx Holdings Limited as of 30 June 2011, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PKF (Jhb) Inc.

PKF (JHB) INC.
Director: B. Frey
Registered Auditors
Chartered Accountants (SA)
Registration number 1994/001166/21
Johannesburg
22 September 2011

Tel +27 11 384 8000 | Fax +27 11 384 8008
Email info.jhb@pkf.co.za | www.pkf.co.za
42 Wierda Road West | Wierda Valley | Sandton 2196 | South Africa
Private Bag X10046 | Sandton 2146 | Docex 135 Jhb

Audit and Risk Committee Report

The Audit and Risk Committee had its third full year of operations and met three times during the year under review.

The Audit and Risk Committee currently comprises of two independent non-executive directors, Messrs A Mancha and G Mooney. A representative from the Company's Designated Adviser, the Chief Executive Officer and Financial Director are invited to attend Audit and Risk Committee meetings. The Group Auditor is invited from time to time.

The Audit and Risk Committee is aware of the requirement to have at least a third independent non-executive member and will appoint such member once the Board vacancies have been filled.

The Audit and Risk Committee's main responsibilities and duties, as set out in its Charter can be summarised as follows for the year under review:

- Overview of the system of internal control

  The Audit and Risk Committee, together with management, adopted a risk management process, which has been developed to identify financial, operational and compliance risks. The Audit and Risk Committee also reviewed the effectiveness of the internal controls for all the companies within the Group.

- External Audit

  The Audit and Risk Committee reviewed and was satisfied with the independence of the external auditors.

  The Audit and Risk Committee has set a policy with regard to non-audit services provided by the external auditor. The scope of non-audit services provided by the auditors is believed not to be of such nature that their independence was impaired.

- Company Risk Exposure

  The Audit and Risk Committee reviews the significant risks that the Group is exposed to and directed management's strategy towards reducing the risks through corrective actions or mitigation strategies. During the year under review the Audit and Risk Committee requested specifically that the risks associated with business continuity be addressed with regards to all the key products that the Group offers. Therefore, the Company invested significant financial and time resources in establishing a business continuity strategy.

- Financial Statements

  The Audit and Risk Committee has reviewed the financial statements for the year under review, and has considered matters such as consistency of accounting policies, the reasonability of assumption applied where required, compliance with accounting standards and going concern assumptions.

  The Audit and Risk Committee has also throughout the period monitored the performance of the Group's Financial Director and found his expertise and experience to be more than satisfactory.

Mr A Mancha
Audit and Risk Committee Chairman
22 September 2011

Remuneration Report

The following policies were applied in the period under review and will be submitted to the Annual General Meeting as a non-binding advisory note:

- Remuneration and other benefits relating to employees of the Group is set by the Executive Committee of the Group and submitted to the Remuneration Committee annually for review and consideration.
  - Salary
    - The division's performance within the Group;
    - The individual's performance within his/her division; and
    - The individual's overall contribution to the Group.
  - Performance bonus
    - The overall performance of the Group;
    - The division's performance within the Group;
    - The individual's performance within his/her division;
    - The individual's overall contribution to the Group; and
    - Therefore, bonuses are not guaranteed.
- Remuneration and other benefits of Executive Directors is set by the Remuneration Committee at their discretion but it is based on the following:
  - Salary
    - The division's performance for which the Director is responsible;
    - The Directors' overall contribution to the Group.
  - Performance bonus
    - The overall performance of the Group;
    - The Board sets annual targets that have to be achieved by the Group before any bonus provision is made for Directors;
    - Bonuses are therefore included as an expense provision in the year to which they relate, even though the actual payment only takes place and is disclosed in the following years financial results.
    - The division's performance for which the Director is responsible
    - The Directors' overall contribution to the Group;
    - Therefore, bonuses are not guaranteed.

Directors' Report

for the year ended 30 June 2011 to the members of FoneWorx Holdings Limited.

The directors have pleasure in submitting their report for the year ended 30 June 2011.

Nature of business

FoneWorx Holdings Limited is an investment holding company whose subsidiaries provide interactive telecommunication, switching and business services orientated around fixed and mobile networks. These include a broad range of services to the Fast Moving Consumer Goods market, business and financial community as well as media groups.

Authorised share capital

The authorised share capital of the Company remained unchanged and is made up of R250,000, divided into 250,000,000 ordinary shares of R0,001 each.

Issued share capital

At 30 June 2011 the issued share capital stood at R136,002, divided into 136,002,041 ordinary shares of R0,001 each.

Directors

The members of the Board for the year ended 30 June 2011 and up to the date of this report comprised:

Director	Role	Age	Other significant board memberships	Length of service
Ronald Graver	Executive Director	55	None	14 years
Ashvin Mancha *	Non-Executive Chairman	54	Navsur Limited, Afrifocus Securities (Proprietary) Limited	7 years
Gaurang Mooney * (Botswana)	Non-Executive Director	41	Trans Africa (Proprietary) Limited, Jumbo Botswana (Proprietary) Limited, Overseas Development Enterprises (Botswana) (Proprietary) Limited, Trans Cash & Carry (Proprietary) Limited and Unitrade Management Services (Proprietary) Limited	11 years
Robert Russell	Executive Director	54	None	14 years
Mark Smith	Chief Executive Officer	53	None	14 years
Pieter Scholtz	Financial Director	35	None	3 years
Andrew Molusi* (Resigned 17/11/2010)	Non-Executive Director	49	None	2 years
April Masitwe* (Resigned 17/11/2010)	Non-Executive Director	51	None	2 years

* Independent Non-Executive

Dividend

The Company has declared and paid a dividend during the year under review of R6,120,092 (4.5 cents per share) (2010: R5,440,082 (4 cents per share)), the directors recommended and approved a dividend, to be paid during the 2012 financial period, of R 7,480,112 (5.5 cents per share) at their Board meeting of 7 September 2011. This dividend comprises a regular dividend of 4.3 cents per share as well as a special dividend of 1.2 cents per share. The directors have performed the solvency and liquidity tests as required by the new Companies Act.

Share incentive scheme

The Interconnective Solutions Share Incentive Trust was dissolved during the year under review. All allocated shares options were paid for in full and taken up by the option holders before 31 December 2010.

Directors' Report

for the year ended 30 June 2011 to the members of FoneWorx Holdings Limited.

Robert Russell is the only director of FoneWorx Holdings Limited who took up 300 000 shares at 50 cents per share.

Directors' Shareholding as at 30 June 2011

	30 June 2011		30 June 2010	
	Direct Beneficial '000	Indirect Beneficial '000	Direct Beneficial '000	Indirect Beneficial '000
R Graver	10 060	-	9 985	45
A G Mancha	-	54	-	54
G Mooney	-	15 219	-	15 219
R Russell	660	-	360	-
M A Smith	11 002	-	10 925	47
Total	**21 722**	**15 273**	**21 270**	**15 365**

Shareholder spread as at 30 June 2011

	Number of shareholders	%	Number of shares '000	%
1 - 100 000	607	91.69	8,216	6.04
100 001 - 500 000	33	4.98	8,217	6.04
500 001 - 10 000 000	18	2.72	42,161	31.00
10 000 001 +	4	0.61	77,408	56.92
Total	**662**	**100**	**136,002**	**100**

Shareholding of ordinary shares at 30 June 2011

	Number of shareholders	%	Number of shares '000	%
Public	654	98.79	34,945	25.69
Non-Public				
- Directors	5	0.76	36,935	27.16
- Non-Directors	3	0.45	64,122	47.15
Total	**662**	**100**	**136,002**	**100**

Major shareholders

* Shareholders other than directors who, insofar as is known, were directly or indirectly interested in 5% or more of the company's issued share capital as at 30 June 2011 were as follows:

	Number of shares ('000)	%
Industrial Development Corporation	40 800	30.0
Navsur Limited	10 463	7.8

Special resolutions

The Special Resolution which was passed at the Annual General Meeting held on 11 November 2010 is set out below:

SPECIAL RESOLUTION NUMBER 1

General approval to acquire shares

"**Resolved**, by way of a general approval that FoneWorx Holdings Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the company in terms of sections 85 to 89 of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE") from time to time.

The JSE Listings Requirements currently provide, *inter alia,* that:

- the acquisition of the ordinary shares be effected through the order book operated by the JSE trading system without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the earlier of the Company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter; and
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf."

Events subsequent to the financial year end

No events of a material nature have occurred between the accounting date and the date of this report.

Litigation statement

The directors, whose name are on pages 2 and 21, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least 12 months, a material effect on the Group's financial position.

Material change

Other than the facts and developments reported on in the Annual Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of the audit report and the date of Notice of the Annual General Meeting.

