FoneWorx

Annual Report 2009

FoneWorx Holdings Limited

(Reg No 1997/010640/06)

Annual Report

for the year ended 30 June 2009

Contents

Directors and administration

Company registration number
1997/010640/06

Share code
FWX

Website
www.foneworx.co.za

Directors
Ronald Graver
Ashvin Govan Mancha B Proc* – Chairman
Gaurang Mooney BA* (Botswana)
Andrew Conway Molusi*
April Masitwe*
Robert Russell
Mark Allan Smith BA LLB – Chief Executive Officer
Pieter Albertus Scholtz CA (SA) – Financial Director
(Independent non-executive)*

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(Proprietary) Limited
Ground Floor, 70 Marshall Street,
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Website www.computershare.com

Auditors
Deloitte & Touche

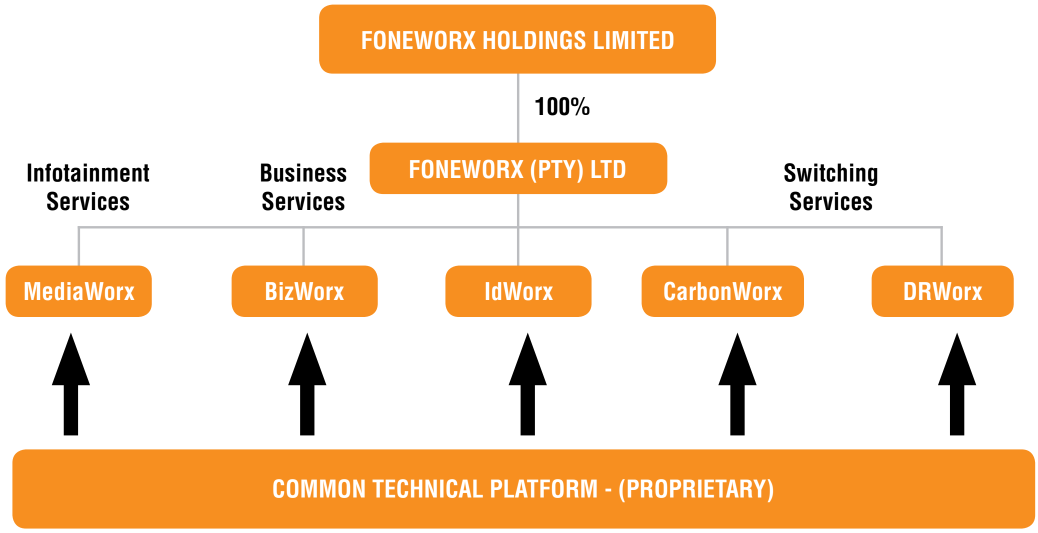
Attorneys
Martini-Patlansky Attorneys

Bankers
First National Bank Limited
Absa Bank Limited
Investec Bank Limited

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

Designated adviser
Merchantec (Proprietary) Limited

Profile



FoneWorx (Proprietary) Limited ("FoneWorx")

FoneWorx constitutes the majority of revenue attributable to FoneWorx Holdings Limited, being the main trading subsidiary of FoneWorx Holdings Limited. FoneWorx has three broad divisional strategies each of which has defined brand names as set out hereunder:

INFOTAINMENT SERVICES

MediaWorx

MediaWorx provides infotainment services incorporating SMS, IVR, MMS, VMail and similar type applications orientated towards the Fast Moving Consumer Goods environment, advertising agencies, corporates, NGO's, government and any institution requiring interactive services. FoneWorx is the preferred service provider to SABC by virtue of an existing contract and is also the preferred service provider to MultiChoice for services into Africa. FoneWorx has relationships with 73 networks in Africa.

MediaWorx manages around 800 individual campaigns per annum.

BUSINESS SERVICES

BizWorx

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

Fax2Email	PC2Fax	IVR
Mobi Website Hosting	Disaster Recovery	Travel
MMS	Telco Services	Conference Call
SurveyOnline	Airtime	Auto Receptionist
Email	Diary	Address Book
SMS	Accounting	Business Cards
Business and Legal Forms	Business Management	Business Plans
Credit Card	Classifieds	

Profile

BizWorx distributes its broad range of services via a dealer network which currently constitutes 380 dealers and operates through various points of presence incorporating PostNet which provides 220 outlets for the sale of a number of the BizWorx applications and services. BizWorx has developed its own proprietary platform for the hosting and management of the various BizWorx applications incorporating Fax2Email. BizWorx launched Fax2Email approximately 4 years ago and has subsequently developed exceptional skills in document imaging and management incorporating the conversion of hard copy to digital format and the submission of such digital image to email addresses or web pages. BizWorx currently processes approximately 250,000 unique images per day or 8 million images per month.

BizWorx also provides professional services and the design of bespoke services to corporates who wish to incorporate a range of our business services to provide “unified messaging” applications.

SWITCHING SERVICES

IdWorx

IdWorx specialises in identity verification and anti-money laundering solutions (“AML”). In the South African context this oversees 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”). FoneWorx used the expertise it gathered in the BizWorx Fax2Email and PC2Fax services and around the architecture of the latter two services, developed the verification application. IdWorx has consulted extensively with leading experts including Professor Louis de Koker from the University of Johannesburg and who is a director of the Centre for the Study of Economic Crime (“CENSEC”). In addition, research has been verified with a number of leading attorneys who specialise in the digital environment and also electronic communications legislation.

IdWorx continuously researches legislation that is applicable to identity verification applications and legislation pertaining to the protection of personal information such as the Consumer Protection Act and the Protection of Personal Information Bill.

The IdWorx application continuously strives to provide best of breed verification applications that can be adapted to various institutions and their individual requirements.

CarbonWorx

CarbonWorx is a new division of FoneWorx and is launching during November 2009. The CarbonWorx architecture uses the common platform deployed by FoneWorx for its existing services incorporating MediaWorx, BizWorx and IdWorx and will be a card-based application incorporating the various technologies developed by FoneWorx. CarbonWorx addresses the challenges of climate change and the reduction of greenhouse gases incorporating carbon dioxide abatement or sequestration.

The CarbonWorx card will manage the trading in certified emission reduction credits and the interface with various alliance partners who provide the channels for consumers and corporates to reduce their carbon footprint.

DRWorx

DRWorx provides back-up and hosting services together with workflow continuity in the event that a client subscribing to the facility has an unfortunate disaster incorporating floods, fires, 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

I am pleased to present the audited Annual Financial Statements for the year ended 30 June 2009.

The financial highlights for the year are:

▲ Net profit after tax up by 22,1% from R14,9 million to R18,2 million.

▲ Net Asset Value per share increase by 27,5% from 40 cents per share to 51 cents per share.

▲ Cash and Cash Equivalents up by 15,33% from R52,2 million to R60,2 million.

▲ Net profit after tax as a percentage of revenue up 9,5% from 21% to 23%.

FINANCIAL PERFORMANCE

Revenue

The group has continued to deliver steady growth in revenue despite the prevailing economic conditions. Revenue has grown to R79,3 million (2008: R71,2 million), an increase of 11.3%. See figure 1.

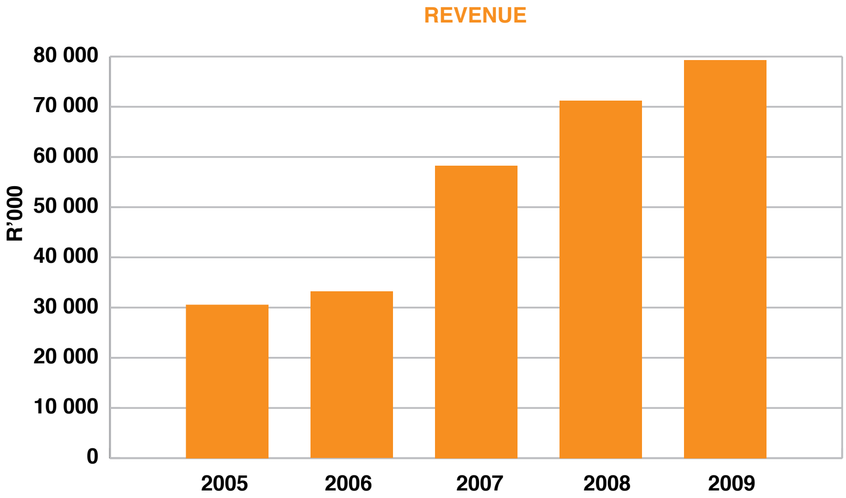


Figure 1

Earnings

Earnings before net interest, tax, depreciation and amortisation ('EBITDA") improved by 23,8% to R24,4 million (2008: R19,7 million).

The dilution of shareholding brought on by the BEE transaction with Kabo Capital (Proprietary) Limited, that took place eight days before the end of the previous financial period, has had an impact on the Earnings per share ("EPS") and the Headline Earnings per share ("HEPS") of the Group.

The Group used the weighted average of number shares issued as is required in terms of International Financial Reporting Standards ("IFRS") to calculate its earnings per share. If the full shareholding was used to calculate the earnings per share for the previous period it would have been 11.07 cents and EPS would have increased by 22,3% to 13,54 cents. However the earnings per share, based on the weighted average number of shares in issue was 13 cents for the previous period and it grew by 4,2% to 13,53 cents. Headline earnings per share increased to 13,52 cents from 12,75 cents, a growth of 5,9%.

