"MAKING BUSINESS EASIER FOR YOU"

Annual Report 2012

BizWorx

MediaWorx

CARBONWORX

IDWorx

FoneWorx

www.foneworx.co.za

FoneWorx Holdings Limited

(Registration number: 1997/010640/06)

Contents

Directors and administration

Company registration number
1997/010640/06

JSE share code
FWX

Website
www.foneworx.co.za

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

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

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

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

Auditors
PKF (Jhb) Inc.

Attorneys
Martini-Patlansky Attorneys

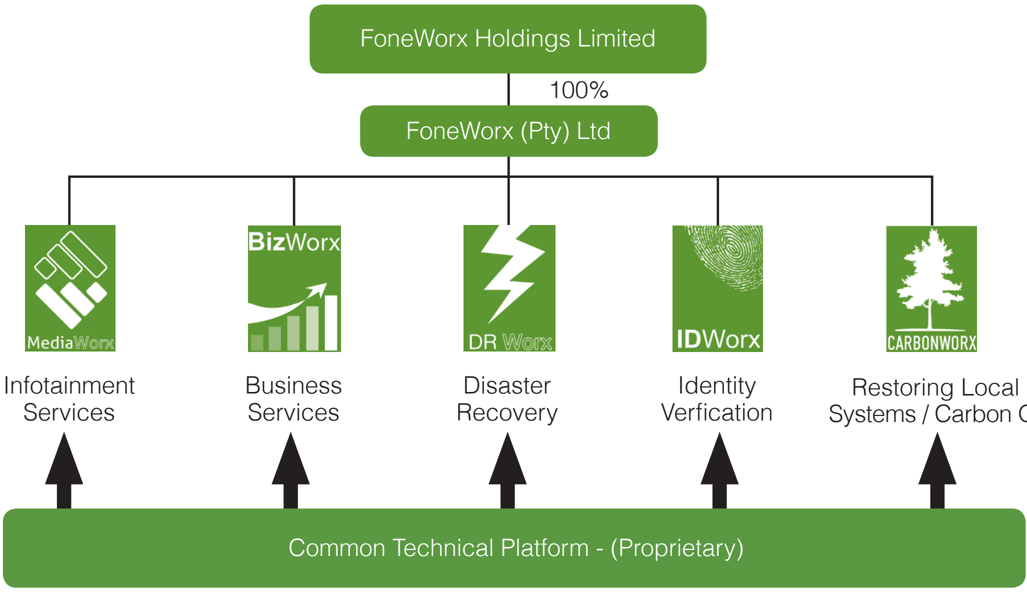
Bankers
First National Bank Limited
Investec Bank Limited

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

Designated Adviser
Merchantec Proprietary Limited

Profile

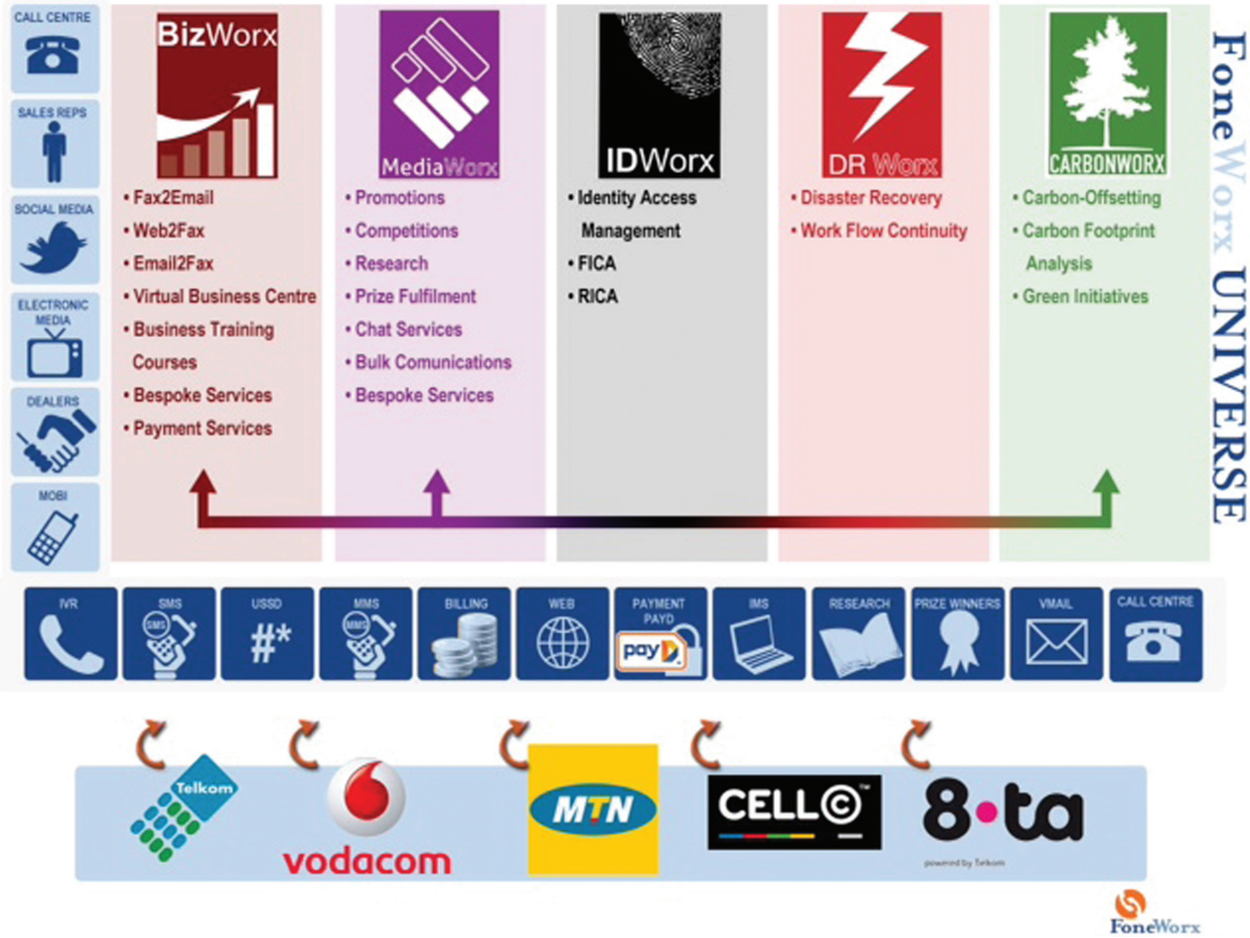
FoneWorx Proprietary Limited, being the main trading subsidiary of FoneWorx Holdings Limited ("FoneWorx" or "the Company" or "the Group"), contributes the majority of the Group's revenue. FoneWorx Proprietary Limited has five broad divisions, each of which has defined brand names as set out hereunder:



The technical platform is comprised of various bearer technologies as depicted in the diagram below on the horizontal line and incorporates modular services such as: IVR, SMS, USSD, call centre and the like.