Group Statements of Financial Position

		Group		Company	
Figures in Rand	**Note(s)**	**2011**	**2010**	**2011**	**2010**
Assets					
Non-Current Assets					
Property, plant and equipment	2	18,722,811	17,642,522	-	-
Intangible assets	3	6,117,771	4,015,774	-	-
Investments in subsidiaries	33	-	-	2,311,200	2,310,800
Deferred tax asset	5	-	658,279	-	-
		24,840,582	**22,316,575**	**2,311,200**	**2,310,800**
Current Assets					
Inventories	6	1,773,441	784,115	-	-
Loans to group companies	33	-	-	12,992,740	12,137,533
Current tax receivable		953,128	207,657	-	-
Trade and other receivables	7	17,870,247	15,574,468	412,065	81,792
Cash and cash equivalents	8	82,066,745	74,137,785	22,783,871	21,869,402
		102,663,561	**90,704,025**	**36,188,676**	**34,088,727**
Total Assets		**127,504,143**	**113,020,600**	**38,499,876**	**36,399,527**
Equity and Liabilities					
Equity					
Share capital	9&10	36,509,029	35,709,029	36,509,029	36,509,029
Retained income (accumulated loss)		60,616,201	47,212,075	1,501,960	(418,844)
		97,125,230	**82,921,104**	**38,010,989**	**36,090,185**
Liabilities					
Non-Current Liabilities					
Interest bearing liabilities	12	8,189,139	8,430,556	-	-
Deferred tax liability	5	744,784	-	-	-
		8,933,923	**8,430,556**	**-**	**-**
Current Liabilities					
Loan from Group Company	33	-	-	134,747	43,200
Current tax payable		62,754	23,927	180,531	117,340
Interest bearing liabilities	12	1,691,658	1,142,287	-	-
Trade and other payables	14	18,011,715	14,951,247	145,921	135,127
Provisions	13	1,651,175	5,537,804	-	-
Unclaimed dividends		27,688	13,675	27,688	13,675
		21,444,990	**21,668,940**	**488,887**	**309,342**
Total Liabilities		**30,378,913**	**30,099,496**	**488,887**	**309,342**
Total Equity and Liabilities		**127,504,143**	**113,020,600**	**38,499,876**	**36,399,527**
Net asset value per share (cents)		71.4	61.7		
Net tangible asset value per share (cents)		66.9	58.7		

Group Statements of Comprehensive Income

		Group		Company	
Figures in Rand	**Note(s)**	**2011**	**2010**	**2011**	**2010**
Revenue	16	91,579,433	91,921,685	-	-
Cost of sales		(36,054,678)	(34,232,391)	-	-
Gross profit		**55,524,755**	**57,689,294**	**-**	**-**
Other income		506,191	661,274	1,723,521	1,263,436
Operating expenses		(10,088,985)	(10,819,137)	(442,688)	(554,139)
Staff costs		(17,235,800)	(18,416,563)	-	-
Depreciation and amortisation expense		(4,217,151)	(3,826,729)	-	-
Operating profit	17	**24,489,010**	**25,288,139**	**1,280,833**	**709,297**
Investment income	21	4,229,316	4,702,705	7,493,256	6,755,351
Finance costs	22	(913,903)	(1,272,598)	-	(8)
Profit before taxation		**27,804,423**	**28,718,246**	**8,774,089**	**7,464,640**
Taxation	23	(8,280,205)	(8,552,918)	(733,193)	(786,320)
Profit for the year attributable to the equity holders of the parent		**19,524,218**	**20,165,328**	**8,040,896**	**6,678,320**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year attributable to equity holders of the parent		**19,524,218**	**20,165,328**	**8,040,896**	**6,678,320**
Basic earnings per share (cents)	30	14.44	15.00		
Diluted earnings per share (cents)	30	14.44	14.96		
Headline earnings per share (cents)	30	14.47	15.10		

Group Statements of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Group					
Balance at 01 July 2009	**134,402**	**35,574,627**	**35,709,029**	**32,486,829**	**68,195,858**
Changes in equity					
Total comprehensive income for the year	-	-	-	20,165,328	20,165,328
Dividends	-	-	-	(5,440,082)	(5,440,082)
Total changes	-	-	-	14,725,246	14,725,246
Balance at 01 July 2010	**134,402**	**35,574,627**	**35,709,029**	**47,212,075**	**82,921,104**
Changes in equity					
Total comprehensive income for the year	-	-	-	19,524,218	19,524,218
Employee share option scheme	1,600	798,400	800,000	-	800,000
Dividends	-	-	-	(6,120,092)	(6,120,092)
Total changes	1,600	798,400	800,000	13,404,626	14,204,126
Balance at 30 June 2011	**136,002**	**36,373,027**	**36,509,029**	**60,616,201**	**97,125,230**
Note(s)	9	10			
Company					
Balance at 01 July 2009	**136,002**	**36,373,027**	**36,409,029**	**(1,657,082)**	**34,851,947**
Changes in equity					
Total comprehensive income for the year	-	-	-	6,678,320	6,678,320
Dividends	-	-	-	(5,440,082)	(5,440,082)
Total changes	-	-	-	1,238,238	1,238,238
Balance at 01 July 2010	**136,002**	**36,373,027**	**36,509,029**	**(418,844)**	**36,090,185**
Changes in equity					
Total comprehensive income for the year	-	-	-	8,040,896	8,040,896
Dividends	-	-	-	(6,120,092)	(6,120,092)
Total changes	-	-	1,920,804	1,920,804	1,920,804
Balance at 30 June 2011	**136,002**	**36,373,027**	**36,509,029**	**1,501,960**	**38,010,989**
Note(s)	9	10			

Group Statements of Cash Flows

		Group		Company	
Figures in Rand	**Note(s)**	**2011**	**2010**	**2011**	**2010**
Cash flows from operating activities					
Cash generated from operations	24	24,649,918	31,217,067	868,492	1,084,806
Interest income		4,229,316	4,702,705	1,373,164	1,315,269
Dividends received				6,120,092	5,440,082
Finance costs		(913,903)	(1,272,598)	-	(8)
Tax paid	25	(7,583,785)	(9,358,465)	(670,002)	(603,814)
Net cash from operating activities		**20,381,546**	**25,288,709**	**7,691,746**	**7,236,335**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(4,432,306)	(1,812,598)	-	-
Proceeds on disposal of property, plant and equipment	2	263,496	7	-	-
Purchase of intangible assets	3	(902,046)	(27,683)	-	-
Repayment of (loan advanced to) group companies		-	-	(762,745)	3,333,202
Expenditure on product development	3	(2,383,605)	(1,614,053)	-	-
Net cash from investing activities		**(7,454,461)**	**(3,454,327)**	**(762,745)**	**3,333,202**
Cash flows from financing activities					
Movement in share trust shares	9	800,000	-	-	-
Advance (repayment) of loan payable		-	(471,975)	91,547	(120)
Advance in (repayment of) interest bearing liabilities		307,954	(1,948,130)	-	-
Dividends paid	26	(6,106,079)	(5,431,734)	(6,106,079)	(5,431,734)
Net cash from financing activities		**(4,998,125)**	**(7,851,839)**	**(6,014,532)**	**(5,431,854)**
Total cash and cash equivalents movement for the year		**7,928,960**	**13,982,543**	**914,469**	**5,137,683**
Cash and cash equivalents at the beginning of the year		74,137,785	60,155,242	21,869,402	16,731,719
Total cash and cash equivalents at end of the year	8	**82,066,745**	**74,137,785**	**22,783,871**	**21,869,402**

Group Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies Act of South Africa, the AC 500 Standards and Interpretations, as well as the JSE Listings Requirements. The financial statements have been prepared on the historical cost basis, except for the measurement of financial instruments measured in terms of IAS 39, and incorporate the principal accounting policies set out below. These financial statements are presented in South African Rand, since that is the currency in which the majority of the Group's transactions are denominated.

These accounting policies are consistent with the previous period.

1.1 New standards and interpretations

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	• Accounting policy changes in the year of adoption.	1 January 2011
	• Revaluation basis as deemed cost.	1 January 2011
	• Use of deemed cost for operations subject to rate regulation.	1 January 2011
	• Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS complaint financial statements for the first time.	1 July 2011
	• Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day 1 gains on transactions that occurred before the date of adoption.	1 July 2011
IFRS 3: Business Combinations	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.	1 January 2011
	• Measurement of non-controlling interests.	1 January 2011
	• Un-replaced and voluntarily replaced share-based payment awards.	1 January 2011
IFRS 7: Financial Instruments: Disclosures	• Clarification of disclosures.	1 January 2011
	• Additional disclosure on transfer transactions of financial assets.	1 July 2011
IFRS 9: Financial Instruments	• New standard that forms the first part of a three part project to replace IAS 39 *Financial Instruments: Recognition and Measurement.*	1 January 2013

IFRS 10 Consolidated Financial Statements	• New standard that replaces the consolidation requirements in SIC-12 *Consolidation—Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements.* Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2013
IFRS 11 Joint Arrangements	• New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	• New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles .	1 January 2013
IFRS 13 Fair Value Measurement	• New guidance on fair value measurement and disclosure requirements.	1 January 2013
IAS 1: Presentation of Financial Statements	• Clarification of statement of changes in equity. • New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.	1 January 2011 1 July 2012
IAS 12: Income Taxes	• Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2012
IAS 19: Employee Benefits	• Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013
IAS 24: Related Party Disclosure	• Simplification of the disclosure requirements for government related entities. • Clarification of the definition of related party.	1 January 2011
IAS 27: Consolidated and separate financial statements	• Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
IAS 28: Investments in Associates	• Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
IAS 34: Interim Financial Reporting	• Significant events and transactions.	1 January 2011

Interpretations	Annual periods beginning on or after
IFRIC 13: Customer Loyalty Programmes . Fair value of award credits.	1 January 2011

The directors have not yet determined what the impact of these new Standards and Interpretation on the company will be.