Chief Executive Officer's Review

Profit before tax has increased by 28% to R25,5 million (2008: R19,9 million) and gross profit has improved by 22,6% to R47,7 million (2008:R 38,9 million) which is 60,3% of revenue (2008: 54,7%)

Net profit for the year improved to R18,2 million (2008: R14,9 million) a 22,1% increase.

The four year compounded growth for net profit of the company is 104%. See Figure 2.

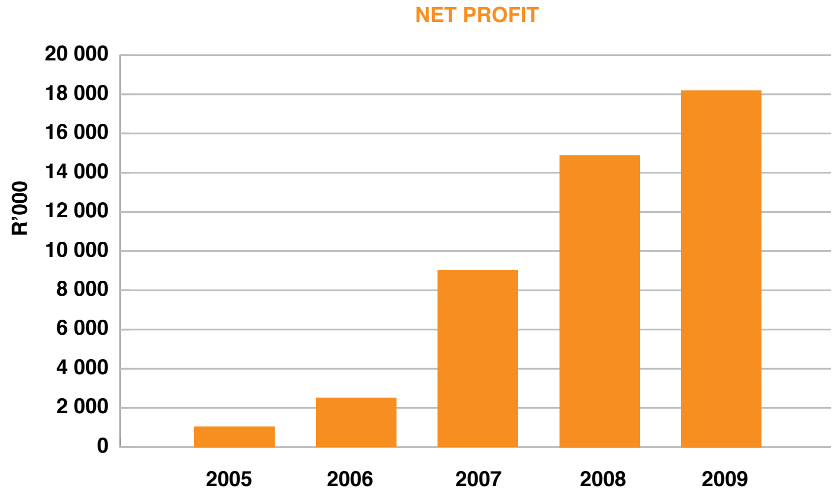


Figure 2

Net Asset Value

The Net Asset Value of the company has increased to R68,2 million (2008: R53,6 million) during the past year, an increase of 27%. Cash and cash equivalent has increased by 15,3% to R60,2 million (2008: R52,2 million).

The Group compounded growth of its Net Asset Value over the past four years is 70% through operations and 85% when the BEE share issue of the previous year is taken into account. See figure 3.

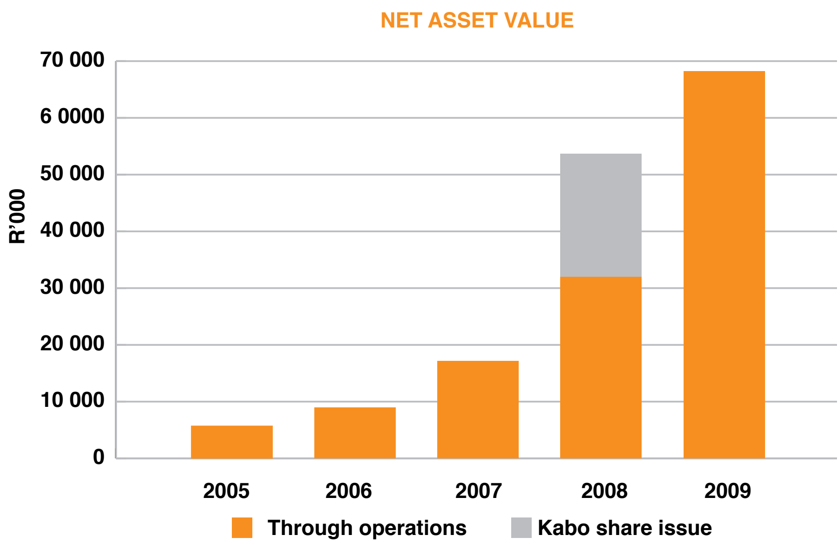


Figure 3

Operational Performance

In my previous year's review I made reference to our re-defined three operating divisions being: **Infotainment Services, Business Services** and **Switching Services**.

These divisions have been further streamlined from an operational and a branding perspective. This will provide a more internalised focus and will provide our stakeholders with greater clarity on our products and services.

We have been very encouraged by our pilot phase in Identity Verification which has shown very positive results and illustrates the opportunity to fully divisionalise this service for opportunities both inside and outside of South Africa under the name of **IdWorx**.

Similarly our substantial development made in the IdWorx division, together with our loyalty ("CRM") applications, has created the foundation and architecture for a new and exciting product within the carbon abatement arena which we will divisionalise as **CarbonWorx**. Our skill sets that we have developed in hosting our own multi-faceted solutions over the past 13 years has enabled us to offer managed disaster recovery and workflow continuity services to niche markets managed under the division **DRWorx**. Our structures and potential for growth is now clearly demarcated and provides for vertical growth whilst using a horizontal technical infrastructure and intellectual property which flows across all vertical silos.

INFOTAINMENT SERVICES

MediaWorx

FoneWorx continues to provide a broad range of interactive services (SMS, IVR, MMS, VMail) to our media stakeholders SABC (South Africa) and MultiChoice ("M Mobile – Africa"). Our proprietary voice and data platform provides over 1,300 simultaneous channels and allows FoneWorx to have a distinct advantage over its competitors.

Our focus has been on providing all our stakeholders in this division with enhanced customer care and the best of breed service levels. Our footprint in Africa has now grown to 73 networks in 32 countries. Brand name campaigns managed by this division include: Telkom Charity Cup, Big Brother Africa III, Telkom Phone Card 2009, Telkom Teacher of the Year, Clover, Ola Magilika, Ola Magnum Competition, Lucky Star Namibia and Botswana, Lucky Star 50th Birthday, various PEP campaigns, DeKat, Noot vir Noot, SABC1 Generations, So You Think You Can Dance, and Strictly Come Dancing.

BUSINESS SERVICES

BizWorx

This division's broad range of services continues to show consistent growth and once again our Fax2Email has shown positive growth of over 22 million faxes processed through our platform during the period under review.

Our Virtual Business Centre ("VBC") was completely revamped and new services added to this exciting menu of prepaid services. The VBC offering now incorporates 25 distinct services. A business management course specifically orientated around the VBC services has been developed in order to assist small, medium and micro enterprises in growing their businesses and becoming more competitive. The business management courses have been introduced during September 2009. This initiative will enable SMEs to have a better understanding of how to use the VBC services whilst obtaining a good academic foundation to sound business principles.

Incorporated in our Business Services offering is our **External Sales Agent ("ESA")** status with Telkom which enables FoneWorx to sell a range of Telkom services. For the second year in succession, FoneWorx achieved the highest sales amongst its ESA competitors and our future sales in this domain look promising. We anticipate continued growth in this division.

Chief Executive Officer's Review

Although FoneWorx only employs 47 full-time staff members it should be noted that via our dealership programme, which constitutes around 370 dealers, it is worth mentioning that dealership commissions paid during the period under review were in excess of R20 million. This model demonstrates our effective footprint or points of presence that FoneWorx has created, which ensures that we have a presence in most parts of the country to channel our existing and new products. In addition, the sizeable commission paid further illustrates the Group's commitment in supporting the growth of small, medium and micro enterprises.

SWITCHING SERVICES

IdWorx

Our pilot phase in South Africa has been extremely positive. We have been able to refine and enhance the Identity Verification system whilst in a live environment and also gather tremendous knowledge around: the deployment of enrolment centres, customer expectations, maintenance, customer care and the employment and training of Commissioners of Oaths. This knowledge will be of great benefit to FoneWorx for its future deployment, particularly in territories outside of South Africa. FoneWorx, in association with PricewaterhouseCoopers ("PwC") opened enrolment stations for the issuing of our "YourIdentity" verification cards in Durban, Cape Town, Port Elizabeth, Nelspruit, Sandton, Randburg, Tshwane and Bloemfontein. These stations were effectively used for our pilot with a government institution.

Our Anti-Money Laundering solution "YourIdentity" ("**FICA**" in the South African context) has clearly demonstrated the many ancillary solutions applicable to this product, primarily around identity verification systems which are capable of being deployed in South Africa. We believe that this will provide a number of new markets to the Group and commensurate new revenue streams.

CarbonWorx

We are very excited about this new division which will leverage off our existing technical platform thus enabling us to enter the market relatively quickly. The development commenced during the period under review and we are anticipating launching this product around November 2009. CarbonWorx focuses on the various means of abating Greenhouse Gas ("GHG") emissions and will have an initial focus around methodologies of reducing carbon dioxide ("CO_2"). This initiative will initially incorporate carbon sinks (reforestation / aforestation) incorporating carbon credits that have been generated from either Voluntary Emission Reduction ("VER") initiatives or Clean Development Mechanisms ("CDMs").

The product and solution will be offered to natural and juristic persons and will be a card-based program where credits for carbon abatement can be acquired via various channel partners. Our launch of this product will be timeous for the World Cup in 2010 and we would hope to capture some of the transient market visiting South Africa.