Our route to market is displayed in the vertical line and includes: call centre, sales reps, social media, dealers and the like.

Profile



BizWorx

BizWorx provides a range of unified communication services which enables small to large business users to manage their communications through a single or integrated solution.

BizWorx is the business service arm of FoneWorx, providing a broad range of business applications orientated around small, medium and micro enterprises ("SMMEs") and also incorporates facilities designed specifically for larger corporations or Non-Government Organisations ("NGO's").

In line with technological advancements, incorporating digital and mobile applications, BizWorx provides a modernised faxing solution incorporating phenomena like cloud-based Internet faxing for inbound and outbound faxing, which is both environmentally friendly and technologically advanced.

BizWorx incorporates a broad range of applications including, but not limited to:

Fax2Email	Email2Fax	IVR
Mobi Website Hosting	Disaster Recovery	Conference Call
MMS	Telco Services	Auto Receptionist
SurveyOnline	Airtime	Address Book
Email	Diary	Classifieds
SMS	Accounting	Business Plans
Business and Legal Forms	Business Management Courses	Authenticated Mobile Transactions

BizWorx distributes its broad range of services via a dealer network which currently constitutes 80 dealers, and operates through various points of presence. BizWorx has developed its own proprietary platform for the hosting and management of the various BizWorx applications incorporating Fax2Email and PC2Fax. BizWorx launched Fax2Email approximately six years ago and has developed exceptional technologies in document imaging and management, conversion of hard copy to digital format (tiff or pdf – encrypted or non-encrypted) and the submission of such digital image to email addresses or web pages. BizWorx currently processes approximately 300 000 unique images per day or 9 million images per month.

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

BizWorx also provides a comprehensive overview of all the essentials of business and how clients can link these to the Virtual Business Centre.

MediaWorx

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

MediaWorx has relationships with 89 networks in 37 African countries and manages around 850 individual campaigns per annum.

MediaWorx provides its clients with a range of strategically designed products and services in line with the new era of digital marketing and entertainment and includes:

- Promotions;
- Competitions;
- Research;
- Prize Fulfilment;
- Chat Services;
- Bulk Communications; and
- Bespoke Services.

IDWorx

IDWorx specialises in identity verification and anti-money laundering solutions (“AML”). In the South African context, this is motivated by legislation such as the Financial Intelligence Centre Act, No. 38 of 2001 (“FICA”) and the Regulation of Interception of Communications and Provision of Communication-related Information Act, No. 70 of 2002 (“RICA”). FoneWorx used the expertise it had gathered in BizWorx’s Fax2Email and PC2Fax services and the architecture thereof, to develop the verification application. IDWorx has consulted extensively with leading experts, including Professor Louis de Koker from the University of Johannesburg, who is also 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 as well as electronic communications legislation.

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

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

Profile

CarbonWorx

The CarbonWorx architecture uses the common platform developed by FoneWorx for its existing MediaWorx, BizWorx and IDWorx services. CarbonWorx is a web and card based application which is offered to individuals and corporates alike. With sustainability issues becoming an important part of corporate consideration and management, the services offered by CarbonWorx become more tangible and relevant.

The primary objectives of CarbonWorx can be defined as:

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

DRWorx

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

The FoneWorx Universe of service offering is delivered from a proprietary technical platform which has been developed over the last 16 years and incorporates over twelve bearer technologies or processes which are directly or indirectly connected to the mobile and fixed line service providers in South Africa as depicted in the diagram on page 4 on the horizontal axis.

Services offered are delivered into the market via six channels as depicted on the vertical axis of the diagram on page 4.

Chief Executive Officer's Review

FINANCIALS

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

Financial highlights for the year under review include:

- **Group revenue up 7.7% from R91.5 million to R98.6 million.**
- **Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 14.4% from R28.7 million to R32.8 million.**
- **Profit Before Interest and Tax margins increased from 26.7% to 29.0%.**
- **Cash and cash equivalents up by 19.8% to R98.3 million (2011: R82 million).**
- **Cash generated by operations up 44.3% to R35,5 million from R24.6 million.**
- **Headline earnings per share up 14.2% from 14.47 cents to 16.50 cents.**
- **Dividend per share up 27.3% froom 5.5 cents to 7 cents.**

Financial Performance

The Group's revenue has grown 7.7% from R91.5 million to R98.6 million. This is attributed to the significant revenue growth that MediaWorx showed during the year under review, with an increase of 40% in revenue to R34.4 million (2011: R24.4 million). Gross profit for MediaWorx increased by 64% during the year under review from R10.2 million to R16.8 million. These positive improvements are primarily due to the positive adoption of our Unstructured Supplementary Service Data, being a GSM cellular communication tool, increased certainty around the Consumer Protection Act, the signing of a number of blue chip advertising agencies with solid brands and increased activity in the FMCG market.