1.2 Significant judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment

The carrying amount of the Group's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication of impairment, its recoverable amount is estimated.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually. The recoverable amount of an asset is calculated as the higher of its net selling price and its value in use.

In assessing the value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

Residual value and useful life

Non-current assets are depreciated or amortised over their estimated useful lives taking into account residual values, which, following the adoption of International Accounting Standards (IAS 16) Property, plant and equipment (revised) as well as (IAS 38) Intangible Assets, are re-assessed at each financial year end. The actual lives and residual values of these assets can vary depending on a variety of factors.

Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Income taxes

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Contingent liabilities

Management applies its judgement to the advice it receives from its attorney, advocates and other advisors where applicable in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the holding company and enterprises controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions and balances between Group enterprises are eliminated on consolidation.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling party's share of changes in equity since the date of the combination.

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is initially measured at cost, being the excess of the aggregate of the purchase consideration transferred and the amount of the non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in terms of IFRS 3 Revised.

On acquisition date, the acquiror must measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This is applied on a transaction by transaction basis for all business combinations.

The acquiror shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquired. Any adjustments to the contingent consideration payable will be accounted for as a debit or credit to profit or loss and will not affect goodwill initially recognised.

Transactions with non-controlling interest holders are accounted for as transactions with equity holders and therefore do not affect goodwill initially recognised.

1.4 Property, plant and equipment
The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimation of the cost of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Statement of Financial Position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Costs include professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis over their useful lives as follows:

Item	Average useful life
Buildings	20 years
Leasehold improvements	5 years
Plant and machinery	5 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 - 4 years on average

The residual value, useful life and depreciation method of each asset are reviewed at the end of each financial year-end.

1.4 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every year-end. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets consist of the following:

- Computer Software, and
- Internally generated assets.

Internally generated assets consist of a Virtual Business Centre (VBC), FICA/RICA card system, CarbonWorx cards, Gateway verification system, Fax2Email non-premium system, StockBroker System and an Africa Fax2Email system.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	6.67 years
Internally generated asset	5 years

1.6 Financial instruments

Initial recognition and measurement

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provision of the instrument.

Loans to (from) group companies

These instruments are initially measured at fair value including transaction costs.

Subsequently, these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the instrument's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the instrument's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the instrument at the date of impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. The impairment is measured as the difference between the instrument's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value including transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables is presented net of the allowance account. Any movement in the allowance account is recognised in profit and loss. Uncollectable amounts are written off against the allowance account. Subsequent reversals of amounts previously written off are credited to profit and loss.

When the effect of discounting is not material, discounting is not applied as the nominal values approximate the cost value.

Assets receivable within the next year is classified as current assets. Assets receivable after one year is classified as non-current assets.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair values.

Equity instruments

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting its liabilities.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cashflows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.6 Financial instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield method.

The effect of discounting is not considered to be material, discounting is not applied as the nominal value approximates the amortised cost value.

Liabilities payable within the next year is classified as current liabilities. Liabilities payable after one year is classified as non-current liabilities.

1.7 Tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net income as reported in the statement of comprehensive income where it includes items of income and expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Group liability for current tax is calculated using rates currently enacted and substantially enacted at financial year end.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the comprehensive liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit or loss nor the accounting profit or loss. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are off-set when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out (FIFO) basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The reversal of a write-down or loss is limited to that initial write-down or loss.

1.10 Impairment of assets

At each reporting date, the Group review the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount it determined for the cash-generating unit to which it belongs.

Recoverable amount is the higher of fair values less cost to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

1.11 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Group re-acquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

1.12 Employee benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirements benefits

The Group provides retirement benefits for its employees and directors by way of a provident fund.

The contributions paid to fund obligations for the payment of retirement benefits are charged against income in the year of payment. The provident fund is a managed fund and is not subject to an actuarial valuation. The liabilities of the fund are limited to the assets of the fund and the Group has no commitment to meet any unfunded benefits.

1.13 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for goods and services provided for in the normal course of business, net of trade discounts and volume rebates, and Value Added Tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.17 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying the foreign currency amount to the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.18 Share-based payments

Equity settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash settled

Share appreciation rights are granted to certain employees in the Group. The fair value of the amount payable to the employee is recognised as an expense with corresponding increase in liabilities. The fair value is initially measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to payment. Management also reassessed the fair value of the amount payable at each reporting date, until vesting, by considering the number of share appreciation right options expected to ultimately vest. Share appreciation right options that expire or are forfeited are reversed against market performance of the share price. The liability is measured at each reporting date and at settlement date, with all movements in fair value being recognised in profit and loss.

1.19 Offset

Financial assets and liabilities are offset and disclosed on a net basis in the consolidated statement of financial position when there is a legal right to set off and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Property, plant and equipment

Group	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	2,200,000	-	2,200,000	2,200,000	-	2,200,000
Buildings	10,460,668	(806,377)	9,654,291	10,460,668	(766,102)	9,694,566
Plant and machinery	217,000	(183,400)	33,600	288,224	(140,000)	148,224
Furniture and fixtures	796,779	(368,104)	428,675	736,061	(249,771)	486,290
Motor vehicles	1,805,513	(301,157)	1,504,356	566,232	(476,507)	89,725
Office equipment	915,123	(455,785)	459,338	815,614	(330,547)	485,067
IT equipment	13,251,720	(9,645,809)	3,605,911	10,970,407	(7,321,256)	3,649,151
Leasehold improvements	1,057,199	(220,559)	836,640	1,057,199	(167,700)	889,499
Total	**30,704,002**	**(11,981,191)**	**18,722,811**	**27,094,405**	**(9,451,883)**	**17,642,522**

Reconciliation of property, plant and equipment - 2011

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	2,200,000	-	-	-	2,200,000
Buildings	9,694,566	-	-	(40,275)	9,654,291
Plant and machinery	148,224	72,526	(143,750)	(43,400)	33,600
Furniture and fixtures	486,290	68,413	(7,695)	(118,333)	428,675
Motor vehicles	89,725	1,798,496	(58,138)	(325,727)	1,504,356
Office equipment	485,067	99,509	-	(125,238)	459,338
IT equipment	3,649,151	2,393,362	(108,937)	(2,327,665)	3,605,911
Leasehold improvements	889,499	-	-	(52,859)	836,640
	17,642,522	**4,432,306**	**(318,520)**	**(3,033,497)**	**18,722,811**

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	2,200,000	-	-	-	2,200,000
Buildings	9,694,402	39,860	-	(39,696)	9,694,566
Plant and machinery	100,000	88,224	-	(40,000)	148,224
Furniture and fixtures	325,080	245,671	-	(84,461)	486,290
Motor vehicles	536,502	-	(172,384)	(274,393)	89,725
Office equipment	295,671	291,639	-	(102,243)	485,067
IT equipment	4,597,427	1,147,204	-	(2,095,480)	3,649,151
Leasehold improvements	942,359	-	-	(52,860)	889,499
	18,691,441	**1,812,598**	**(172,384)**	**(2,689,133)**	**17,642,522**

2. Property, plant and equipment (continued)

		Group		Company	
Figures in Rand	**Note(s)**	**2011**	**2010**	**2011**	**2010**
Details of properties (at cost)					
Erf 1636 Ferndale, Randburg					
Terms and conditions					
- Land at cost		2,200,000	2,200,000	-	-
- Buildings at cost		7,479,575	7,479,575	-	-
- Improvements to building		2,981,093	2,941,232	-	-
		12,660,668	**12,620,807**	**-**	**-**

Land and buildings comprise Erf 1636, Ferndale, Randburg situated in the province of Gauteng measuring 7 658 square metres in extent and includes an office block that is occupied by the Group's head office.

This property was acquired by Four Rivers Trading 123 (Proprietary) Limited for R9.68 million on 8 August 2007.

Land and buildings with a carrying value of R9,677,205 (2010: R9,717,480) are mortgaged as stated in note 12.

Certain plant and equipment with a carrying amount of R2,134,354 (2010: R1,082,740) have been encumbered as per note 12.

Included in buildings is an amount of R2,177,036 which represents the excess paid by the Group over the net asset value of Four Rivers Trading 123 (Proprietary) Limited at the date of acquisition relating to property, plant and equipment.

A detailed register of assets is available for inspection at the registered office of the Group.