DRWorx

FoneWorx has, over the last 13 years, acquired very capable skills in development, hosting and maintaining its own telecommunications and hosting environment. Based on this history we have identified opportunities to provide niche back-up facilities ("Disaster Recovery") for the stockbroking fraternity and small to medium businesses. A dedicated computer hosting environment has been built specifically for this initiative and we anticipate the launch of this service in November 2009. FoneWorx now occupies the entire building to accommodate the expansion in our various switching service divisions. The entire building has now been refurbished and a second "state-of-the art" hosting environment has been built.

PROSPECTS

I am confident about the outlook for the ensuing year to June 2010 and in particular very excited about our prospects with our Identity Verification Services, CarbonWorx and Disaster Recovery Services which will create new revenue streams for the Group. Revenue streams for the latter have commenced in the first quarter of the current financial year.

The launch of our training academy is also very exciting and to this end we have developed a 25 seater, fully equipped training room and have commenced the training of Commissioners of Oaths for our Identity Verification Services and also launched our VBC Business Management Course for SMMEs.

Most of our anticipated growth is expected to come from organic growth, however management will continue to look at acquisitive opportunities to complement any of our existing divisions.

The group has a strong balance sheet, with enhanced cash flows which will assist us in our future growth.

I would like to thank our customers and suppliers and express my appreciation to my co-directors, staff and dealers for the part they have played over the past year.

I would also like to thank all our shareholders for their continued support.

Mark Smith
Chief Executive Officer

25 September 2009

Corporate governance

for the year ended 30 June 2009

The directors recognise the need to conduct the affairs of the company with integrity and in compliance with the principles of the King II report, while recognising the practicalities of the environment in which it operates. The company is compliant with regards to the principles as set out in the King II report.

Corporate code of conduct

FoneWorx Holdings Limited 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.

Board of directors

The company is in the process of drafting a board charter in compliance with King III that will formalise the Board's composition, processes, duties and responsibilities.

Currently the company has four executive directors and four independent directors. The directors are of the opinion that this structure is effective. The executive directors have responsibility for implementing strategic and operational decisions in the conduct of the Group's business. The independent directors support the executive directors and supplement the skills and judgement of the executive directors in the overall direction of the company. The roles of Chairman of the Board and CEO are separate.

The Board will nominate and appoint directors to replace any director who has resigned. All directors so appointed are required to step down at the next Annual General Meeting in order for them to be re-elected by the shareholders.

Day-to-day management of the Group is vested in the Executive Committee (Exco), which consists of the four executive directors plus two senior executives and a consultant. Exco meets weekly, and formulates the direction of the group as well as monitoring group performance. Each executive has clear areas of responsibility for which he/she is responsible to Exco.

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

Remuneration Committee

The remuneration committee consists of Ashvin Mancha (Chairman and Independent Director) and Gaurang Mooney (Independent Director). The committee meets annually to determine remuneration levels and the directors' bonus scheme. It also meets on an *ad hoc* basis when the need arises. The committee met twice in 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 Committee

The membership of this committee consists of the two independent non-executive directors (Ashvin Mancha and Gaurang Mooney), and the company's Designated Adviser. A full Audit Committee report is on page 15.

Attendance at Board and Committee meetings

	Board		Audit & Risk Committee		Remuneration Committee	
	Number of meetings	Attended	Number of meetings	Attended	Number of meetings	Attended
A Mancha	4	3	4	4	2	2
G Mooney	4	2	4	1	2	2
M Smith	4	4	4*	4*		
Andrew Conway Molusi (From 27 November 2008)	2	1				
April Masitwe (From 27 November 2008)	2	2				
R Russell	4	3				
R Graver	4	4				
P Scholtz	4	4	4*	4*		
Designated Advisor (Merchantec)	4*	4*	4	4		

** By invitation only*

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 which will be submitted shortly, the staff profile is currently as follows:

Corporate governance

for the year ended 30 June 2009

	Designated							Non-designated			Total
Occupations levels	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Senior Management								6			6
Skilled technical and academic qualified workers, junior management , supervisors, foremen and superintendents					1		1	4	1		7
Semi skilled and discretionary decision making	7	1	1	4	0		12	5	1		31
Unskilled and defined decision making	1			2							3
Total Permanent	8	1	1	6	1	0	13	15	2	0	47
Non Permanent							1	2			3
Grand Total	8	1	1	6	1	0	14	17	2	0	50

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 of directors thereon.

Broad Based Black Economic Empowerment

The company is committed to complying with the Department of Trade and Industry's ("DTI's") Black Economic Empowerment Codes of Good Practice. It is diligently seeking to increase its shareholding by Historically Disadvantaged Individuals even though similar talks in the past have been fruitless. The Group is a Level 7 Contributor in terms of the Broad Based Black Economic Empowerment Act, and the company will be seeking to improve that score in the future.

Share Dealing

The company enforces a restricted period for transacting in the company's shares in line with the JSE Listings Requirements. 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 and at any time that the company is trading under a cautionary announcement. A procedure to monitor all transactions by staff and directors is in place.

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 of South Africa.

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 2009 set out on pages 15 to 54 were approved by the Board of Directors on 25 September 2009 and are signed on their behalf by:

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Declaration by secretary

at 30 June 2009

In terms of section 268(G)d of the South African Companies Act 1973, as amended, I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies 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)
Secretary

25 September 2009

Deloitte.

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Independent auditors' report

TO THE MEMBERS OF FONEWORX HOLDINGS LIMITED

We have audited the group annual financial statements of FoneWorx Holdings Limited, which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement 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 15 to 54.

Directors' Responsibility for the Financial Statements
The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 auditor's judgement, 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 auditor considers 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 principles used and the reasonableness of accounting estimates made by management, 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 opinion.

Opinion
In our opinion, the group annual financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte + Touche

Deloitte & Touche
Per: I Vawda
Partner

25 September 2009

Audit Committee report

The Committee had its first full year of operations and met four times during the year of review.

The Committee comprises of two independent non-executive directors as well a representative from the company's Designated Advisor. The executive directors are invited to attend by the Committee.

The Committee's main responsibilities and duties as set out by the Audit Committee Charter can be summarised as follows for the period under review:

- **Overview of the system of internal control**
  The Committee adopted a risk management process, coordinated by management, and it has been developed to identify financial, operational and compliance risks. The Committee also reviewed the effectiveness of the company's internal controls for all the companies in the Group.

- **External Audit**
  The Committee reviewed the performance of Deloitte & Touche, the appointed auditors, and has recommended their re-appointment as auditors for the following financial year. In the period under review the Committee has reviewed the auditor's letter of engagement, audit planning document and the audit report on the consolidated results of the Group.

  In addition the Audit Committee reviewed the independence of the auditors and were satisfied with their independence. The scope of additional services provided by the auditors, was not of such nature that they could be seen to have impaired their independence.

- **Financial Statements**
  The Committee has reviewed the financial statements for the period, and has considered matters such as consistency of accounting policies, decisions requiring major element of judgement, compliance with accounting standards and going concern assumptions.

  The Committee has satisfied itself as to the experience and expertise of the Financial Director.

  The Audit Committee members during the year under review were:

  A Mancha,
  G Mooney and
  Merchantec (Proprietary) Limited

Mr. A Mancha
Audit Committee Chairman

25 September 2009

Directors' report

for the year ended 30 June 2009 to the members of FoneWorx Holdings Limited

The directors have pleasure in submitting their report for the year ended 30 June 2009.

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 FMCG market, business and financial community as well as media groups.

Authorised share capital

The authorised share capital of the company is 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 2009 the issued share capital stood at R136,002, divided into 136,002,041 ordinary shares of R0,001 each. After the consolidation of the shares held by Interconnective Solutions Share Incentive Trust, the issued share capital was reduced to 134,402,041 ordinary shares of R0,001 each. This remained unchanged from the prior year.

Directors

The directors of the company for the year ended 30 June 2009 and up to the date of this report were:

Ronald Graver
Ashvin Mancha * – Chairman
Gaurang Mooney * (Botswana)
Andrew Molusi*
April Masitwe*
Robert Russell
Mark Smith – Chief Executive Officer
Pieter Scholtz – Financial Director
*(*Independent non-executive)*

Dividend

The Company has declared and paid a maiden dividend during the year under review of R3 672 055 (2,72 cents per share). In line with the amended requirements of the Articles of Association of the Company, the directors recommended and approved a dividend of R5 440 082 (4 cents per share) at their Board meeting held on 17 September 2009.

Share incentive scheme

Interconnective Solutions Share Incentive Trust is the owner of 1,600,000 shares in the company. All of those shares were allocated to long-serving and/or senior staff during 2007. In terms of prior commitments, 900,000 shares were allocated at 50 cents each to certain employees and 700,000 shares were allocated to certain employees at R1.04, being the volume weighted average price on the business day prior to the award. In terms of the rules of the trust, these share options vested on their date of issue and payment must be made within 10 years after the allocation of the share options. No options on further shares have been granted by the trust in the past or in the year under review. Robert Russell is the only director of FoneWorx Holdings Limited who has the option to procure 300 000 shares at 50 cents a share.

Directors' Shareholding as at 30 June 2009

	30 June 2009		30 June 2008	
	Direct Beneficial	Indirect Beneficial	Direct Beneficial	Indirect Beneficial
	'000	'000	'000	'000
R Graver	9 985	45	9 985	45
A G Mancha		54		165
G Mooney		15 219		15 219
R Russell	360		360	
M A Smith	10 925	47	10 925	47

In compliance with the JSE requirements the disclosure of Directors' shareholding has been amended and no longer reflects indirect non-beneficial shareholding of directors.