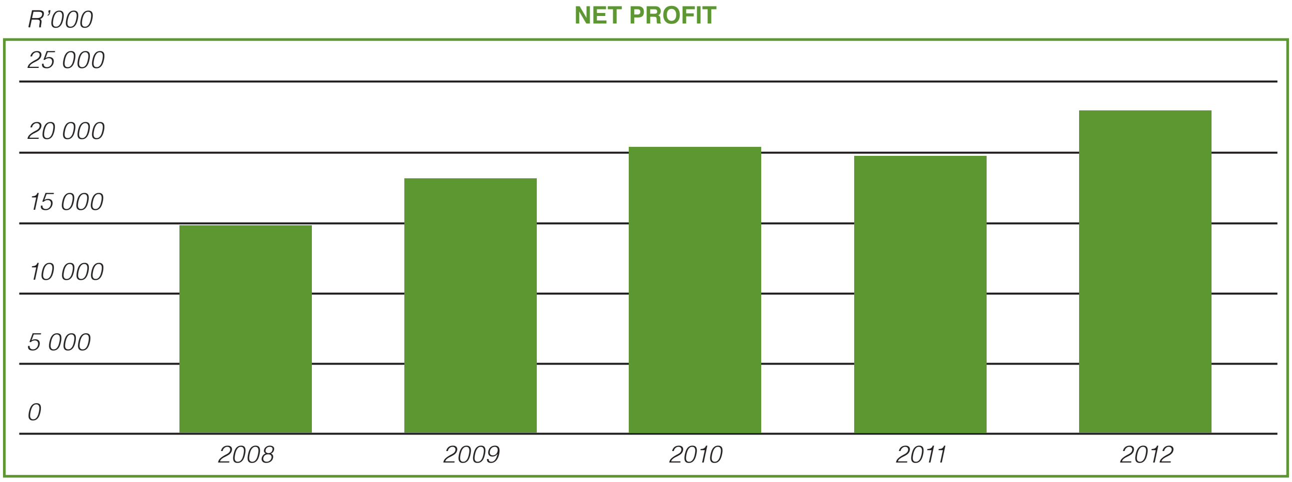
BizWorx revenue declined by 2.5% when compared to the previous year even though Fax2Email volumes processed by the Group increased by 1.5%. As Fax2Email is a cloud-based service which transfers physical documents to a digital format, it is a good indicator of the general economic activity in the marketplace at large. Accordingly, Fax2Email volumes have a direct correlation to activity levels in key sectors of the economy where the flow of documents is prevalent, such as property sales, construction, insurance and similar industries.

However, the profitability of BizWorx improved by 5% from R44.1 million to R46.3 million due to an improved mix in volume via our dealer network and directly via FoneWorx, with the latter enjoying greater gross profit margins.

Based on the weighted average number of shares in issue, earnings per share ("EPS") increased by 14.5% to 16.52 cents from 14.44 cents in the previous corresponding period. Headline earnings per share ("HEPS") increased by 14.24% to 16.50 cents from 14.47 cents.

Profit before tax increased by 16.6% to R32.4 million (2011: R27.8 million) and gross profit increased by 14.52% to R63.6 million (2011: R55.5 million), equating to a gross profit percentage of 64.5% (2011: 60.6%).

Net profit for the year under review increased to R22.5 million (2011: R19.5 million) reflecting a 15% increase.

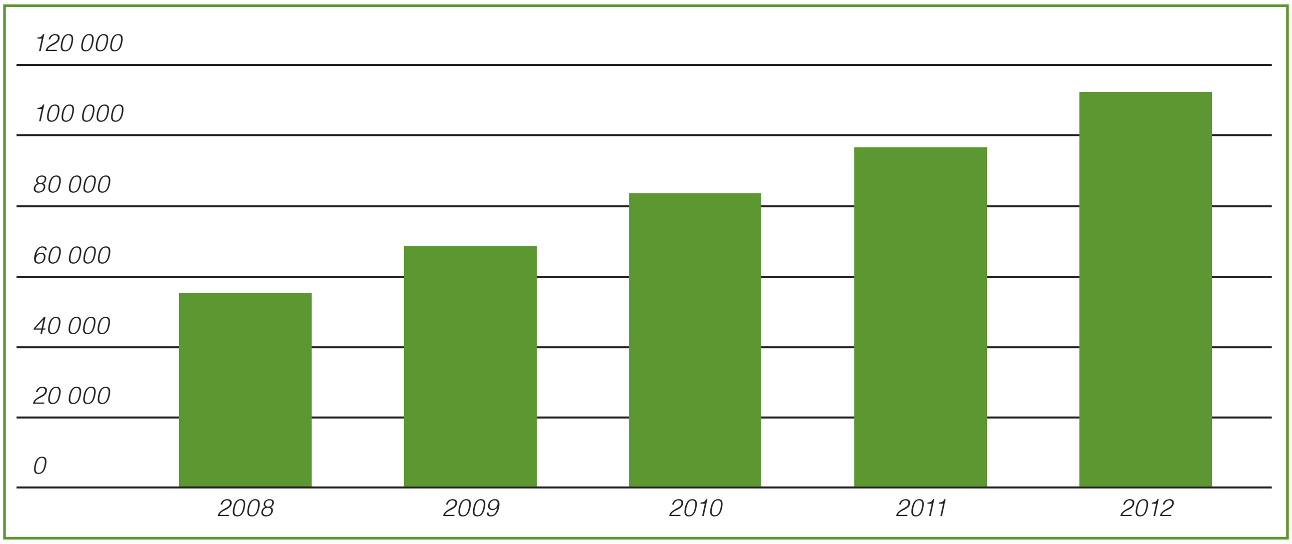


The net asset value of the Group has increased to R112.1 million (2011: R97.1 million) over the past year, an increase of 15.5%. Cash and cash equivalents have increased by 19.8% to R98.3 million (2011: R82 million).

Chief Executive Officer's Report

NET ASSET VALUE

R'000



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

Operational Performance

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

BizWorx

During the year under review we focused on enhancing our faxing solution and platform to provide our independent dealers (who sell these services) with enhanced value-added features.

BizWorx, via its proprietary technical platform, provides a broad range of bearer technologies such as "IVR", "SMS" and "USSD" which can collectively be defined as Unified Communications ("UC"), which enable small to large business users to handle all their communications through a single or integrated solution.

Within the suite of UC services, faxing in (Fax2Email) and faxing out (Email2Fax) form an important part of Unified Messaging ("UM") which is applicable to various segments of the economy including small office, home office, small, medium and micro enterprise, corporate and government.

In line with technological advancements, incorporating digital and mobile applications, faxing still remains a dominant aspect of messaging. The Frost and Sullivan report released in 2010 reports that "The overall computer-based fax market will grow 6.9% compounded annually through to 2017".