3. Intangible assets

Group		**2011**			**2010**	
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Fax2Email Platform - Africa	2,383,605	-	2,383,605	-	-	-
Stockbroker Identification Management System	276,369	(59,880)	216,489	276,369	(4,606)	271,763
Identity access management software	2,086,590	(834,656)	1,251,934	2,096,592	(417,318)	1,679,274
Computer software	1,947,923	(1,056,027)	891,896	1,045,877	(659,211)	386,666
CarbonWorx Cards	932,813	(186,562)	746,251	932,813	-	932,813
Virtual Business Centre software	437,984	(175,194)	262,790	427,984	(87,597)	340,387
Gateway verification system	138,974	(4,632)	134,342	138,974	-	138,974
Fax2Email non-premium Rated System	265,897	(35,433)	230,464	265,897	-	265,897
Total	**8,470,155**	**(2,352,384)**	**6,117,771**	**5,184,506**	**(1,168,732)**	**4,015,774**

3. Intangible assets (continued)

Individual intangible assets which are considered to be significant are set out below:

Description - Group - 2011	Carrying amount	Remaining amortisation period
Fax2Email platform - Africa This platform was developed for the deployment of Fax2Email and Web2Fax services that can function independently from the South African operations and can be deployed within any country that has basic communication infrastructure. It can be managed remotely, provides for customer care via Voice Over IP ("VOIP"), has additional business continuity features and can adapt easily to accommodate any unique business model.	2,383,605	5 years
CarbonWorx Software This software consists of various modules including the end user interface, webpage and the database management system that keeps record of all points earned through the programme and all trees planted.	746,251	4 years
Identity Access Management Software This product was developed as a mechanism to meet the requirements of various forms of legislation, such as FICA, RICA and the Consumer Protection Act and is aimed at Corporate and Governmental users.	1,251,934	3 years
	4,381,790	

3. **Intangible assets (continued)**

Reconciliation of intangible assets - Group - 2011

	Opening balance	Additions	Internally generated	Amortisation	Total
Fax2Email Platform - Africa	-	-	2,383,605	-	2,383,605
Stockbroker Identification Management System	271,763	-	-	(55,274)	216,489
Identity access management software	1,679,274	-	-	(427,340)	1,251,934
Computer software	386,666	902,046	-	(396,816)	891,896
CarbonWorx software	932,813	-	-	(186,562)	746,251
Virtual Business Centre software	340,387	-	-	(77,597)	262,790
Gateway Verification System	138,974	-	-	(4,632)	134,342
Fax2Email Non Premium Rated System	265,897	-	-	(35,433)	230,464
	4,015,774	**902,046**	**2,383,605**	**(1,183,654)**	**6,117,771**

Reconciliation of intangible assets - Group - 2010

	Opening balance	Additions	Internally generated	Amortisation	Total
Stockbroker Identification Management System	-	-	276,369	(4,606)	271,763
Identity access management software	2,096,592	-	-	(417,318)	1,679,274
Computer software	613,076	27,683	-	(254,093)	386,666
CarbonWorx software	-	-	932,813	-	932,813
Virtual Business Centre software	427,984			(87,597)	340,387
Gateway Verification System	-	-	138,974	-	138,974
Fax2Email Non Premium Rated System System	-	-	265,897	-	265,897
	3,137,652	**27,683**	**1,614,053**	**(763,614)**	**4,015,774**

Impairment of intangible assets

The intangible assets not yet available for use, have been tested for impairment on an annual basis. At reporting date there were no indications that these intangible assets should be impaired.

4. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Fair value through profit or loss - held for trading	Non financial instruments	Held to maturity investments	Available for sale	Total
Group - 2011						
Trade and other receivables	17,031,246	-	839,001	-	-	17,870,247
Cash and cash equivalents	82,066,745	-	-	-	-	82,066,745
	99,097,991	**-**	**839,001**	**-**	**-**	**99,936,992**
Group - 2010						
Trade and other receivables	15,092,816	-	481,652	-	-	15,574,468
Cash and cash equivalents	74,137,785	-	-	-	-	74,137,785
	89,230,601	**-**	**481,652**	**-**	**-**	**89,712,253**
Company - 2011						
Trade and other receivables	412,065	-	-	-	-	412,065
Cash and cash equivalents	22,783,871	-	-	-	-	22,783,871
	23,195,936	**-**	**-**	**-**	**-**	**23,195,936**
Company - 2010						
Trade and other receivables	81,792	-	-	-	-	81,792
Cash and cash equivalents	21,869,402	-	-	-	-	21,869,402
	21,951,194	**-**	**-**	**-**	**-**	**21,951,194**

		Group		Company	
Figures in Rand	Note(s)	2011	2010	2011	2010
5. Deferred tax (liability) asset					
Type of temporary differences					
At beginning of the year		658,279	671,930	-	-
Property, plant and equipment		82,186	(5,038)	-	-
Intangible assets		(369,345)	(309,268)	-	-
Provisions		(1,179,715)	285,484	-	-
Revenue accrual		65,184	1,429	-	-
Prepaid expenses		(60,768)	(10,018)	-	-
Tax losses available for set off against future taxable income		59,395	23,760	-	-
		(744,784)	**658,279**	**-**	**-**
Property, plant and equipment		68,700	(13,486)	-	-
Intangible assets		(1,385,495)	(1,016,150)	-	-
Provisions		462,329	1,642,044	-	-
Revenue accrual		110,019	44,835	-	-
Prepaid expenses		(83,492)	(22,724)	-	-
Taxes losses available for set off against future taxable income		83,155	23,760	-	-
		(744,784)	**658,279**	**-**	-
6. Inventories					
Finished goods		2,026,801	784,115	-	-
		2,026,801	784,115	-	-
Provision for obsolete stock		(253,360)	-	-	-
		1,773,441	**784,115**	**-**	**-**
Inventory amounting to R506 720 (2010: Rnil) is carried at net realisable value.					
7. Trade and other receivables					
Trade receivables		16,718,736	15,092,816	412,065	81,792
Other receivables		312,510	157,013	-	-
Prepayments		839,001	324,639	-	-
		17,870,247	**15,574,468**	**412,065**	**81,792**

The directors consider that the carrying amount of trade and other receivables approximates their fair values.

The total trade receivables (gross of allowances) held by the Group as at 30 June 2011 amounted to R16,718,736 (2010: R15,092,816) and R412,065 (2010: R81,792) for the company.

Included in the Group's trade receivables balance are debtors with a carrying amount of R365,586 (2010: R112), which are past due at the reporting date for which the Group has not provided, as there has not been significant changes in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The credit terms of the past due trade receivables have not been renegotiated.

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables, from the date the credit was initially granted up to the reporting date.

Due to the fact that more than 90% of the Group's revenue is generated through transactions with the 3 local cellular service providers and one large fixed local telecoms provider, there is a concentration of credit exposure.

		Group		Company	
Figures in Rand	**Note(s)**	**2011**	**2010**	**2011**	**2010**

7. Trade and other receivables (continued)

Trade receivables that are less than 60 days past due are not considered impaired, except if there is a specific indication that it may be impaired. Trade receivables that are more than 60 days past due are individually assessed. Customers with no history of default and from whom the full amount are expected to be recovered are not provided for.

The average credit period on sales is 30 days from statement. No interest was charged on trade receivables for the period under review.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group 2011	Group 2010	Company 2011	Company 2010
Cash on hand	10,744	13,914	-	-
Bank balances	82,056,001	74,123,871	22,783,871	21,869,402
	82,066,745	**74,137,785**	**22,783,871**	**21,869,402**

9. Share capital

	Group 2011	Group 2010	Company 2011	Company 2010
Authorised				
250 000 000 ordinary shares of R0.001 each	250,000	250,000	250,000	250,000
Issued				
136 002 041 (2010: 134 402 041) shares of R0,001 each	136,002	136,002	136,002	136,002
Less shares held by Interconnective Solutions Share Incentive Trust	-	(1,600)	-	-
	136,002	134,402	136,002	136,002
Share premium	36,373,027	35,574,627	36,373,027	36,373,027
	36,509,029	**35,709,029**	**36,509,029**	**36,509,029**

The 113,997,959 (2010: 113,997,959) unissued shares are under the control of the directors, subject to Section 36 of the Companies Act and the Listings Requirements of the JSE, in terms of a resolution passed at the Annual General Meeting in November 2010. The authority is valid until the forthcoming Annual General Meeting.

Issued shares are stated net of share trust shares.

10. Share premium

Group share premium can be reconciled as follows:

	Group 2011	Group 2010	Company 2011	Company 2010
Premium on shares of FoneWorx Holdings Limited	36,373,027	36,373,027	36,373,027	36,373,027
Less: Shares held by Interconnective Solutions Share Incentive Trust	-	(798,400)	-	-
	36,373,027	**35,574,627**	**36,373,027**	**36,373,027**

		Group		Company	
Figures in Rand	Note(s)	2011	2010	2011	2010

11. Share incentive trust

Interconnective Solutions Share Incentive Trust is the owner of 1 600 000 shares in FoneWorx Holdings Limited at an issue price of R0.50 each. As mentioned in the Directors' Report, 900 000 shares were allocated at R0.50 and 700 000 shares were allocated at R1.04 to senior and long-serving staff during the 2007 financial year. The terms of this allocation are that the shares must be paid for in full before delivery of the shares taken, and that payment must be made within 10 years of grant. In compliance with IAS 27 Consolidated and Separate Financial Statements, the trust has been consolidated. The shares have been paid for in the current year by the staff. Refer to note 29.