Shareholder spread as at 30 June 2009

	Number of shareholders	%	Number of shares '000	%
1 – 100 000	619	90	7 824	5,8
100 001 – 500 000	47	6,8	8 816	6,6
500 001 – 10 000 000	18	2,6	40 354	30
10 000 001 +	4	0,6	77 408	57,6
	688		134 402	

Shareholding of ordinary shares at 30 June 2009

	Number of shareholders	%	Number of shares '000	%
Public	680	98,8	44 107	32,8
Non-Public				
– Directors	5	0,7	36 635	27,3
– Non-Directors	3	0,5	53 660	39,9
	688		134 402	

Directors' report

for the year ended 30 June 2009

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 2009 were as follows:

	Number of shares ('000)	%
KaboFoneWorx (Propriety Limited)	40 800	30
Navsur Limited	10 463	7,8

Special resolutions

Two special resolutions were passed at the Annual General Meeting held on 27 November 2008.

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 (Act 61 of 1973), as amended, the Articles of Association of the company and its subsidiaries and the Listings Requirements of the 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 per cent) 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 per cent) 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;
- the repurchase of ordinary shares may only be undertaken if, after such repurchase, the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listing Requirements concerning shareholder spread;
- an announcement will be published once the company has cumulatively repurchased 3% (three per cent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three per cent) 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."

Amendment to the Articles of Association of FoneWorx Holdings Limited:

Resolved that articles 47, 49, 51, 92, 94.1 of the Articles of Association be amended and that a new article 126 be added as follows:

Strike through indicates a deletion and underlined indicates an addition

That article 47 of the Articles of Association be amended as set out below.

47. The number of directors shall not be less than 4 (four) and ~~until otherwise determined by a meeting of members, not more than 25 (twenty five).~~ shall not be more than 10 (ten). A member of the Company holding a minimum of 20% (twenty per centum) of the voting rights in the Company shall be entitled to nominate 2 (two) directors to the board.

That article 49 of the Articles of Association be amended as set out below.

49. The Company in general meeting or the directors shall have power at any time and from time to time to appoint any person as a director, either to fill a casual vacancy or as an addition to the Board, but so that the total number of the directors shall not at any time exceed the maximum number fixed in terms of Article 47. Subject to the provisions of Article 70 of these Articles, any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the Company unless his appointment is confirmed at that annual general meeting. The aforesaid notwithstanding, in the event that any vacancy on the board results in any one of the directors nominated by a member of the Company, holding a minimum of 20% (twenty per centum) of the voting rights in the Company, vacating his position, such member shall be entitled to nominate a person of their choosing to fill the vacancy.

That article 51 of the Articles of Association be amended as set out below.

51. The shareholding qualification for the directors and alternate directors may be fixed, and from time to time varied, by the Company at any meeting of members and unless so fixed no qualification shall be required. Notwithstanding the above, any shareholding qualification that may be fixed by the Company at any meeting of members, shall not be applicable to the 2 (two) directors nominated by a member of the Company holding a minimum of 20% (twenty per centum) of the voting rights of the Company.

That article 92 of the Articles of Association be amended as set out below.

92. No larger dividend shall be declared by the Company in general meeting than is recommended by the directors, but the Company in general meeting may declare a smaller dividend. Subject to compliance with all Statues, the Company shall annually, declare and pay dividends such that such dividends, together with the secondary sales tax on such dividends, shall be equal to at least one third of the Company's current year after tax profits attributable to shareholders.

That article 94.1 of the Articles of Association be amended as set out below.

94.1 ~~No dividends shall be payable except out of the profits of the Company and n~~ No dividend shall carry interest as against the Company. Dividends may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.

Directors' report

for the year ended 30 June 2009

That a new article 126 be added to the Articles of Association as set out below.

126. The Company and the Board are committed to transforming the Company to reflect the demographics of South Africa. Accordingly, the Board shall use its best endeavours to consider this when employing staff, and concluding contracts, for the Company.

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 only matter that the directors, whose names are on pages 2 and 16, are aware of is disclosed in note 32 of the financial statements. The Directors are of the opinion that the company will be successful in this matter and that there will be no material effect on the Group's financial position. The directors are not aware of any other 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 balance sheet

at 30 June 2009

Figures in Rand	Note(s)	2009	2008
Assets			
Non Current Assets			
Property, plant and equipment	2	**18 691 441**	17 250 845
Intangible assets	3	**3 137 652**	196 206
Deferred tax	4	**671 930**	1 112 231
		22 501 023	18 559 282
Current Assets			
Inventories	5	**649 139**	14 027
Loans to director	6	**–**	60 000
Current tax receivable		**281 678**	–
Trade and other receivables	7	**18 339 379**	14 069 266
Cash and cash equivalents	8	**61 273 411**	52 213 198
		80 543 607	66 356 491
Total Assets		**103 044 630**	84 915 773
Equity and Liabilities			
Equity			
Share capital	9&10	**35 709 029**	35 709 029
Retained income		**32 486 829**	17 916 105
		68 195 858	53 625 134
Liabilities			
Non Current Liabilities			
Loan payable	12	**471 975**	471 974
Instalment sale agreements and long term loan	13	**908 785**	787 571
Long term loan	14	**8 670 459**	9 437 157
		10 051 219	10 696 702
Current Liabilities			
Current tax payable		**917 146**	1 373 607
Current portion of instalment sale agreements and long term loan	13&14	**1 941 728**	1 489 266
Trade and other payables	16	**16 025 211**	13 494 855
Other accruals	15	**4 789 971**	4 236 209
Unclaimed dividends		**5 327**	–
Bank overdraft	8	**1 118 170**	–
		24 797 553	20 593 937
Total Liabilities		**34 848 772**	31 290 639
Total Equity and Liabilities		**103 044 630**	84 915 773

Group income statement

for the year ended 30 June 2009

Figures in Rand	Note(s)	2009	2008
Revenue	17	**79 288 057**	71 205 978
Cost of sales		**(31 558 081)**	(32 227 612)
Gross profit		**47 729 976**	38 978 366
Other income		**182 471**	644 362
Operating expenses		**(9 378 606)**	(6 832 082)
Staff costs		**(14 056 300)**	(13 132 902)
Depreciation and amortisation expense		**(3 201 048)**	(2 099 376)
Operating profit	18	**21 276 493**	17 558 368
Investment income	22	**5 856 548**	2 569 481
Income from equity accounted investments		**-**	132 914
Finance costs	23	**(1 610 989)**	(307 846)
Profit before taxation		**25 522 052**	19 952 917
Taxation	24	**(7 322 473)**	(5 065 778)
Profit for the year		**18 199 579**	14 887 139
Basic earnings per share (cents)	31	**13,54**	13,00
Diluted earnings per share (cents)	31	**13,38**	12,82

Group statement of changes in equity

for the year ended 30 June 2009

Figures in Rand	Share capital	Share premium	**Total share capital**	Retained income	**Total equity**
Balance at 01 July 2007	134 402	35 574 627	**35 709 029**	3 028 966	**38 737 995**
Changes in equity					
Profit for the year	–	–	**–**	14 887 139	**14 887 139**
Total changes	–	–	**–**	14 887 139	**14 887 139**
Balance at 01 July 2008	134 402	35 574 627	**35 709 029**	17 916 105	**53 625 134**
Changes in equity					
Profit for the year	–	–	**–**	18 199 579	**18 199 579**
Dividends	–	–	**–**	(3 628 855)	**(3 628 855)**
Total changes	–	–	**–**	14 570 724	**14 570 724**
Balance at 30 June 2009	134 402	35 574 627	**35 709 029**	32 486 829	**68 195 858**
Note(s)	9	9	9		

Group cash flow statement

for the year ended 30 June 2009

Figures in Rand	Note(s)	2009	2008
Cash flows from operating activities			
Cash generated from operations	25	**22 694 381**	24 031 948
Interest income		**5 856 548**	2 569 481
Finance costs		**(1 610 989)**	(307 846)
Tax paid	26	**(7 620 311)**	(5 338 095)
Net cash from operating activities		**19 319 629**	20 955 488
Cash flows from investing activities			
Purchase of property, plant and equipment	2	**(4 671 537)**	(1 976 428)
Proceeds on disposal of fixed assets	2	**175 922**	131 859
Purchase of intangible assets	3	**(573 177)**	(178 153)
Expenditure on product development	3	**(2 524 576)**	–
Proceeds on disposal of intangible assets	3	**32 331**	–
Decrease in investment in joint venture		**–**	809 210
Acquisition of subsidiary		**–**	(1 912 000)
Net cash from investing activities		**(7 561 037)**	(3 125 512)
Cash flows from financing activities			
Proceeds on share issue	9	**–**	21 550 449
Finance lease payments		**(193 021)**	(1 813 964)
Dividends paid	27	**(3 623 528)**	–
Net cash from financing activities		**(3 816 551)**	19 736 485
Total cash movement for the year		**7 942 043**	37 566 461
Cash at the beginning of the year		**52 213 198**	14 646 737
Total cash at end of the year	8	**60 155 241**	52 213 198

Group accounting policies

for the year ended 30 June 2009

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and assets at fair value, and incorporate the principal accounting policies set out below. These financial statements are presented in South African Rands, 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

Table 1 lists all standards and interpretations that were adopted by the company. The company has adopted all the new and revised standards and interpretations applicable to the current financial year. This had no impact on the company's results.