Faxing is adopting new terms of "receipt" and "dissemination" incorporating phenomena like cloud computing. Faxing in the cloud is a phenomenon which has captured the interest of many businesses that want to outsource their faxing capabilities. BizWorx has created a cloud environment which enables subscribers to receive their faxes in their email boxes instead of them ending up in a fax machine out tray, thereby maintaining confidentiality.

BizWorx also provides subscribers with encrypted faxes which are password protected. In addition, BizWorx subscribers can also send faxes globally with the BizWorx Email2Fax service at highly competitive rates.

Fax, in essence, has become modernised and is a mature form of electronic document exchange.

Essentially, faxing remains an important aspect of modern business UM and continues to offer key benefits such as:

- being free of viruses, unlike emails;
- unencumbered transmission, unlike emails which get blocked; and
- encrypted faxes which keep data private.

The BizWorx proprietary platform provides our subscribers with relevant business features such as:

- Safety;
- Security;
- Auditability;
- Reliability; and
- Trusted exchange.

Our strategy going forward is to continuously add new layers of value to the process of fax modernisation, including storage, using USSD on mobile phones to retrieve and forward faxes and to access stored data via mobile devices and tablets.

MediaWorx

This division provides a diverse range of services to our varied client base which includes advertising agencies, FMCG companies and corporates in general. The primary focus is on providing interactive requests and responses using technologies aimed at clients wanting to target their consumers on a mass or niche basis.

The services include:

- Competitions (SMS/IVR/USSD/MMS);
- Voting Services (SMS/IVR/USSD);
- Multi Media Services (MMS); and
- Prize Fulfillment.

During the year under review this division performed extremely well and a number of new clients were signed up. Our success can be ascribed to the fact that MediaWorx has become a "one stop shop" by offering our clients a broad range of services under one roof, managed by professional account executives, competent programmers and a stable technical platform.

USSD has also been well adopted across LSM1 – LSM10 users and has created a whole host of innovative services including chat, banking, surveys and voting. MediaWorx has developed a robust USSD platform and has signed up a number of blue chip clients for a variety of USSD applications. These clients include: Pep, SuperCard, Pick n Pay, Tiger Brands, Unilever, SAB (Hansa / Castle) and Foodcorp.

MediaWorx has developed a solid formula for innovating, developing and hosting single bearer or multiple bearer services to a broad sector of the economy at competitive rates whilst providing professional and consistent services.

With the growth of electronic media and the digital explosion, particularly with regards to mobile devices and tablets, the services offered by MediaWorx bode well for sustained growth.

Chief Executive Officer's Report

During the year under review, MediaWorx managed 800 campaigns for a number of established brands such as:

Albany Bread, Yum Yum, Sofn'free, Ola Magnum, Robertson Spices, Huletts Sugar, Pep, Coca Cola, Huggies, Spier Wines, Lucky Star, Bokomo, Mr Delivery, Clover, Sasko, Kleenex, BP Express, Piemans Pies, Limosin Brandy, Beeld, Black Like Me, Capitec, Bobtail, Millward Brown, Nedbank, Telkom Knockout, Adidas, Amka, SABC, DSTV Africa and many more.

Some of the agencies that MediaWorx provided services to include: Herdbouys éKapa, 34, Zoom, Limelight, Ogilvy, Millward Brown, Hardy Boys, Initiative, Patton Tupper, Wired, Wanted, Y&R, 7 Dffrnt Knds of Smke and many more.

MediaWorx Africa

MediaWorx Africa has a presence in 37 countries in Africa comprising relationships with 89 mobile networks.

A variety of SMS and web-based interactive campaigns (competitions, voting, surveys) were offered during the year under review and include well-known brands such as Big Brother Africa, Distell – Hunters Dry, Clere, Samsung, Sybase and Leopard Communications.

Other campaigns during the period of review include digital online surveys on behalf of Millward Brown (Kenya, Nigeria) and Sybase.

This division, which is a subset of MediaWorx South Africa, maintains a central database registry for certain blue chip mobile handset manufacturers which enable businesses and individuals to distinguish between "grey imports" and genuine devices.

MediaWorx has a well refined service offering which is developed around emerging digital solutions and one-to-one marketing services and is well positioned to maintain superior growth.

IDWorx

IDWorx has developed bespoke document management services orientated around identity management applications to make verification easier for both businesses and individuals.

The process, software and intellectual property is proprietary and can be effectively applied to meet the requirements of various forms of legislation such as the Financial Intelligence Centre Act, the Regulation of Interception of Communications and Provision of Communication-related Information Act, the Consumer Protection Act and the forthcoming Protection of Personal Information Bill ("POPI").

Our primary markets remain those institutions that are required to capture, store and move electronic images of personal or juristic data so as to comply with various legislations.

IDWorx also envisages a distinct market where individuals can safely capture and store pertinent data or images and then use the web or mobile devices to access such information for onward transmission to requesting institutions.

The growing drive around data privacy and the secure management of documents - which will be further accelerated once POPI is passed into legislation – bodes well for IDWorx.

DRWorx

DRWorx is a niche disaster recovery and work-flow continuity solution aimed at the stockbroking fraternity and small businesses.

A dedicated hosting server room and work area is provided for clients to enable, not only back-ups, but also the facility to continue to operate, albeit on a smaller scale. Sound corporate governance as espoused by King III encourages companies to seriously address back-ups, disaster recovery and work-flow continuity. This division will provide services in line with these recommendations.

CarbonWorx

CarbonWorx embraces all the technologies developed by FoneWorx in order to provide its clients with a defined range of key drivers being:

LEARNING:	Understanding sustainability and its key facets relating to corporate life.
EARNING:	Acquiring green points by purchasing products or services at designated service providers.
SHARING:	Creating a platform for service providers who provide environmentally sound products or services to host or display their services.
BENEFITING:	Enabling individuals to purchase trees and have them planted in verified sites in order to create carbon sinks and offset CO_2 footprints created by the home or workplace.

CarbonWorx consults to corporates to assist them in calculating their footprint in line with the international standards ISO14064 and Greenhouse Gas protocols.

During the year under review three additional sites in Mthatha, Eastern Cape were "made ready" for planting; boreholes were sunk, fencing erected and holes dug. Seventy six jobs were created – in association with the Department of Environmental Affairs - for members of the local community for the purposes of planting and maintaining trees in the verified sites.