12. Interest bearing liabilities

	Group 2011	Group 2010	Company 2011	Company 2010
Minimum instalment payments due				
- within one year	2,391,096	1,860,983	-	-
- in second to fifth year inclusive	7,988,506	6,618,578	-	-
- later than five years	1,898,665	3,530,637	-	-
	12,278,267	12,010,198	-	-
less: future finance charges	(2,397,470)	(2,437,355)	-	-
Present value of minimum instalment payments	**9,880,797**	**9,572,843**	**-**	**-**
Present value of minimum instalment payments due				
- within one year	1,691,658	1,142,287	-	-
- in second to fifth year inclusive	6,333,142	5,213,033	-	-
- later than five years	1,855,997	3,217,523	-	-
	9,880,797	**9,572,843**	**-**	**-**
Non-current liabilities	8,189,139	8,430,556	-	-
Current liabilities	1,691,658	1,142,287	-	-
	9,880,797	**9,572,843**	**-**	**-**

It is the Group's policy to purchase certain equipment and motor vehicles under instalment sale agreements. The average agreement term is three to five years and the instalment sale agreements bear interest at various rates linked to the prime bank rate and are repayable in monthly instalments of R71,209 (2010: R29,688) inclusive of interest. The Group's obligations under instalment sale agreements are secured by certain equipment and motor vehicles with a carrying amount of R2,134,354 (2010: R1,082,740).

Included in the interest bearing liabilities is the long-term loan which is secured by a bond registered over ERF 1636, Ferndale. The bond is repayable over 10 years at an interest rate of prime minus 1% and is repayable in monthly instalments of R131,717 (2010: R141,757). The carrying amount of property as reflected in the accounting records of the subsidiary is R9,677,205 (2010: R 9,717,480).

13. Provisions

	Opening balance	Additions	Utilised during the year	Total
Reconciliation of provisions - Group - 2011				
Leave pay	922,293	159,050	(30,168)	1,051,175
Performance bonus	4,615,511	467,422	(4,482,933)	600,000
	5,537,804	**626,472**	**(4,513,101)**	**1,651,175**
Reconciliation of provisions - Group - 2010				
Leave pay	878,521	62,182	(18,410)	922,293
Performance bonus	3,911,450	4,615,511	(3,911,450)	4,615,511
	4,789,971	**4,677,693**	**(3,929,860)**	**5,537,804**

Bonuses for the financial year are paid only upon approval of the financial statements by the Board. The bonus provision decreased by R4,015,511 from the previous year as performance targets set by the Company have not been met at year end.

The timing of the leave pay provision is uncertain as leave pay is only payable when an employee leaves the employment of the Group or is utilised when an employee takes leave.

14. Trade and other payables

	Group		Company	
Figures in Rand	**2011**	**2010**	**2011**	**2010**
Trade payables	10,038,936	8,974,737	-	-
Amounts received in advance	2,563,936	902,247	-	-
VAT	573,249	558,642	27,968	27,724
Third party prize money	2,770,874	1,521,110	-	-
Accruals	2,064,720	2,994,511	117,953	107,403
	18,011,715	**14,951,247**	**145,921**	**135,127**

The directors consider that the carrying amount of trade and other payables approximate their fair values.

The average credit period on purchases is 60 days. No interest is paid on trade payables.

15. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost	Non-financial instruments	Total
Group - 2011			
Interest bearing liabilities	9,880,797	-	9,880,797
Trade and other payables	12,103,656	3,137,185	15,240,841
Third party prize money	2,770,874	-	2,770,874
	24,755,327	**3,137,185**	**27,892,512**
Group - 2010			
Interest bearing liabilities	9,572,843	-	9,572,843
Trade and other payables	11,969,247	1,460,890	13,430,137
Third party prize money	1,521,110	-	1,521,110
	23,063,200	**1,460,890**	**24,524,090**
Company - 2011			
Trade and other payables	117,953	27,968	145,921
	117,953	**27,968**	**145,921**
Company - 2010			
Trade and other payables	107,402	27,724	135,126
	107,402	**27,724**	**135,126**

16. Revenue

	Group		Company	
Figures in Rand	**2011**	**2010**	**2011**	**2010**
Rendering of services	91,579,433	91,921,685	-	-

Notes to the Group Annual Financial Statements

for the year ended 30 June 2011

	Group		Company	
Figures in Rand	**2011**	**2010**	**2011**	**2010**
17. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Income from subsidiaries				
Dividends	-	-	6,120,092	5,440,082
Operating lease charges				
Premises				
· Contractual amounts	2,400	-	-	-
Equipment				
· Contractual amounts	66,584	59,805	-	-
	68,984	**59,805**	**-**	**-**
The lease agreements do not include any reversal of purchase option clauses.				
Loss on sale of fixed assets	55,024	172,377	-	-
Depreciation and amortisation	4,217,151	3,826,726	-	-
Employee costs	16,627,986	19,632,075	-	-
Amount expensed in respect of retirement benefit plans	177,634	177,880	-	-
Insurance	508,254	453,224		
Auditors remuneration – for audit services428,340	551,180	-	-	
Directors Emoluments	7,643,250	6,896,020	-	-
Fees relating to listing on JSE	262,312	308,868	-	-
Legal Fees	76,121	183,474	-	-
Telecommunication charges	4,392,206	4,138,637	-	-
18. Auditors' remuneration				
Fees	428,340	398,580	109,824	102,340

19. Directors' emoluments

	Basic salary	Bonus/leave pay	Travel allowance	Provident Fund	Medical Aid	Total - 2011	Total - 2010
R Graver	960,241	650,000	-	59,316	64,193	1,733,750	1,511,500
AG Mancha*	-	-	-	-	-	-	-
G Mooney*	-	-	-	-	-	-	-
AC Molusi*	-	-	-	-	-	-	-
A Masitwe*	-	-	-	-	-	-	-
R Russell	920,300	450,000	70,000	38,400	-	1,478,700	1,464,920
MA Smith	1,608,509	1,100,000	-	36,000	58,291	2,802,800	2,544,500
PA Scholtz	897,994	600,000	60,000	-	70,006	1,628,000	1,375,100
	4,387,044	2,800,000	130,000	133,716	192,490	7,643,250	6,896,020

* Independent directors.

	Group		Company	
Figures in Rand	**2011**	**2010**	**2011**	**2010**

20. Retirement benefits

Group contributions charged to the Statement of Comprehensive Income are R177,634 (2010: R177,880).

Retirement benefits are provided for employees via pension or provident fund contributions. The pension and provident fund is governed by the Pension Funds Act 1956 (Act no. 24 of 1956). The fund is in the nature of a defined contribution plan where the retirement benefits are determined with reference to the employer's and employees' contribution to the fund. Membership of the fund is voluntary and the fund had seven members at the balance sheet date (2010: nine members).

21. Investment income

	Group 2011	Group 2010	Company 2011	Company 2010
Dividend revenue				
Subsidiaries - Local	-	-	6,120,092	5,440,082
Interest received				
Bank	4,229,316	4,702,705	1,373,164	1,315,269
	4,229,316	**4,702,705**	**7,493,256**	**6,755,351**

22. Finance costs

	Group 2011	Group 2010	Company 2011	Company 2010
Bank	872,647	1,154,677	-	8
SARS	41,256	117,921	-	-
	913,903	**1,272,598**	**-**	**8**

	Group		Company	
Figures in Rand	**2011**	**2010**	**2011**	**2010**
23. Taxation				
Major components of the tax expense				
Current				
Local income tax - current period	6,265,132	7,995,259	733,193	786,320
STC	612,009	544,008	-	-
	6,877,141	**8,539,267**	**733,193**	**786,320**
Deferred				
Originating and reversing temporary differences	1,403,064	13,651	-	-
	8,280,205	**8,552,918**	**733,193**	**786,320**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	27,804,423	28,718,246	8,774,089	7,464,640
Tax at the applicable tax rate of 28% (2010: 28%)	7,785,238	8,041,109	2,456,745	2,090,099
Tax effect of adjustments on taxable income				
Capital gains	59,032	-	59,032	-
(Reversal)Impairment of loans	-	-	(26,001)	114,405
Permanent differences	(116,679)	(8,439)	(1,756,583)	(1,418,184)
Tax losses available for set off against future taxable income	(59,395)	(23,760)	-	-
STC	612,009	544,008	-	-
	8,280,205	**8,552,918**	**733,193**	**786,320**

Gross estimated tax losses of certain subsidiaries at 30 June 2011, available for offset against future taxable income amounted to R1,4 million (2010: R1,4 million). A deferred tax asset has not been raised in respect of these losses due to the uncertainty around those subsidiaries' ability to generate future taxable profits against which the deferred tax asset may be utilised. Had a deferred tax asset been raised it would have amounted to R396,000 (2010: R396,000).