Table 2 lists all standards and interpretations, applicable to the entity, that have been issued but are not yet effective.

Table 3 lists the amendments to various standards which are applicable to the entity

Table 1

Standard	Annual period beginning on or after
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programs	1 July 2008
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2009

Table 2

Standard	Annual period beginning on or after
IFRS 2 (AC 139) Share Based Payments	1 January 2009
IFRS 3 (AC 140) Business Combinations	1 July 2009
IFRS 8 (AC 145) Operating Segments	1 January 2009
IAS 1 (AC 101) Presentation of Financial Statements	1 January 2009
IAS 23 (AC 114) Borrowing Costs	1 January 2009
IAS 27 (AC 132) Consolidated and Separate Financial Statements	1 July 2009
IAS 28 (AC 110) Investments in Associates	1 July 2009
IAS 31 (AC 119) Interests in Joint Ventures	1 July 2009
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement Amendments for eligible hedged items	1 July 2009
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of assets from Customers	Transfers received on or after 1 July 2009

Group accounting policies

for the year ended 30 June 2009

The directors anticipate that all of the above standards and interpretations will be adopted in the Group's financial statements in the effective period and that the adoption of these standards and intepretations will have no material impact on the financial statements of the Group in the period of initial application.

Table 3

On 22 May 2008, the Interational Accounting Standards Board (IASB) issued its latest Standard, titled Improvements to International Financial Reporting Standards 2008. The Standard included 35 amendments to various standards.

Standard	Annual period beginning on or after
IFRS 1 (AC 138) First-time Adoption of International Financial Reporting Standards	1 January 2009
IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
IAS 1 (AC 101) Presentation of Financial Statements	1 January 2009
IAS 16 (AC 123) Property, Plant and Equipment	1 January 2009
IAS 19 (AC 116) Employee Benefits	1 January 2009
IAS 20 (AC 134) Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 27 (AC 132) Consolidated and Separate Financial Statements	1 January 2009
IAS 28 (AC 110) Investment in Associates	1 January 2009
IAS (AC 124) Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 31 (AC 119) Interests in Joint Ventures	1 January 2009
IAS 32 (AC 125) Financial Instruments: Presentation	1 January 2009
IAS 36 (AC 128) Impairment of Assets	1 January 2009
IAS 38 (AC 129) Intangible Assets	1 January 2009
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement	1 January 2009
IAS 40 (AC 135) Investment	1 January 2009
IAS 41 (AC 137) Agriculture	1 January 2009

The following amendments were issued by the IASB during March 2009.

Standard	Annual period beginning on or after
IFRS 7 (AC 144) Financial Instruments: Disclosures Amendments enhancing disclosures about fair value and liquidity	1 January 2009
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement Amendments for embedded derivatives when classifying financial instruments	1 July 2010

The following amendments were issued by the IASB during April and June 2009.

Standard	Annual period beginning on or after
IFRS 2 (AC 139) Share-based Payment Amendments resulting from April 2009 Annual Improvements to IFRSs	1 July 2009
IFRS 2 (AC 139) Share-based Payment Amendments to group cashsettled sharebased payment transactions	1 July 2010
IFRS 5 (AC 142) Non-current Assets Hold for Sale and Discontinued Operations Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IFRS 8 (AC 145) Operating Segments Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 1 (AC 101) Presentation of Financial Statements Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 7 (AC 118) Statement of Cash Flows Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 17 (AC 105) Leases Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 36 (AC 128) Impairment of Assets Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 38 (AC 129) Intangible Assets Amendments resulting from April 2009 Annual Improvements to IFRSs	1 July 2009
IAS 39 (AC 133) Financial Instruments: Recogntion and Measurement Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010

The South African Institute of Chartered Accountants ("SAICA") released Circular 3/2009 on Headline Earnings in August 2009, effective for interim and/or annual periods ending on or after 31 August 2009.

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

Management used impairment testing to determine the recoverable amount of goodwill, intangible assets with infinite useful life and identifying assets that have been impaired.

Group accounting policies

for the year ended 30 June 2009

1.2 Significant judgements (continued)

Residual value and useful life

The Group depreciates its assets 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 re-assessed on an annual basis. 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 forseeable 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 balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdiction in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgement to the advice it receives from its attorney, advocates and other advisors 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.

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 income statement 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.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exhange for control of the acquiree, plus any costs directly attributable to the business combination.

1.3 Basis of consolidation (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediatly in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary. Were the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

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.

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

Group accounting policies

for the year ended 30 June 2009

1.4 Property, plant and equipment (continued)

the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs 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 balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 and the useful life of each asset are reviewed at each financial year-end.

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.

1.5 Intangible assets (continued)

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 estimated 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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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 company 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 company's balance sheet when the company becomes party to the contractual provision of the instrument.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct 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.

Group accounting policies

for the year ended 30 June 2009

1.6 Financial instruments (continued)

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 investment'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 a increase in the investment'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 investment at the date of impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, 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 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 value.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

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.

Derecognition of financial liabilities

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

1.6 **Financial instruments (continued)**

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 effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.7 **Tax**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items that are never taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

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, and are accounted for using the balance sheet 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 nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company 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 and interests 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 balance sheet 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 substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Group accounting policies

for the year ended 30 June 2009

1.7 Tax (continued)

Deferred tax assets and liabilities are offset 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 company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in profit or loss, except when they relate to items credited or debited to equity, in which case the tax is also recognised directly in equity, 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. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Assets held under finance leases are recognised as assets in the balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value on the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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 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.

1.10 Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts 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 is determined for the cash-generating unit to which the asset 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

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.

Retirement benefits

The company 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

Group accounting policies

for the year ended 30 June 2009

1.12 Employee benefits (continued)

liabilities of the fund are limited to the assets of the fund and the company has no commitment to meet any unfunded benefits.

1.13 Provisions and contingencies

Provisions are recognised when:

- the company 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.

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.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.14 Revenue (continued)

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 balance sheet 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 balance sheet 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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other 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 the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Group accounting policies

for the year ended 30 June 2009

1.17 Translation of foreign currencies (continued)

At each balance sheet 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; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 annual 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 to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.18 Share-based payments

Equity-settled share-based payments to employees and other 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.

1.19 Offset

Financial assets and liabilities are offset and disclosed on a net basis in the consolidated balance sheet 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.

Notes to the Group annual financial statements

for the year ended 30 June 2009

2. Property, plant and equipment

	2009 Cost / Valuation	2009 Accumulated depreciation	2009 Carrying value	2008 Cost / Valuation	2008 Accumulated depreciation	2008 Carrying value
Land	**2 200 000**	**–**	**2 200 000**	2 200 000	–	2 200 000
Buildings	**10 420 807**	**(726 405)**	**9 694 402**	9 314 460	–	9 314 460
Plant and machinery	**200 000**	**(100 000)**	**100 000**	200 000	(60 000)	140 000
Furniture and fixtures	**490 389**	**(165 309)**	**325 080**	268 590	(104 952)	163 638
Motor vehicles	**1 506 506**	**(970 004)**	**536 502**	1 506 506	(668 703)	837 803
Office equipment	**523 975**	**(228 304)**	**295 671**	363 677	(163 677)	200 000
IT equipment	**9 823 203**	**(5 225 776)**	**4 597 427**	6 511 957	(3 062 035)	3 449 922
Leasehold improvements	**1 057 199**	**(114 840)**	**942 359**	1 008 025	(63 003)	945 022
Total	**26 222 079**	**(7 530 638)**	**18 691 441**	21 373 215	(4 122 370)	17 250 845

	Opening Balance	Additions	Disposals	Depreciation	Total
Reconciliation of property, plant and equipment 2009					
Land	**2 200 000**	**–**	**–**	**–**	**2 200 000**
Buildings	**9 314 460**	**763 533**	**–**	**(383 591)**	**9 694 402**
Plant and machinery	**140 000**	**–**	**–**	**(40 000)**	**100 000**
Furniture and fixtures	**163 638**	**221 798**	**–**	**(60 356)**	**325 080**
Motor vehicles	**837 803**	**–**	**–**	**(301 301)**	**536 502**
Office equipment	**200 000**	**160 962**	**–**	**(65 291)**	**295 671**
IT equipment	**3 449 922**	**3 476 069**	**(155 664)**	**(2 172 900)**	**4 597 427**
Leasehold improvements	**945 022**	**49 175**	**–**	**(51 838)**	**942 359**
	17 250 845	**4 671 537**	**(155 664)**	**(3 075 277)**	**18 691 441**
Reconciliation of property, plant and equipment 2008					
Land	–	2 200 000	–	–	**2 200 000**
Buildings	–	9 314 460	–	–	**9 314 460**
Plant and machinery	180 000	–	–	(40 000)	**140 000**
Furniture and fixtures	184 485	16 650	–	(37 497)	**163 638**
Motor vehicles	1 240 181	7 016	(90 555)	(318 839)	**837 803**
Office equipment	174 132	72 186	–	(46 318)	**200 000**
IT equipment	3 152 918	1 880 116	(4 506)	(1 578 606)	**3 449 922**
Leasehold improvements	995 425	–	–	(50 403)	**945 022**
	5 927 141	13 490 428	(95 061)	(2 071 663)	**17 250 845**

Notes to the Group annual financial statements

for the year ended 30 June 2009

Figures in Rand	2009	2008
2. Property, plant and equipment (continued)		
Details of properties		
Erf 1636 Ferndale, Randburg		
Land at cost	**2 200 000**	2 200 000
Buildings at cost	**7 479 575**	7 479 575
Improvements to building	**2 941 232**	1 834 885
	12 620 807	11 514 460

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 are mortgaged as stated in note 14.