Prospects

The Board remains positive about the outlook for the ensuing year to June 2013.

BizWorx continues to provide solid annuity income and, with the launch of Email2Fax, a new revenue stream will supplement the existing revenue. MediaWorx has shown solid growth and we believe this will continue in the ensuing year. Certainty around the Consumer Protection Act has assisted in this renewed growth. In addition, advertising and marketing strategies continue to be more focused around one-to-one marketing. Internet and mobile devices have made it a lot easier to reach consumers, enabling MediaWorx to provide its services more effectively.

Digital spend, as part of entertainment and media, is intended to grow in line with world-wide trends and MediaWorx is well placed to provide a broad range of services orientated around mobile handsets and tablets, which form the "lion's share" of digital spend.

We remain confident that despite the relatively small percentage which IDWorx, DRWorx and CarbonWorx contribute towards the total revenue of the Group, they will provide improved growth as and when key external factors, within each of these respective eco systems, drive businesses to adopt these services. In their developmental phase they do not require additional human resources or excessive capital.

During June of the financial year under review, the Board began discussions with the Industrial Development Corporation of South Africa Limited ("IDC") to repurchase the FoneWorx shares held by the IDC. This process culminated in the announcement released on SENS on 12 July 2012, being a post year end announcement, which informed shareholders that FoneWorx had entered into an agreement with the IDC for the specific repurchase of 40 800 612 ordinary shares held by the IDC ("Specific Repurchase") and that FoneWorx had also entered into an agreement with the Isaac Kirsh Family Trust and the William Kirsh Family Trust ("Kirsh Family Trusts") for the specific issue by FoneWorx of 40 800 612 ordinary shares to the Kirsh Family Trusts ("Specific Issue"). The relevant circular regarding, inter alia, the Specific Repurchase and the Specific Issue, together with the notice of general meeting, was posted to shareholders on 14 August 2012. The general meeting in respect thereof was held on 13 September 2012 and all resolutions were approved by shareholders resulting in the Kirsh Family Trust now owning around 32.8% of FoneWorx Holdings Limited.

With the sound momentum achieved in our trading divisions during the year under review, and together with the aforementioned post year end SENS announcement, the Board remains positive about the opportunities in the ensuing year.

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

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

Mark Smith

Chief Executive Officer

28 September 2012

Corporate Governance Report

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

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

Corporate Code of Conduct

FoneWorx is committed to:

- integrity and best practice in its dealings with stakeholders and society at large;
- doing business with customers and suppliers using best ethical practices;
- employment practices which are non-discriminatory and which include training and skills development; and
- doing business in a manner that is sustainable for all stakeholders, the details of which are set out on pages 15-19.

The Board

FoneWorx has a unitary Board which comprises of three executive directors and two independent non-executive directors. The two non-executive vacancies of the Board were earmarked to be taken up by the IDC as a major shareholder but since their shareholding in the Group was to be sold, the appointments were not done during the year. The Board is now looking at an additional two non-executive directors.

The directors are of the opinion that this structure is effective and believe that an appropriate policy is in place to ensure that a balance of power and authority exists amongst directors, so that no one director has unfettered powers of decision making. Due to the size of FoneWorx the Board has elected not to form a nomination committee to coordinate and evaluate appointments to the Board. The decision for all appointments to the Board is a matter to be decided on by the Board as a whole, and procedures for such an appointment are formal and transparent.

The Board carries out a formal internal evaluation process, focussing on itself and its committees which revealed that the board and its committees had functioned well and had discharged their duties in accordance with the mandates contained in the respective charters and that all directors demonstrated that they were independent in character and judgement and there were no relationships or circumstances that were likely to affect or could appear to affect their independence.

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

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

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

Company Secretary

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

Remuneration Committee

The remuneration committee consists of two independent non-executive directors, namely Ashvin Mancha and Gaurang Mooney. The remuneration committee meets annually to determine remuneration levels and the directors' bonus scheme. It also meets on an ad hoc basis when the need arises. The remuneration committee met once during the year under review and all members were present. This committee ensures that remuneration levels are appropriate to attract and retain the staff needed to run the Group successfully.

Audit Committee and Risk Committee

The membership of the Audit and Risk Committee consisted of two independent non-executive directors during the past year. However, the Board intends to appoint a third non-executive director to the board once the board vacancies are filled. The two current members are Ashvin Mancha and Gaurang Mooney. A full Audit Committee report is set out on page 22 of the Annual Report.

Social and Ethics Committee

The committee has had their inaugural meeting during the past year. The Board nominated three members to sit on the committee being Ashvin Mancha, Mark Smith and Pieter Scholtz.

Attendance at Board and Committee meetings

	Board		Audit and Risk Committee		Remuneration Committee		Social and Ethics Committee	
	Number of meetings	Attended	Number of meetings	Attended	Number of meetings	Attended	Number of meetings	Attended
A Mancha	3	3	2	2	1	1	1	1
G Mooney	3	3	2	2	1	1		
M Smith	3	3	2	2			1	1
R Russell	1	0						
R Graver	3	3						
P Scholtz	3	3	2*	2*			1	1
Merchantec Capital (Designated Adviser)	3*	3*	2*	2*				

** 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 the staff profile is currently as follows:

Occupations levels	Designated							Non-designated			Total
	Male			Female				White male	Foreign nationals		
	A	C	I	A	C	I	W		Male	Female	
Senior Management								4			4
Skilled technical and academic qualified workers, junior management , supervisors, foremen and superintendents		1			1		1	3	1		7
Semi skilled and discretionary decision making	3	1	1	4		1	10	12			32
Unskilled and defined decision making				2							2
											45
Non Permanent			1	1	1		1		2		6
											51

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

Broad Based Black Economic Empowerment

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

Closed period

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

Sustainability Report

FoneWorx is conscious of the need to constantly improve its governance and management of sustainability within the business. We have seen legislators, regulators and broader stakeholders demand increasing attention to environmental concerns and this drive is clearly evident in the National Climate Change Response Green Paper and the build-up and outcome of COP17. It is clear that South Africa and business will have to adapt to the unavoidable impacts of climate change through the management of risk and the reduction of vulnerability.

The Group's primary focus remains the delivery of a range of digital services primarily within the domain of information communication and technology ("ICT") and services linked to sustainability (CarbonWorx).