	Group		Company	
Figures in Rand	**2011**	**2010**	**2011**	**2010**
24. Cash generated from operations				
Profit before taxation	27,804,423	28,718,246	8,774,089	7,464,640
Adjustments for:				
Depreciation and amortisation	4,217,151	3,452,748	-	-
Loss on sale of assets	55,022	172,377	-	-
Dividends received	-	-	(6,120,092)	(5,440,082)
Interest received	(4,229,316)	(4,702,705)	(1,373,164)	(1,315,269)
Finance costs	913,903	1,272,598	-	8
Movements in provisions	(3,886,629)	747,833	-	-
Intercompany loan impairments	-	-	(92,862)	408,589
Changes in working capital:				
Inventories	(989,326)	(134,976)	-	-
Trade and other receivables	(2,295,779)	2,764,912	(330,273)	(15,544)
Trade and other payables	3,060,469	(1,073,966)	10,794	(17,536)
	24,649,918	**31,217,067**	**868,492**	**1,084,806**
25. Tax paid				
Balance at beginning of the year	183,730	(635,468)	(117,340)	65,166
Current tax for the year recognised in profit or loss	(6,877,141)	(8,539,267)	(733,193)	(786,320)
Balance at end of the year	(890,374)	(183,730)	180,531	117,340
	(7,583,785)	**(9,358,465)**	**(670,002)**	**(603,814)**
26. Dividends paid				
Balance at beginning of the year	(13,675)	(5,327)	(13,675)	(5,327)
Dividends	(6,120,092)	(5,440,082)	(6,120,092)	(5,440,082)
Balance at end of the year	27,688	13,675	27,688	13,675
	(6,106,079)	**(5,431,734)**	**(6,106,079)**	**(5,431,734)**

Dividends received are reflected as part of cash flow from operating activities.

27. Borrowing powers

In terms of the Articles of Association, the borrowing powers of the directors are unlimited.

28. Related parties

Related parties are those that control or have significant influence over the Group and Company, including major investors and key management personnel and parties that are significantly controlled or influenced by the Group or Company, including subsidiaries.

Related-party relationships where control exists are:

Related party	Nature of relationship
Companies	
FoneWorx (Proprietary) Ltd	Subsidiary
Four Rivers Trading 123 (Proprietary) Ltd	Subsidiary
Interconnective Solutions Management Services (Proprietary) Ltd	Subsidiary
Retail Card Club (Proprietary) Ltd	Subsidiary
SurveyOnLine (Proprietary) Ltd	Subsidiary
Valutronics (Proprietary) Ltd	Subsidiary
Mazambane Trading 56 (Proprietary) Ltd t/a CarbonWorx	Subsidiary
VM Advertising (Proprietary) Ltd	Subsidiary
FoneWorx Kenya Limited	Subsidiary
FoneWorx Global Communications Limited	Subsidiary
FoneWorx Zambia Limited	Subsidiary
FoneWorx Namibia (Proprietary) Ltd	Subsidiary
Afrifocus Securities (Proprietary) Ltd	Company in which AG Mancha has an interest
Trust	
Interconnective Solutions Share Incentive Trust	Share Trust
Directors of FoneWorx Holdings Limited	
Mark Allan Smith	
Pieter Albertus Scholtz	
Ronald Graver	
Robert Russell	
Ashvin Mancha	
Gaurang Mooney	

Related party balances and transactions

Directors
Directors' emoluments are set out in note 19.

Investments and loans
Related party investments and loans of the holding company are reflected in note 33.

Management fees
The Company received a management fee amounting to R1,200,000 (2010: R1,200,000) from FoneWorx (Proprietary) Limited.

Dividends
Dividends were received from FoneWorx (Proprietary) Limited amounting to R6,120,091 (2010: R5,440,082).

Revenue and debtors
Transactional revenue received from Afrifocus Securities (Proprietary) Limited amounting to R555,823 (2010: R157,667).

Trade receivables balances at year end R411,854 (2010: R91,399).

29. Share based payments

Employee share option plan

The Group had an ownership-based compensation scheme for senior employees of the Group which has been closed down during the year under review.

The number of options granted is approved by shareholders at a previous Annual General Meeting and is approved by the Remuneration Committee.

All the share options were exercised during the current year.

The following share-based payment arrangements were in existence during the comparative reporting year:

Options series	Number	Grant date	Exercise price	Fair value at grant date
(i) Issued 18 June 2007	900000	18/06/2007	R0.50	1.15
(ii) Issued 18 June 2007	700000	18/06/2007	R1.04	1.15

The following reconciles the outstanding share option granted under the employee share option plan at the beginning and end of the financial year.

	Number of options	Weighted average exercise price
Balance at 1 July 2010	1,600,000	0.80
Granted during the financial year	-	-
Forfeited during the financial year	-	-
Exercised during the financial year	(1,600,000)	1.25
Expired during the financial year	-	-
Balance at 30 June 2011	-	-

The effect of the share based payment resulted in an adjustment of R87 000 (2010: Rnil) in the Statement of Comprehensive income.

	Group	
Figures in Rand	2011	2010
30. Earnings per share		
The calculation of earnings per share is based on profits of R19 524 218 attributable to shareholders of the parent (2010: R 20 165 328) and a weighted average of 135 202 041 (2010: 134 402 041) ordinary shares in issue during the year	14.44 cents	15.00 cents
The calculation of headline earnings per share is based on profits of R19 524 218 attributable to shareholders of the parent adjusted to R19 563 835 (2010: R 20 165 328 adjusted to R 20 289 439) and a weighted average of 135 202 041 (2010: 134 402 041) ordinary shares in issue during the year	14.47 cents	15.10 cents
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders of parent	19,524,218	20,165,328
Loss on disposal of property, plant and equipment	55,024	172,377
Tax effect of the disposal of property, plant and equipment	(15,407)	(48,266)
Headline earnings	19,563,835	20,289,439
The calculation of diluted earnings per share is based on profits of R19 524 218 (2010: R20 165 328) and a weighted average of 135 202 041 (2010: 134 812 910) ordinary shares issued during the year	14.44 cents	14.96 cents
Reconciliation between earnings and diluted earnings per share:		
Weighted average number of shares used in the calculation of earnings per share	135,202,041	134,402,041
Shares deemed to be issued in respect of:		
Employee options	-	410,869
	135,202,041	134,812,910

31. Risk management

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Debt is managed on a project by project basis by the Board, and is only used to acquire high value, long term assets.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 12, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and premium, reserves and retained earnings as disclosed in notes 8, 9 and 10, respectively.

Currently the Group's cash and cash equivalents of R82.1 million (2010: R74.1 million) exceeds its interest bearing debt of R9.9 million (2010: R9.6 million) as set out in note 12 by 8.29 times (2010: 7.71 times).

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 1 to the financial statements.

31. Risk management (continued)

Fair values

Figures in R'000	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Group				
Trade and other receivables	17,031	17,031	15,093	15,093
Cash and cash equivalents	82,067	82,067	74,124	74,124
Trade and other payables	14,875	14,875	13,490	13,490
Long-term loans and instalment sale liabilities	9,881	9,881	9,573	9,573

The fair value of trade and other receivables, as well as trade and other payables, is estimated as the present value of future cashflows, discounted at the effective interest rate at the reporting date.

Concentration of risk

The Group's financial instruments do not represent a concentration of credit risk because it deals with a variety of major banks and its debtors and loans are regularly monitored. An adequate level of provision is maintained.

Foreign currency risk

In the past and in the normal course of business, the Group has entered into transactions denominated in foreign currencies. The Group currently does not hedge its exposure to foreign currency exchange rates. However, all sales during the current year have been, denominated is South African Rands. The foreign currency risk the Group was exposed to at year end was not material and therefore no sensitivity analysis is performed.

Interest rate risk

Fluctuating interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business the Group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure surplus funds are invested in a manner to achieve returns while minimising risks.

The Group's exposure to interest rates on financial assets are R82.1 million (2010: R74.1 million) and financial liabilities are R9.9 million (2010: R9.6 million).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on exposure to interest rates at the reporting date.

If interest rates have been 100 basis points higher and all other variables were held constant, the Group's profit for the year under review would have increased by R697,567 (2010: R645,649). The effect on profit after tax and equity would be R502,248 (2010: R464,867).

If interest rate had been 100 basis points lower and all other variables were held constant, the Group's profit for the year under review would decrease by R697,567 (2010: R645,649). The effect on profit after tax and equity would be R502,248 (2010: R464,867).

The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in cash and cash equivalents reserves.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. More than 90% of the Group's revenue is generated through transactions with the three local cellular phone service providers and one large fixed line local telecoms provider. The directors believe that these companies are all able to finance their debt adequately.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31. Risk management (continued)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual payments	Less than 1 year	Between 2 And 5 years	Over 5 years
Group					
At 30 June 2011					
Borrowings	9,880,797	12,278,267	2,391,086	7,988,506	1,898,665
Trade and other payables	14,874,530	14,874,530	14,874,530	-	-
At 30 June 2010					
Borrowings	9,572,843	12,010,198	1,860,993	6,618,576	3,530,637
Trade and other payables	13,490,357	13,490,357	13,490,357	-	-
Company					
At 30 June 2011					
Trade and other payables	117,953	117,953	117,953	-	-
At 30 June 2010					
Trade and other payables	107,402	107,402	107,402	-	-

32. Segment 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 segments:

- BizWorx: the segment focusing on business related products;
- MediaWorx: the segment focusing on information and entertainment services; and
- Development: consists of the three brands that are still within the development and piloting phase being CarbonWorx, DRWorx and IDWorx.

The accounting policies of the operating segments are the same as those described in the basis of preparation. MediaWorx provides services within South Africa as well as in 36 African countries ("Africa sales"). Within the period under review 4.8% (12 months 2010: 3.5%) of MediaWorx revenue can be attributed to Africa sales. The company allocates revenue to each country based on the domicile of the related customer. All of the Company's assets are located in South Africa. MediaWorx currently generates 32.1% and 21.2% (2010: 36.8% and 17.9%) of its revenue through two customers respectively. BizWorx generated 95.5% (2010: 94.4%) through one single customer.