Certain plant and equipment with a carrying amount of R2 051 260 (2008: R1 700 034) have been encumbered as per note 13.

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.

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the Group.

3. Intangible assets

	2009			2008		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	Cost / Valuation	Accumulated amortisation	Carrying value
Identity Access Management Software	**2 096 592**	**–**	**2 096 592**	–	–	–
Computer Software	**1 018 193**	**(405 117)**	**613 076**	477 347	(281 141)	196 206
Virtual Business Centre Software	**427 984**	**–**	**427 984**	–	–	–
Total	**3 542 769**	**(405 117)**	**3 137 652**	477 347	(281 141)	196 206

Reconciliation of intangible assets 2009

	Opening Balance	Additions	Internally generated	Disposals	Amortisation	Total
Identity Access Management Software	**–**	**–**	**2 096 592**	**–**	**–**	**2 096 592**
Computer Software	**196 206**	**573 177**	**–**	**(30 536)**	**(125 771)**	**613 076**
Virtual Business Centre Software	**–**	**–**	**427 984**	**–**	**–**	**427 984**
	196 206	**573 177**	**2 524 576**	**(30 536)**	**(125 771)**	**3 137 652**

Reconciliation of intangible assets 2008

	Opening Balance	Additions	Amortisation	Total
Computer Software	45 766	178 153	(27 713)	**196 206**

Figures in Rand	2009	2008
4. Deferred tax		
Deferred tax asset		
Originating temporary differences and capital allowances	**671 930**	1 112 231
Type of temporary differences		
At beginning of the year	**1 112 231**	(554 000)
(Charge) credit to the income statement	**(440 301)**	1 666 231
	671 930	1 112 231
Reconciliation of deferred tax asset		
Property, plant and equipment	**(8 448)**	(103 708)
Intangible assets	**(706 882)**	–
Other accruals	**1 341 192**	1 186 139
Provision for bad debts	**7 016**	19 734
Fair value adjustment to receivables	**8 352**	10 066
Revenue accrual	**43 406**	–
Prepaid expenses	**(12 706)**	–
	671 930	1 112 231
5. Inventories		
Finished goods	**649 139**	14 027
6. Loans to director		
Loans to directors		
At beginning of the year	**60 000**	60 000
Repayments	**(60 000)**	–
	–	60 000
7. Trade and other receivables		
Trade receivables	**15 145 179**	12 512 058
Less: Provision for bad debts	**(33 410)**	(93 973)
Fair value adjustment	**(39 769)**	(47 933)
Held in trust – Martini Patlansky Attorneys (Note 32)	**1 555 781**	–
VAT	**–**	1 211 851
Other receivables	**90 776**	332 624
Prepayments	**161 703**	154 639
ABSA Bank Limited (Note 32)	**1 459 119**	–
	18 339 379	14 069 266

Notes to the Group annual financial statements

for the year ended 30 June 2009

7. Trade and other receivables (continued)

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 2009 amounted to R15 145 180 (2008: R12 512 058).

Included in the company's trade receivables balance are debtors with a carrying amount of R99 562 (2008: R264 422), which are past due at the reporting date for which the company has not provided, as there has not been significant changes in the credit quality and the amounts are still considered recoverable. The company 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 company 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 risk.

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 is 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.

The amount of R1 459 119 relates to the unauthorised withdrawal of money as disclosed in note 32. Even though this amount is the subject of a dispute, the directors believe that the Group will be successful in recovering this amount.

An amount of R1 555 781 is held on behalf of the Group by its attorney within his trust account. It is the intention of the Group to hold this amount in trust until the matter (as disclosed in note 32) has been concluded.

Figures in Rand	**2009**	2008
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	**57 190**	–
Bank balances	**61 216 221**	52 213 198
Bank overdraft	**(1 118 170)**	–
	60 155 241	52 213 198
Current assets	**61 273 411**	52 213 198
Current liabilities	**(1 118 170)**	–
	60 155 241	52 213 198

Figures in Rand	2009	2008
9. Share capital		
Authorised		
250 000 000 ordinary shares of R0.001 each	**250 000**	250 000
Issued		
134 402 041 (2008 – 134 402 041) shares of R0.001 each	**134 402**	134 402
Share premium	**35 574 627**	35 574 627
	35 709 029	35 709 029

The 113 997 959 (2008: 113 997 959) unissued shares are under the control of the directors, subject to Sections 221 and 222 of the Companies Act and the Listing Requirements of the JSE Limited, South Africa, in terms of a resolution passed at the Annual General Meeting in November 2008. The authority is valid until the forthcoming Annual General Meeting.

	2009	2008
10. Share Premium		
Balance at beginning of year	**35 574 627**	14 044 509
Premiums on shares issued during the year	**–**	21 530 118
	35 574 627	35 574 627
Group share premium can be reconciled as follows:		
Premium on shares of Foneworx Holdings Limited	**36 374 627**	36 374 627
Less: Premium on shares held by Interconnective Solutions Share Incentive Trust	**(800 000)**	(800 000)
	35 574 627	35 574 627

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 longserving 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 is taken, and that payment must be made within 10 years of the grant . In compliance with IAS 27 Consolidated and Separate Financial Statements, the trust has been consolidated. Refer to note 30.

	2009	2008
12. Loan payable		
Tresso Trading (Proprietary) Limited	**(471 975)**	(471 974)

The loan is unsecured, interest free, and there are no fixed repayment terms. This loan has been subordinated by Tresso Trading (Proprietary) Limited, a minority shareholder in SurveyOnline (Proprietary) Limited in favour of other creditors until such time as the assets of the subsidiary, fairly valued, exceed its liabilities or until all other creditors have been paid in full.

Notes to the Group annual financial statements

for the year ended 30 June 2009

Figures in Rand	2009	2008
13. Instalment sale agreements and long term loan		
Minimum lease payments due		
– within one year	**1 311 986**	1 038 545
– in second to fifth year inclusive	**1 101 540**	894 775
	2 413 526	1 933 320
Less: future finance charges	**(342 816)**	(240 803)
Present value of minimum lease payments	**2 070 710**	1 692 517
Present value of minimum lease payments due		
– within one year	**1 161 925**	904 946
– in second to fifth year inclusive	**908 785**	787 571
	2 070 710	1 692 517
Noncurrent liabilities	**908 785**	787 571
Current liabilities	**1 161 925**	904 946
	2 070 710	1 692 517

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 R109 864 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 051 260 (2008: R1 700 034).

	2009	2008
14. Long term loan		
Secured loan		
Current		
Capital payable within one year	**779 803**	584 320
Non-current		
Remaining capital payable	**8 670 459**	9 437 157
Total long term loan	**9 450 262**	10 021 477

The long-term loan 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 repayable in monthly instalments of R141 757. The carrying amount of property as reflected in the accounting records of the subsidiary is R9 717 366 (2008: R9 336 761).

15. Other accruals

	Opening Balance	Additions	Utilised during the year	Total
Reconciliation of other accruals 2009				
Leave pay	**736 209**	**167 645**	**(25 333)**	**878 521**
Performance bonus	**3 500 000**	**3 447 739**	**(3 036 289)**	**3 911 450**
	4 236 209	**3 615 384**	**(3 061 622)**	**4 789 971**
Reconciliation of other accruals 2008				
Leave pay	698 418	96 011	(58 220)	**736 209**
Performance bonus	1 952 791	3 500 000	(1 952 791)	**3 500 000**
	2 651 209	3 596 011	(2 011 011)	**4 236 209**

Bonuses for the financial year are paid only upon approval of the financial statements by the Board.

Figures in Rand	2009	2008
16. Trade and other payables		
Trade payables	**9 949 473**	8 887 485
Amounts received in advance	**848 360**	538 385
VAT	**616 548**	309 000
Third party prize money	**229 500**	142 003
Absa Bank Limited (Note 32)	**1 555 781**	–
Accruals	**2 825 549**	3 617 982
	16 025 211	13 494 855

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.