We aim to economically maintain and grow our business in a way that is environmentally and socially responsible, which is based on sound and ethical business practices and incorporates positive governance and social and environmental objectives.

The Group has recently implemented a Social and Ethics Committee, which is a sub-committee of the main Board, and ensures greater integration between economic risk and opportunity assessment and the social and environmental impact of the business within the guidelines of King III Code of Corporate Governance and other related legislation.

REPORTING AND BOUNDARIES

This is the Group's second report in this format and we see the report as a continuous journey which will be supplemented and enhanced year on year.

The Executive Committee engaged with key internal role players and staff with a view to developing this journey. The underlying intention is to ensure that the Group continues to develop and prosper within an increasingly volatile and uncertain external environment by developing, refining and adding the appropriate governance and competencies within the environment in which it operates.

The Group is committed to develop its business in line with three basic tenets which are:

Sustainable Economic Value

We will strive to create economic value to all our stakeholders in a positive manner that is responsive to social-economic and environmental concerns.

As an ICT Company we provide a host of unified or converged digital services that assist individuals and business at large in an environmentally friendly manner.

Our services are designed as innovative and aimed at transforming emerging markets and, in particular, small, medium and micro enterprises ("SMME"), by offering value for money, easy access and cutting-edge technology.

We have developed and offer a number of our services using cloud computing solutions via the use of the Internet. This methodology has proved to reduce operational costs not only for the Group but for all our clients, in particular our SMMEs.

In providing cloud-based services we have also deployed new innovations such as server virtualization and converged ICT solutions. This has reduced the amount of server space required, limited power consumption and disposal of aged servers and parts. This has improved cost efficiencies, greener functionality and provided enhanced service.

Eco-Responsibility

We are fully aware of the United Nations Intergovernmental Panel on Climate Change COP17 outcomes which have confirmed the impacts of climate change and the role of business in meeting challenges particularly for developing countries and the poor.

We are also fully conscious of the South African government's responses in terms of the long-term mitigation scenarios and the National Climate Change Green Paper which is directed to various economic sectors within South Africa, including ICT.

We are aware that our Group, although small, needs to have a positive impact in the short, medium and particularly long term. In achieving this we address all issues of environmental impacts in a consistent manner.

We constantly review our energy consumption and carbon-related impacts including dealing with water, waste and recycling.

Sustainability Report

Advancing Sustainable Societies

Anti-corruption

The Group believes strongly that corrupt and fraudulent activities are a threat to the sustainability of business. We have a holistic approach of proactive fraud risk and this is embedded in our Audit and Risk committees. We encourage the concept of 'whistle-blowers' and follow in detail tip-offs and any activity that deviates from our standards.

Employee Safety

Occupational health and safety is key to our operations. Although the business is primarily office orientated, fire and safety is maintained and all computer hosting environments are well maintained and regularly serviced.

Human Rights

The Group upholds the concepts of freedom of association and the basic tenets of non-discrimination. In doing business, we work within the laws of the countries within which we operate. The Group strongly disagrees with any form of child labour and will not associate itself with any supplier making use of such labour.

The recently established Social and Ethics Committee will provide guidance on sensitive issues and give the Board general direction. The Group believes in fostering value-driven and ethical behaviour and sound business practices whilst acknowledging the basic principles of human rights.

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

ADVANCING SMMEs

Via our BizWorx division, we provide SMMEs access to a business training course at reduced rates to provide support, transfer skills and enable access to technology.

During our financial year over 136 small businesses attended this course and were very happy with the content and their ability to connect the theory of business with the technology tools to execute on the theory. A fully fledged training facility has been set up for this training with very positive responses.

ENVIRONMENTAL SUSTAINABILITY

CarbonWorx is a seventy per cent owned subsidiary Company of the Group and has, as its primary strategy, the restoration of eco systems and the creation of 'green jobs' as defined in Government Gazette 28 April 2011, No. 34247.

CarbonWorx has a formal relationship with the Department of Environmental Affairs and via a grant has established 76 green jobs in the Eastern Cape. Those employed are responsible for developing a nursery and growing indigenous trees for the area, planting and maintaining the trees in verified sites.

Boreholes, pumps and tanks have been deployed in the verified sites which have not only provided much needed water for the trees, but have become a main source of water supply to the residents adjacent to each site. The 76 people have been given training on tree growing, planting, maintenance and HIV Aids. In addition, select teams have been trained to remove alien plant species in the area.

The CarbonWorx project is in line with the parameters set out in the National Climate Change Response Green Paper 2010 which encourages, inter alia:

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

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

Governance, Commitments and Engagements

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

The recently implemented Social and Ethics Committee will also ensure greater integration between economic risk and opportunity assessment and the social and environmental impact of the Group.

Stakeholder Relations and Engagements

The Group is conscious of the need to build long-term relationships with its key stakeholders on a transparent basis.

Stakeholders include: employees, shareholders, investors, analysts, media, customers, dealers, business partners, communities and government.

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

Key Impacts and Risks

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

Sustainability Report

Environment

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

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

Carbon Footprint

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

The 2012 carbon footprint is 1 000 tonnes of CO_2e, with 98% of carbon emissions related to electricity consumption. The operation boundaries measured are as follows:

Scope	Emission Sources	Tonnes CO_2e
Scope 1 Direct Emissions	Consumption of fuel of company-owned vehicles. Consumption of fuel for generators (stationary fuels).	15.61 (combined)
Scope 2 Energy Indirect	Consumption of purchased electricity.	1,000
TOTAL		**1,015.61**

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

ENVIRONMENTAL INITIATIVES

Office Buildings

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

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

Electricity

- Lamps in all offices are being replaced with energy efficient 5 watt LED technology and external lighting with 18 watt LED technology. During the latter part of 2012 all 50 watt lighting will be replaced by either 3 watt or 5 watt LED technology.
- The building's lighting is multi-zoned to light only those areas occupied.
- This strategy will reduce energy usage and extend lamp life expectancy.

Water

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

Airconditioning

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

Recycling

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

OUR CUSTOMERS

FoneWorx's customers are diverse and span LSM1 – LSM10, across corporate, SMME and consumer markets. Developing services and products in a sustainable way whilst keeping good relationships so as to understand their needs better, is central to the sustainability of the Group.