The reconciliation of 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.

	Group	
Figures in Rand	2011	2010
32. Segment reporting (continued)		
Revenue		
BizWorx	64,369,424	64,245,676
MediaWorx	24,626,667	26,080,018
Development	2,583,342	1,595,991
	91,579,433	91,921,685
Cost of sales		
BizWorx	(20,259,924)	(21,452,155)
MediaWorx	(14,368,085)	(12,134,496)
Development	(1,426,669)	(645,740)
	(36,054,678)	(34,232,391)
Gross Profit		
BizWorx	44,109,500	42,793,521
MediaWorx	10,258,582	13,945,522
Development	1,156,673	950,251
	55,524,755	57,689,294

33. Subsidiaries

	Issued share capital	Group effective interest %	Cost of investment R	Indebtedness by subsidiary R	Provision for doubtful loans R
2011 - Company					
The holding company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	10,992,506	-
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2,310,100	250,187	-
Interconnective Solutions Management Services (Proprietary) Limited	100	100%	100	(134,747)	-
Retail Card Club (Proprietary) Limited*	100	100%	100	616,265	(616,265)
SurveyOnLine (Proprietary) Limited*	100	100%	100	1,334,111	(1,334,111)
Valutronics (Proprietary) Limited*	100	100%	100	101,474	(101,474)
CarbonWorx (Proprietary) Limited	100	100%	100	433,331	-
VM Advertising (Proprietary) Limited*	100	100%	100	823,954	(823,984)
FoneWorx Kenya Limited***	5,000,000	60%	100	292,121	-
FoneWorx Global Communications Limited (Nigeria)***	10,000,000	70%	100	983,885	-
FoneWorx Zambia Limited***	5,000,000	60%	100	38,815	-
FoneWorx Namibia (Proprietary) Ltd***	100	100%	100	1,925	-
			2,311,200	15,733,827	(2,875,834)

33. Subsidiaries (continued)

	Issued share capital	Group effective interest %	Cost of investment R	Indebtedness by subsidiary R	Provision for doubtful loans R
2010 - Company					
The holding company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	10,583,485	-
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2,310,100	189,326	-
Interconnective Solutions Management Services (Proprietary) Limited*	100	100%	100	112,709	(112,709)
Retail Card Club (Proprietary) Limited*	100	100%	100	606,665	(606,665)
SurveyOnLine (Proprietary) Limited*	100	100%	100	1,323,532	(1,323,532)
Valutronics (Proprietary) Limited*	100	100%	100	101,806	(101,806)
CarbonWorx (Proprietary) Limited	100	100%	100	564,752	-
VM Advertising (Proprietary) Limited*	100	100%	100	823,954	(823,984)
Interconnective Solutions Share Incentive Trust**				756,800	-
			2,310,800	**15,063,029**	**(2,968,696)**

All the above entities are private companies and incorporated in South Africa. The loans are recorded in South African Rands as this is the currency in which the transactions are concluded.

All of the above loans are unsecured, interest free and have no fixed repayment terms.

* The loans to these companies have been subordinated and the impairment was calculated based on the value of the deficit in the company. All exposure based on the guarantee given has therefore been provided for. The reversal recognised in the current period relating to the provision against the loan amounts to R92,862 (2010: R408,589 expense).

** Consolidated in terms of IAS27 Consolidated and Separate Financial Statements.

*** The Group registered these entities in the current year to commence operations during the 2012 financial year.

The holding Company's interest in the aggregate after tax profits (losses) of the subsidiaries are:

	Profit (loss) before tax R	Tax R	Profit (loss) for the year after tax R
2011 - Company			
FoneWorx (Proprietary) Ltd	24,833,813	(7,244,401)	17,589,412
Four Rivers Trading 123 (Proprietary) Limited	1,252,677	(362,006)	890,671
Interconnective Solutions Management Services (Proprietary) Limited	(27,233)	-	(27,233)
Retail Card Club (Proprietary) Limited	(600)	-	(600)
SurveyOnline (Proprietary) Limited	(1,660)	-	(1,660)
Valutronics (Proprietary) Limited	(1,630)	-	(1,630)
CarbonWorx (Proprietary) Limited	(212,125)	59,395	(152,730)
FoneWorx Kenya Limited	(249,094)	-	(249,094)
FoneWorx Global Communications Limited (Nigeria)	(240,010)	-	(240,010)
FoneWorx Zambia Limited	-	-	-
FoneWorx Namibia (Proprietary) Limited	(1,744)	-	(1,744)
	25,352,394	**(7,547,012)**	**17,805,382**

33. Subsidiaries (continued)

	Profit (loss) before tax R	Tax R	Profit (loss) for the year after tax R
2010 - Company			
FoneWorx (Proprietary) Ltd	24,926,430	(7,364,614)	17,561,816
Four Rivers Trading 123 (Proprietary) Limited	1,259,959	(363,904)	896,055
Interconnective Solutions Management Services (Proprietary) Limited	224,671	(61,841)	162,830
Retail Card Club (Proprietary) Limited	(25,875)	-	(25,875)
SurveyOnline (Proprietary) Limited	(12,167)	-	(12,167
Valutronics (Proprietary) Limited	(3,062)	-	(3,062)
CarbonWorx (Proprietary) Limited	(84,858)	23,760	(61,098)
	26,285,098	**7,766,599**	**18,518,499**

34. Securities and guarantees

The Group's banking facilities are secured as follows:

- Suretyship limited to R5,000,000 issued by FoneWorx Holdings Limited in favour of BOE Private Bank as security for the facility granted to Four Rivers Trading 123 (Proprietary) Limited.

First National Bank has issued the following guarantees on behalf of the Group:

- SABC Limited - R Nil (2010: R1,500,000).

- Virtual Payment Solutions (Proprietary) Limited - R50,000 (2010: R50,000).

FoneWorx Holdings Limited
Incorporated in the Republic of South Africa
(Registration number 1997/010640/06)
Share code: FWX ISIN: ZAE000086237
("FoneWorx" or "the Company")

Notice of Annual General Meeting

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the 13th Annual General Meeting of shareholders of FoneWorx, will be held at 11:00 on Thursday, 10 November 2011 at the offices of the Company, FoneWorx House, 84 Bram Fischer Drive (entrance on Will Scarlet Road), Ferndale, Randburg, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The board of directors of the Company determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 28 October 2011. Accordingly, the last day to trade FoneWorx shares in order to be recorded in the Register to be entitled to vote will be 21 October 2011.

1. To receive, consider and adopt the annual financial statements of the Company and the Group for the financial year ended 30 June 2011, including the directors' report and the report of the Audit and Risk Committee therein.
2. To re-elect, Mark Allan Smith who, in terms of Article 66 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

   Mark Allan Smith (BA LLB) Admitted Attorney (currently on non-practising roll)
   Mark completed his articles and practised as an attorney for several months before joining Shield Trading Corporation Limited ("Shield") as legal advisor. In 1987, Shield was listed on the Johannesburg Stock Exchange and Mark played a pivotal role in the listing of the company. Two years later, he was appointed as the legal director for Shield as well as joint managing director of Success Wholesale Holdings (Proprietary) Limited, a subsidiary of Shield. Mark was also the managing director of Infophone (Proprietary) Limited which operated telephony services in the premium rate service industry where he gained experience in the audiotex telephony platform. In 1991, Mark was appointed joint managing director of Shield. In 1992, Massmart Holdings (Proprietary) Limited, a subsidiary of Wooltru Limited, acquired 66% of Shield and Mark was appointed the managing director of Shield. In May 1995, Mark was also appointed a director of Massmart Holdings (Proprietary) Limited, the holding company of Shield, Makro and Dion. As managing director of Shield, Mark was responsible for 450 franchised outlets and responsible for sales of R1.3 billion. The total market share of Shield's outlets totalled (collectively) approximately R6 billion. In February 1997, Mark phased out of Shield to start FoneWorx.

   Mark has extensively researched Identity Verification applications and also attended courses on the subject matter. In addition, Mark has consulted widely with a number of legal professionals and industry bodies to acquire extensive knowledge in the arena of Identity Verification.

   Mark has also developed an extensive business training course orientated around the small, medium and micro enterprises and lectures on a broad range of topics in the Virtual Business Centre management courses in the FoneWorx Academy.

   Mark has consulted widely with environmental experts on climate change and has also presented papers at various climate change conferences. In addition, Mark holds a number of workshops on climate change and restoration of local eco systems in line with climate mitigation and adaptation.