	2009	2008
17. Revenue		
Sale of goods	**–**	104 729
Rendering of services	**78 948 442**	71 101 249
Rental income	**339 615**	–
	79 288 057	71 205 978

Notes to the Group annual financial statements

for the year ended 30 June 2009

Figures in Rand	2009	2008
18. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Operating lease rental	**120 247**	99 148
Profit on sale of assets	**(22 053)**	(37 210)
Profit on foreign exchange	**(9 380)**	(14 807)
Depreciation and amortisation	**3 201 048**	2 099 376
Employee costs	**13 938 218**	13 132 902
Amount expensed in respect of retirement benefit plans	**210 619**	265 296
Insurance	**201 114**	194 045
Auditors remuneration	**383 000**	382 000
Directors Emoluments	**5 828 229**	5 182 942
Fees related to listing on JSE	**307 871**	418 668
Legal fees	**35 004**	38 518
Telecommunication charges	**4 050 978**	2 858 509
19. Auditors' remuneration		
Fees	**383 000**	250 000
Other services	**–**	132 000
	383 000	382 000

20. Directors' emoluments

	Basic salary	Bonus/ leave pay	Travel allowance	Provident Fund	Medical Aid	Total 2009	Total 2008
R Graver	797 248	425 000	–	59 316	52 811	**1 334 375**	1 106 527
AG Mancha*	–	–	–	–	–	**–**	–
G Mooney*	–	–	–	–	–	**–**	–
AC Molusi*	–	–	–	–	–	**–**	–
A Masitwe*	–	–	–	–	–	**–**	–
GH Tudor	–	–	–	–	–	**–**	952 794
R Russell	723 595	425 000	117 000	38 400	–	**1 303 995**	1 084 527
MA Smith	1 325 696	875 000	–	36 000	30 104	**2 266 800**	1 773 986
PA Scholtz	626 472	95 000	144 000	–	57 587	**923 059**	265 108
	3 473 011	1 820 000	261 000	133 716	140 502	**5 828 229**	5 182 942

** Independent non-executive directors*

21. Retirement benefits

Company contributions charged to the income statement are R210 619 (2008: R265 296).

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 nine members at the balance sheet date (2008: six members).

Figures in Rand	2009	2008
22. Investment income		
Interest received		
Bank	**5 856 548**	2 569 481
23. Finance costs		
Bank	**1 550 404**	307 846
SARS	**60 585**	–
	1 610 989	307 846
24. Taxation		
Major components of the tax expense		
Current		
Local income tax current period	**6 514 966**	6 614 232
STC	**367 206**	117 777
	6 882 172	6 732 009
Deferred		
Originating and reversing temporary differences	**440 301**	(1 666 231)
	7 322 473	5 065 778
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting profit	**25 522 052**	19 952 917
Tax at the applicable tax rate of 28% (2008: 28%)	**7 146 175**	5 586 817
Tax effect of adjustments on taxable income		
Capital gains	**–**	(7 000)
Permanent differences	**(119 397)**	(178 256)
Assessed loss utilised	**(71 511)**	(453 560)
STC	**367 206**	117 777
	7 322 473	5 065 778

Gross estimated tax losses of certain subsidiaries at 30 June 2009, available for offset against future taxable income amounted to R1,4 million (2008: R1,7 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 (2008: R463 000).

Notes to the Group annual financial statements

for the year ended 30 June 2009

Figures in Rand	2009	2008
25. Cash generated from operations		
Profit before taxation	**25 522 052**	19 952 917
Adjustments for:		
Depreciation and amortisation	**3 201 048**	2 099 376
Profit on sale of assets	**(22 053)**	(37 210)
Income from equity accounted investments	**–**	(132 914)
Interest received	**(5 856 548)**	(2 569 481)
Finance costs	**1 610 989**	307 846
Movements in provisions	**553 762**	1 585 000
Changes in working capital:		
Inventories	**(635 112)**	16 414
Trade and other receivables	**(4 210 113)**	1 825 000
Trade and other payables	**2 530 356**	985 000
	22 694 381	24 031 948
26. Tax paid		
Balance at beginning of the year	**(1 373 607)**	20 307
Current tax for the year recognised in income statement	**(6 882 172)**	(6 732 009)
Balance at end of the year	**635 468**	1 373 607
	(7 620 311)	(5 338 095)
27. Dividends paid		
Dividends	**(3 628 855)**	–
Balance at end of the year	**5 327**	–
	(3 623 528)	–

28. Borrowing powers

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

29. Related parties

Transactions occur between subsidiary companies within the Group and are eliminated on consolidation. The directors of the Group are considered to be key management.

30. Share based payments

Employee share option plan

The Group has an ownership-based compensation scheme for senior employees of the Group. In accordance with the provisions of the plan, as approved by the shareholders at a previous Annual General Meeting, senior employees within the Group may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of FoneWorx Holdings Limited on exercise. An amount is payable by the recipient within 10 years of receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised from the date of vesting.

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

The following sharebased payment arrangements were in existence during the current and comparative reporting years:

Options series	Number	Grant date	Exercise price	Fair value at grant date
(i) Issued 18 June 2007	900 000	18/06/2007	0.50	1.15
(ii) Issued 18 June 2007	700 000	18/06/2007	1.04	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.

	2009 Number of options	Weighted average exercise price
Balance at beginning of the financial year	**1 600 000**	**0.08**
Granted during the financial year	**–**	**–**
Forfeited during the financial year	**–**	**–**
Exercised during the financial year	**–**	**–**
Expired during the financial year	**–**	**–**
Balance at the end of the year	**1 600 000**	**0.08**

No share options were granted under the employee share option plan nor were share options exercised during the financial year.

Notes to the Group annual financial statements

for the year ended 30 June 2009

	2009	2008
31. Earnings per share		
The calculation of earnings per share is based on profits of R18 199 579 attributable to shareholders of the parent (2008: R14 887 139) and a weighted average of 134 402 041 (2008: 114 515 814) ordinary shares in issue during the year	**13,54 cents**	13,00 cents
The calculation of headline earnings per share is based on profits of R18 199 579 attributable to shareholders of the parent adjusted to R18 183 701 (2008: R14 887 139 adjusted to R14 596 014) and a weighted average of 134 402 041 (2008: 114 515 814) ordinary shares in issue during the year	**13,53 cents**	12,75 cents
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders of parent	**18 199 579**	14 887 139
Profit on sale of associate	**–**	(270 000)
Profit on disposal of property, plant and equipment	**(22 053)**	(38 125)
Tax effect of the sale of associate and disposal of property, plant and equipment	**6 175**	17 000
Headline earnings	**18 183 701**	14 596 014
The calculation of diluted earnings per share is based on profits of R18 199 579 (2008: R14 887 139) and a weighted average of 136 002 041 (2008: 116 115 814) ordinary shares issued during the year	**13,38 cents**	12,82 cents
Reconciliation between earnings and diluted earnings per share:		
Weighted average number of shares used in the calculation of earnings per share	**134 402 041**	114 515 814
Shares deemed to be issued in respect of:		
Employee options	**1 600 000**	1 600 000
	136 002 041	116 115 814

32. **Absa Bank Limited legal matter**

The company has made use of Absa Cash Focus banking for third party payments.

Only designated parties are authorised to enable payments to be authorised and processed. On Saturday the 21st of February 2009 unauthorised person/s, unknown to FoneWorx, accessed Cash Focus and made unauthorised transfers from FoneWorx's 8 registered accounts and unlawfully transferred R3 014 900 into 183 unknown Absa accounts. From these latter accounts funds were withdrawn from Autotellers, retail banks etc. Despite an incomplete forensic audit on the part of Absa, Absa has declined any liability. Absa, however, has been unwilling to supply critical information to FoneWorx including IP addresses and other salient facts used in this process, or how authorities to process payments were changed.

FoneWorx conducted its own due diligence, including contracting an independent polygraph forensic investigator and placed its own staff on polygraph examinations. All relevant staff were cleared and no deception was indicated. This matter has been reported to the South African Police Force.

Absa have subsequently recovered R1 555 781 and paid it to FoneWorx, leaving a shortfall of R1 459 119. Despite FoneWorx showing Absa many inaccuracies and shortcomings in their responses to FoneWorx and/or their systems, Absa have declined to refund the balance.

Subsequent to refunding the recovered amounts by the bank an additional amount of R1 555 781 was deposited to the Group's attorney by Absa. Absa has subsequently attempted to recover this amount from the Group's attorney claiming that it was a duplicate payment. The Directors believe that FoneWorx has an enforceable claim against Absa and therefore have instructed its attorney to hold the disputed amount in trust until such time as this matter has been resolved.

33. **Risk management**

Capital risk management

The Group manages it 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.

The capital structure of the Group consists of debt, which includes borrowing disclosed in notes 13 and 14, 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 9, 10 and 11, respectively.

Currently the Group's cash and cash equivalents of R60,2 million (2008: R52,2 million) exceeds its total debt of R11,9 million (2008: 12,17 million) as set out in notes 12 to 14 by 5,06 times (2008: 4,3 times).

Significant accounting policies

Details of the 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.

Notes to the Group annual financial statements

for the year ended 30 June 2009

33. Risk management (continued)

Fair values

The fair value and carrying amounts of the Group's financial instruments shown in the balance sheet are as follows:

	2009 Fair value R'000	2009 Carrying value R'000	2008 Fair value R'000	2008 Carrying amount R'000
Trade and other receivables	**15 163**	**15 163**	12 703	12 754
Cash and cash equivalents	**60 155**	**60 155**	52 213	52 213
Trade and other payables	**(16 025)**	**(16 025)**	(13 495)	(13 495)
Loans to directors and employees	**–**	**–**	60	60
Long-term loans and instalment sale liabilities	**(11 521)**	**(11 521)**	(11 714)	(11 714)
Loans payable	**(471)**	**(471)**	(471)	(471)
	47 301	**47 301**	39 296	39 347

The fair value of trade and other receivables 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 in 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 managed to ensure surplus funds is invested in a manner to achieve returns while minimising risks.