The most fundamental issues of corporate responsibility relating to our customers includes: customer service, protecting the rights and privacy of customer data and ensuring that the Company is compliant with the latest legislation pertaining to customers.

The rights of consumers are protected by legislation that ensures they are treated fairly, that their privacy is safeguarded and they are not harmed or exploited in any way. In particular, the Electronic Communications and Transactions Act, 2002 ("ECT") and the new Consumer Protection Act, 2008 ("CPA"), the latter having a significant impact on our service offering via MediaWorx.

Delivering customer service excellence is an important differentiator for the Group, particularly in a highly competitive environment.

We also see this as a matter of Corporate Responsibility. Paying customers have a right to be treated fairly and to receive prompt service. The Group has its own Customer Care Call Centre which provides assistance to all customers across the range of services offered.

EXPANDING THE REPORT

The Group will continue to develop the sustainability report by being guided by local and international standards, including:

- the King Report on corporate governance for South Africa – King III;
- the Department of Trade and Industry Codes of Good Practice; and
- the Global Reporting Initiatives and Indicators ("GRI").

Directors' Responsibility and Approval

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

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

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

The annual financial statements for the year ended 30 June 2012 set out on pages 24 to 60 were approved by the Board of Directors on 28 September 2012 and are signed on their behalf by:

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Declaration by Company Secretary

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

Pieter Scholtz CA(SA)
Company Secretary
28 September 2012

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FONEWORX HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of FoneWorx Holdings Limited, which comprise the statements of financial position as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 24 to 60.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FoneWorx Holdings Limited as at 30 June 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective prepares. Based on reading these report we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PKF (Jhb) Inc.

PKF (Jhb) Inc
Director: B. Frey
Registered Auditors
Chartered Accountants (SA)
Johannesburg

Audit & Risk Committee Report

The Audit & Risk Committee had its fourth full year of operations and met twice during the year of review.

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

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

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

- **Overview of the system of internal control**

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

- **External Audit**

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

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

- **Company Risk Exposure**

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

- **Financial Statements**

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

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

Mr A Mancha
Audit Committee Chairman

28 September 2012

Remuneration Report

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

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

Directors' Report

The Directors have pleasure in submitting their report for the year ended 30 June 2012.

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 2012 the issued share capital stood at R136,002, divided into 136,002,041 ordinary shares of R0,001 each.

Directors

The Directors of the Company for the year ended 30 June 2012 and up to the date of this report were:

Director	Role	Age	Other significant board memberships	Length of service
Ronald Graver	Executive Director	56	None	15 Years
Ashvin Mancha*	Non-Executive Chairman	55	Navsur Limited, Afrifocus Securities (Proprietary) Limited	8 Years
Gaurang Mooney* (Botswana)	Non-Executive Director	42	Trans Africa (Proprietary) Limited, Jumbo Botswana (Proprietary) Limited, Overseas Development Enterprises (Botswana) (Proprietary) Limited, Trans Cash and Carry (Proprietary) Limited and Unitrade Management Services (Proprietary) Limited	12 Years
Robert Russell (Resigned 1 March 2012)	Executive Director	55	None	15 Years
Mark Smith	Chief Executive Officer	54	None	15 Years
Pieter Scholtz	Financial Director	36	None	4 Years

**Independent – Non-Executive*

Dividend

The Company has declared and paid a dividend during the year under review of R7 480 112 (5,5 cents per share) (2011: R6 120 092 (4.5 cents per share)). In line with the amended requirements of the article of association of the Company, the Directors recommended and approved a dividend of R9 520 143 (7 cents per share) at their Board meeting of 19 September 2012.

Directors' Shareholding as at 30 June 2012

	30 June 2012		30 June 2011	
	Direct Beneficial '000	Indirect Beneficial '000	Direct Beneficial '000	Indirect Beneficial '000
R Graver	10 060		10 060	
A G Mancha		54		54
G Mooney		15,219		15,219
R Russell (resigned 1 March 2012)			660	
M A Smith	11 002		11 002	

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 2012

	Number of shareholders	%	Number of shares '000	%
1 - 100 000	641	92.6	8,245	6.1
100 001 - 500 000	32	4.6	7'757	5.7
500 001 - 10 000 000	15	2.2	42'592	31.1
10 000 001 +	4	0.6	77'408	56.9
	692	100	136,002	100

Shareholding of ordinary shares at 30 June 2012

	Number of shareholders	%	Number of shares '000	%
Public	683	98.7	47'397	34.9
Non - Public				
- Directors	5	0.7	36'336	26.7
- Non-Directors	4	0.7	52'269	38.4
	643		134,402	

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 2012 were as follows:

	Number of shares ('000)	%
Industrial Development Corporation	40 800	30
Navsur Limited	10 463	7,8

Directors' Report

Special resolutions

Two Special Resolutions were passed at the Annual General Meeting held on 10 November 2011.

SPECIAL RESOLUTION NUMBER 1

"**RESOLVED** by way of a general approval that FoneWorx Holdings Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of 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 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 may only effect the repurchase once a resolution has been passed by the board of directors ("the Board") of the Company confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter; and
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf.

SPECIAL RESOLUTION NUMBER 2

The Chairman proposed Special Resolution Number 2 which related to the granting of financial assistance in terms of section 44 and 45 of the Companies Act 2008.

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

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

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

Events subsequent to the financial year end

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

Litigation statement

The Directors, whose names are on pages 2 and 24, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least 12 months, a material effect on the Group's financial position.