3. To re-elect, Ashvin Govan Mancha who, in terms of Article 66 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

   Ashvin Govan Mancha (B. Proc) Non-executive Director
   Ashvin obtained a B. Proc from the University of Witwatersrand in 1981, and thereafter a Diploma in Financial Management. He completed articles at Soller, Winer and Partners, and was admitted as an Attorney in 1982. His primary responsibilities and experience were in the banking sector. In 1985 he entered the family business which ran property and retail businesses which gave him direct exposure to the stockbroking community in South Africa. He then joined Ed, Hern Rudolph Inc. as a stockbroker on completion of his stockbroking exams and was the first qualified black practicing stockbroker during the apartheid era of South Africa. He was invited to join the board of directors, and remained a director after the firm was sold to BOE Natwest in 1995. During the period up to his departure in December 1999, he built up one of the largest private client stockbroking businesses in South Africa. In June 2000 he started the stockbroking firm of Afrifocus Securities with a staff of 3 which has subsequently grown to a staff of 46 based at 4 offices being Sandton, Cape Town, Centurion and Durban.

4. To appoint, Ashvin Govan Mancha as a member and Chairman of the FoneWorx Holdings Limited Audit and Risk Committee.

5. To appoint, Gaurang Mooney as a member of the FoneWorx Holdings Limited Audit and Risk Committee.

   Gaurang Mooney (BA Economics & Finance) Non-executive Director
   Gaurang studied at the University of Texas and obtained a Bachelor of Arts degree in Economics and Finance. Gaurang's background is in finance and he is an executive director of Overseas Development Enterprises (Proprietary) Limited. This company has significant interests in owning and operating large wholesale and retail trading outlets in the food, hardware and flooring sector in Southern Africa. In addition to this, a main focus of the company is property development both in Southern Africa and Australia. Gaurang has built up tremendous practical experience in all of the businesses that the company has interests in. He has been associated with the founder members of FoneWorx since it commenced its current operations.

6. To confirm the re-appointment of PKF (Jhb) Inc. as independent auditors of the Company with Mr Ben Frey, being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

7. **ORDINARY RESOLUTION NUMBER 1**

   Approval of remuneration policy
   "**Resolved** that the remuneration policy of the directors of FoneWorx Holdings Limited ("the Company"), as set out on page 20 of the Annual Report to which this notice is attached, be and is hereby approved as a non-binding advisory vote of shareholders of the Company in terms of the King III Report on Corporate Governance."

8. **ORDINARY RESOLUTION NUMBER 2**

   Control of authorised but unissued ordinary shares
   "**Resolved** that the authorised but unissued ordinary shares in the capital of FoneWorx Holdings Limited ("the Company") be and are hereby placed under the control and authority of the directors of the Company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and the Listings Requirements of JSE Limited, as amended from time to time."

9. **ORDINARY RESOLUTION NUMBER 3**

Approval to issue ordinary shares, and to sell treasury shares, for cash

"Resolved that the directors of FoneWorx Holdings Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to –

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE Listings Requirements") from time to time.

The JSE Listings Requirements currently provide, inter alia, that:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 50% (fifty percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, inter alia, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- this general authority will be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the Company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Listings Requirements, ordinary resolution number 3 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the Annual General Meeting.

10. **ORDINARY RESOLUTION NUMBER 2**

General approval to acquire shares

"Resolved, by way of a general approval that FoneWorx Holdings Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE"), as amended from time to time.

The JSE Listings Requirements currently provide, *inter alia,* that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf.
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- the Company may only effect the repurchase once a resolution has been passed by the board of directors ("the Board") of the Company confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Reason for and effect of special resolution number 2

The reason for and effect of this special resolution number 2 is to obtain an authority for, and to authorise, the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

10.1 Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which are contained in the annual report of which this notice forms part:

- directors and management – page 2 and 21;
- major shareholders of FoneWorx Holdings Limited – page 22;
- directors' interests in securities – page 22;
- share capital of the company – page 21; and
- litigation statement – page 23.

10.2 Material change

There have been no material changes in the affairs or financial position of FoneWorx Holdings Limited and its subsidiaries since FoneWorx Holdings Limited financial year end and the date of this notice.

10.3 Directors' responsibility statement

The directors, whose names are given on page 2 and 21 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

10.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the group's requirements.

The Company may not enter the market to proceed with the repurchase until its Designated Adviser, Merchantec (Proprietary) Limited, has discharged of all of its responsibilities in terms of the JSE Listings Requirements insofar as they apply to working capital statements for the purposes of undertaking an acquisition of its issued ordinary shares.

11. ORDINARY RESOLUTION NUMBER 3

Financial assistance in terms of section 44 and 45 of the Companies Act
"Resolved that, to the extent required by the Companies Act, 2008 (Act 71 of 2008) ("the Companies Act"), the board of directors of the Company ("the Board") may, subject to compliance with the Memorandum of Incorporation of the Company, sections 44 and 45 of the Companies Act and the Listings Requirements of JSE Limited ("the JSE"), each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of a loan, a guarantee, the provision of security or otherwise, to:

11.1 any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the acquisition of or subscription for any option or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company; and

11.2 the directors or prescribed officers of the Company (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the Company's or group of companies' share or other employee incentive schemes, for the purpose of, or in connection with, the acquisition of or subscription for any option or any securities issued or to be issued by the Company or a related or inter-related company, where such financial assistance is provided in terms of any scheme that does not satisfy the requirements of section 97 of the Companies Act, which authority shall be valid until the Company's next Annual General Meeting."

Notice of Annual General Meeting

Reason for and effect of special resolution number 3

The reason for and effect of this special resolution number 3 is to obtain an authority for the Board, and to authorise the Company, by way of a special authority, to provide direct or indirect financial assistance by way of a loan, a guarantee, the provision of security or otherwise.

The Board undertakes that, in so far as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that –

(i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

12. ORDINARY RESOLUTION NUMBER 4

Signature of documents
"Resolved that each director of FoneWorx Holdings Limited ("the Company") be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the Annual General Meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions."

13. Other business
To transact such other business as may be transacted at the Annual General Meeting of the Company.

Voting and proxies
Special resolutions to be adopted at this Annual General Meeting require approval from 75% of the shares represented in person or by proxy at the meeting. Ordinary resolutions to be adopted require approval from a simple majority, which is more than 50% of the shares represented in person or by proxy at the meeting.

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and who wish to attend the Annual General Meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at least 48 hours excluding Saturdays, Sundays and public holidays, before the time of the meeting.

Kindly note that meeting participants, which includes proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licenses and passports.

By order of the Board

Pieter Albertus Scholtz
Company Secretary

22 September 2011
Johannesburg

Shareholders' diary

Financial year end	30 June 2011
Annual report and financial statements	22 September 2011
Annual general meeting	10 November 2011
Interim report	February 2011

FoneWorx Holdings Limited

Incorporated in the Republic of South Africa
(Registration number 1997/010640/06)
Share code: FWX ISIN: ZAE000086237
("FoneWorx" or "the Company")

Form of Proxy

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration,

at the 13th Annual General Meeting of shareholders of the Company to be held at the offices of the company, FoneWorx House, Corner Bram Fischer Drive and Will Scarlet Road (entrance of Will Scarlet Road), Ferndale, Randburg, at 11:00 on Thursday, 10 November 2011 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the Annual General Meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **These ordinary shareholders must not use this form of proxy.**

I/We (BLOCK LETTERS please) ____________________

of (address) ____________________

Telephone work ( ) ____________________ Telephone home ( ) ____________________

being the holder of ____________________ areas in the company, hereby appoint (see note):

1. ____________________ or failing him / her,

2. ____________________ or failing him / her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the Annual General Meeting of the Company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	Against	Abstain
1.	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 30 June 2011			
2.	To approve the re-election as director of Mark Allan Smith who retires by rotation			
3.	To approve the re-election as director of Ashvin Govan Mancha who retires by rotation			
4.	To approve the appointment of Ashvin Govan Mancha as member and Chairman of the Audit and Risk Committee			
5.	To approve the appointment of Gaurang Mooney as member of the Audit and Risk Committee			
6.	To confirm the re-appointment of PKF (Jhb) Inc as auditors of the company together with Mr Ben Frey for the ensuing financial year			
7.	**Ordinary Resolution Number 1** - Approval of the remuneration policy			
8.	**Ordinary Resolution Number 2** - Control of authorised but unissued ordinary shares			
9.	**Ordinary Resolution Number 3** - Approval to issue ordinary shares, and to sell treasury shares, for cash			
10.	**Special resolution number 2** - General approval to acquire shares			
11.	**Special resolution number 3** - Approval of financial assistance in terms of section 44 and 45 of the Companies			
12.	**Ordinary Resolution Number 4** - Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.
A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at ____________________ on ____________________ 2011

Signature ____________________

Assisted by (where applicable) ____________________

Notes

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in “own name”.
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder’s choice in the space provided, with or without deleting “the Chairperson of the meeting”. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an “X” has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder’s votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty eight hours before the commencement of the Annual General Meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder’s authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder’s behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company’s transfer secretaries or waived by the Chairperson of the Annual General Meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company’s register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. **Forms of proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:**

Hand deliveries to:	**Postal deliveries to:**
Computershare Investor Services (Proprietary) Limited	Computershare Investor Services (Proprietary) Limited
Ground Floor, 70 Marshall Street	PO Box 61051
Johannesburg, 2001	Marshalltown, 2107

to be received by no later than 10:00 on Tuesday, 8 November 2011 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

Annual Report 2011

FoneWorx

BizWorx

IDWorx

• BizWorx • CarbonWorx • DRWorx • IDWorx • MediaWorx •