The Group's exposure to interest rates on financial assets are R60,2 million (2008: R52,2 million) and financial liabilities are R11,9 million (2008: R11,7 million).

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit for the year under review would increase by R540 274 (2008: R234 000).

If interest rates had been 100 basis point lower and all other variables were held constant, the Group's profit for the year under review would decrease by R540 274 (2008: R234 000).

33. Risk management (continued)

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 management

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 services 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 management

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.

34. Segment reporting

The Group has not reported on segments, as all activities are classed as being in the information technology system sector. The business of the Group is mainly transacted in South Africa. Therefore no segmental reporting is necessary.

35. Subsidiaries

	Issued share capital R	Group effective interest %	Cost of investment R	Indebted-ness by subsidiary R	Provision for doubtful loans R
2009					
The holding company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	15 664 137	–
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2 310 150	(584 783)	–
Interconnective Solutions Management Services (Proprietary) Limited	100	100%	100	211 756	(211 756)
Retail Card Club (Proprietary) Limited	100	100%	100	594 659	(594 659)
SuveyOnline (Proprietary) Limited	100	100%	100	835 863	(835 863)
Valutronics (Proprietary) Limited	100	100%	100	93 845	(93 845)
VM Advertising (Proprietary) Limited	100	100%	100	823 984	(823 984)
			2 310 750	17 639 461	(2 560 107)

Notes to the Group annual financial statements

for the year ended 30 June 2009

35. Subsidiaries (continued)

	Issued share capital R	Group effective interest %	Cost of investment R	Indebtedness by subsidiary R	Provision for doubtful loans R
2008					
The holding company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	32 592 807	–
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2 310 150	606 558	–
Interconnective Solutions Management Services (Proprietary) Limited	100	100%	100	450 348	(255 298)
Retail Card Club (Proprietary) Limited	100	100%	100	541 572	(541 572)
SuveyOnLine (Proprietary) Limited	100	100%	100	942 213	(942 213)
Valutronics (Proprietary) Limited	100	100%	100	94 432	(91 348)
VM Advertising (Proprietary) Limited	100	100%	100	823 984	(823 984)
			2 310 750	36 051 914	(2 654 415)

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.

The holding company's interest in the aggregate after tax profits of the subsidiaries are:

	2009 R'000	2008 R'000
Profit	**18 436**	13 721

36. 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.
- Unlimited suretyship issued by FoneWorx Holdings Limited in favour of ABSA Bank Limited as security for banking factilites granted to Foneworx (Proprietary) Limited.
- Cession of book debts by Foneworx (Proprietary) Limited in favour of ABSA Bank Limited.

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

- SABC Limited R1 500 000 (2008: Nil).
- Virtual Payment Solutions (Proprietary) Limited R50 000 (2008: Nil).

37. Commitments

	2009	2008
At the year end, the Group had commitments under non-cancellable operating leases in respect of office equipment which fall due as follows		
• next 12 months	**56 437**	120 247
• one to five years	**62 932**	–
	119 369	120 247

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 11th Annual General Meeting of shareholders of the company will be held at the offices of the company, Corner Bram Fischer Drive and Will Scarlet Road (entrance on Will Scarlet Road), Ferndale, Randburg, at 10:00, on Thursday, 19 November 2009, to conduct the following business:

1. To receive, consider and adopt the annual financial statements of the company and the Group for the financial year ended 30 June 2009, including the directors' report and the report of the auditors therein.

2. To re-elect, Mark Allan Smith who, in terms of Article 66 of the company's Articles of Association, 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 a few months before joining Shield Trading Corporation Limited ("Shield") as legal adviser. 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 of 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 as 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 a business training course for SMME's and lectures on the subject to candidates.

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

   Ashvin Govan Mancha
   Ashvin obtained a B. Proc from the University of Witwatersrand in 1981, and thereafter a Diploma in Financial Management. He completed his 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 giving him direct exposure to the stockbroking community in South Africa. On completion of his stockbroking exams he joined Ed, Hern Rudolph Inc. as a stockbroker and was the first qualified black practicing stockbroker during the apartheid era in South Africa. Ashvin 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 Afrifocus Securities (Proprietary) Limted ("Afrifocus") with a staff complement of 3. Afrifocus has grown to a staff of 45 based at 3 offices in Sandton, Cape Town and Centurion. Afrifocus, of which Ashvin is Chairman, is now the largest independent and non aligned stockbroker in South Africa.

Notice of Annual General Meeting

4. To re-elect, Robert Russell who, in terms of Article 66 of the company's Articles of Association, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

   Robert Russell
   Robert has a vast background in telephony services and was previously employed by Control Instruments (Proprietary) Limited. He has experience in voice recognition (biometric) services and has been involved in value added voice services network (premium rate service). Robert has also had experience in design implementation of calling party pays voice network for Super Call Cellular, implementation of international gateway access for Cable and Wireless value added voice services and the upgrading of functionality of virtual reality computer based training simulators for Altech Defence Systems (Proprietary) Limited.

5. To confirm the re-appointment of Deloitte & Touche as independent auditors of the company with Mr. Ismail Vawda 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:

6. **ORDINARY RESOLUTION NUMBER 1**

   Control of authorised but unissued ordinary shares
   "**Resolved by** way of a general authority 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 221 and 222 of the Companies Act, 1973 (Act 61 of 1973), as amended, the Articles of Association of the company and the Listings Requirements of JSE Limited from time to time."

7. **ORDINARY RESOLUTION NUMBER 2**

   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, 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 Listing 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 Limited ("the JSE") Listings Requirements, Ordinary Resolution Number 2 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.

8. 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;
- the repurchase of ordinary shares may only be undertaken if, after such repurchase, the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listing Requirements concerning shareholder spread;

Notice of Annual General Meeting

- 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."

8.1 Reason for and effect of Special Resolution Number 1

The reason for and effect of this Special Resolution Number 1 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.

8.2 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
- major shareholders of FoneWorx – page 18;
- directors' interests in securities – page 17;
- share capital of the company – page 16; and
- litigation statement – page 20.

8.3 Material change

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

8.4 Directors' responsibility statement

The directors, whose names appear on page 2 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the Special Resolution Number 1 and certify that to the best of their knowledge and belief there are no facts in relation to the Special Resolution Number 1 that have been omitted which would make any statement in relation to the Special Resolution Number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution together with this notice contains all information required by law and the JSE Listings Requirements in relation to the Special Resolution Number 1.

8.5 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the company 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 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..

9. ORDINARY RESOLUTION NUMBER 3

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 this resolution which are passed (in the case of ordinary resolutions) or are passed and registered by the Companies and Intellectual Property Registration Office (in the case of special resolutions)."

10. Other Business

To transact such other business as may be transacted at an Annual General Meeting of the company.

Voting and Proxies

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote 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.

By order of the Board

Pieter Scholtz CA (SA)
Secretary

25 September 2009
Johannesburg

Shareholders' diary

Financial year end	30 June 2009
Annual report and financial statements	28 September 2009
Annual general meeting	19 November 2009
Interim report	February 2010

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 11th annual general meeting of ordinary shareholders of the company to be held on Thursday, 19 November 2009 at 10:00 at the offices of the company, Corner Bram Fischer Drive and Will Scarlet Road (entrance on Will Scarlet Road), Ferndale, Randburg.

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

(name/s in block letters)

Of (address)

being the holder of ordinary shares in the capital of the company do 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 act for me/us at the Annual General Meeting of the company convened for purposes of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions ("resolutions") to be proposed thereat and at each postponement and adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting in respect of the ordinary shares registered in my/our name 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 2009			
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 re-election as director of Robert Russell who retires by rotation			
5. To confirm the re-appointment of Deloitte & Touche as auditors of the company together with Ismail Vawda for the ensuing year			
6. Ordinary Resolution Number 1 – control of authorised but unissued ordinary shares			
7. Ordinary Resolution Number 2 – approval to issue ordinary shares, and to sell treasury shares, for cash			
8. Special Resolution Number 1 – general approval to acquire shares			
9. Ordinary Resolution Number 3 – signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

PLEASE TURN OVER

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 2009

Signature

Assisted by (where applicable)

Each ordinary shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Notes

1. The form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registration.
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 alternative proxies 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 the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
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 inserting the relevant number of votes exercisable by the shareholder in the appropriate box(es). 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.
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. 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, should such shareholder wish to do so.
9. 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 or unless this requirement is waived by the Chairperson of the Annual General Meeting.
10. 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 with the company.
11. 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).
12. **Forms of proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:**

    Hand deliveries to:
    Computershare Investor Services (Proprietary) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001

    Postal deliveries to:
    Computershare Investor Services (Proprietary) Limited
    PO Box 61051
    Marshalltown, 2107

    to be received by no later than 10:00 on Tuesday, 17 November 2009 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).
13. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).

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