Material change

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

Group Statements of Financial Position

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Assets					
Non-Current Assets					
Property, plant and equipment	2	17,760,389	18,722,811	-	-
Intangible assets	3	6,628,170	6,117,771	-	-
Investments in subsidiaries	32	-	-	2,311,200	2,311,200
Deferred tax asset	5	118,414	-	-	-
		24,506,973	**24,840,582**	**2,311,200**	**2,311,200**
Current Assets					
Inventories	6	557,293	1,773,441	-	-
Loans to group companies	32	-	-	12,173,241	12,992,740
Current tax receivable		147,936	953,128	-	-
Trade and other receivables	7	17,124,273	17,870,247	439,255	412,065
Cash and cash equivalents	8	98,322,319	82,066,745	24,152,365	22,783,871
		116,151,821	**102,663,561**	**36,764,861**	**36,188,676**
Total Assets		**140,658,794**	**127,504,143**	**39,076,061**	**38,499,876**
Equity and Liabilities					
Equity					
Share capital	9&10	36,509,029	36,509,029	36,509,029	36,509,029
Retained income		75,597,691	60,616,201	2,072,186	1,501,960
		112,106,720	**97,125,230**	**38,581,215**	**38,010,989**
Liabilities					
Non-Current Liabilities					
Interest bearing liabilities	11	6,396,411	8,189,139	-	-
Deferred tax liability	5	-	744,784	-	-
		6,396,411	**8,933,923**	**-**	**-**
Current Liabilities					
Loan from group company	32	-	-	134,647	134,747
Current tax payable		11,518	62,754	129,296	180,531
Interest bearing liabilities	11	1,704,349	1,691,658	-	-
Trade and other payables	13	14,801,543	18,011,715	183,953	145,921
Provisions	12	5,591,303	1,651,175	-	-
Unclaimed dividends		46,950	27,688	46,950	27,688
		22,155,663	**21,444,990**	**494,846**	**488,887**
Total Liabilities		**28,552,074**	**30,378,913**	**494,846**	**488,887**
Total Equity and Liabilities		**140,658,794**	**127,504,143**	**39,076,061**	**38,499,876**
Net asset value per share (cents)		82.4	71.4		
Net tangible asset value per share (cents)		77.6	66.9		

Group Statement of Comprehensive Income

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Revenue	15	98,617,135	91,579,433	-	-
Cost of services		(35,026,174)	(36,054,678)	-	-
Gross profit		**63,590,961**	**55,524,755**	**-**	**-**
Other income		975,399	506,191	106,122	1,723,521
Operating expenses		(11,130,338)	(10,088,985)	(535,456)	(442,688)
Staff costs		(20,583,686)	(17,235,800)	-	-
Depreciation and amortisation expense		(4,252,935)	(4,217,151)	-	-
Operating profit (loss)	**16**	**28,599,401**	**24,489,010**	**(429,334)**	**1,280,833**
Investment income	20	4,595,715	4,229,316	8,799,946	7,493,256
Finance costs	21	(763,775)	(913,903)	-	-
Profit before taxation		**32,431,341**	**27,804,423**	**8,370,612**	**8,774,089**
Taxation	22	(9,969,739)	(8,280,205)	(320,274)	(733,193)
Profit for the year attributable to the equity holders of the parent		**22,461,602**	**19,524,218**	**8,050,338**	**8,040,896**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year attributable to equity holders of the parent		**22,461,602**	**19,524,218**	**8,050,338**	**8,040,896**
Basic earnings per share (cents)	28	16.52	14.44		
Diluted earnings per share (cents)	28	16.52	14.44		

Group Statements of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Group					
Balance at 01 July 2010	**134,402**	**35,574,627**	**35,709,029**	**47,212,075**	**82,921,104**
Changes in equity					
Total comprehensive income for the year	-	-	-	19,524,218	19,524,218
Employees share option scheme	1,600	798,400	800,000	-	800,000
Dividends	-	-	-	(6,120,092)	(6,120,092)
Total changes	1,600	798,400	800,000	13,404,126	14,204,126
Balance at 01 July 2011	**136,002**	**36,373,027**	**36,509,029**	**60,616,201**	**97,125,230**
Changes in equity					
Total comprehensive income for the year	-	-	-	22,461,602	22,461,602
Dividends	-	-	-	(7,480,112)	(7,480,112)
Total changes	-	-	-	14,981,490	14,981,490
Balance at 30 June 2012	**136,002**	**36,373,027**	**36,509,029**	**75,597,691**	**112,106,720**
Note	9	9	9		
Company					
Balance at 01 July 2010	**136,002**	**36,373,027**	**36,509,029**	**(418,844)**	**36,090,185**
Changes in equity					
Total comprehensive income for the year	-	-	-	8,040,896	8,040,896
Dividends	-	-	-	(6,120,092)	(6,120,092)
Total changes	-	-	-	1,920,804	1,920,804
Balance at 01 July 2011	**136,002**	**36,373,027**	**36,509,029**	**1,501,960**	**38,010,989**
Changes in equity					
Total comprehensive income for the year	-	-	-	8,050,338	8,050,338
Dividends	-	-	-	(7,480,112)	(7,480,112)
Total changes	-	-	-	570,226	570,226
Balance at 30 June 2012	**136,002**	**36,373,027**	**36,509,029**	**2,072,186**	**38,581,215**
Note	9	9	9		

Group Statements of Cash Flows

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Cash flows from operating activities					
Cash generated from (used in) operations	23	35,507,818	24,649,918	(524,613)	868,492
Interest income		4,595,715	4,229,316	1,319,834	1,373,164
Dividends received		-	-	7,480,112	6,120,092
Finance costs		(763,775)	(913,903)	-	-
Tax paid	24	(10,078,980)	(7,583,785)	(371,509)	(670,002)
Net cash from operating activities		**29,260,778**	**20,381,546**	**7,903,824**	**7,691,746**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(2,157,424)	(4,432,306)	-	-
Proceeds on disposal of property, plant and equipment	2	174,705	263,496	-	-
Purchase of intangible assets	3	-	(902,046)	-	-
Expenditure on product development	3	(1,781,597)	(2,383,605)	-	-
Proceeds from/(advance to) loans to group companies		-	-	925,520	(762,745)
Net cash from investing activities		**(3,764,316)**	**(7,454,461)**	**925,520**	**(762,745)**
Cash flows from financing activities					
Movement in share trust shares	9	-	800,000	-	-
Advance of loan payable		-	-	-	91,547
(Repayment of) advance in interest bearing liabilities		(1,780,038)	307,954	-	-
Dividends paid	25	(7,460,850)	(6,106,079)	(7,460,850)	(6,106,079)
Net cash from financing activities		**(9,240,888)**	**(4,998,125)**	**(7,460,850)**	**(6,014,532)**
Total cash and cash equivalents movement for the year		**16,255,574**	**7,928,960**	**1,368,494**	**914,469**
Cash and cash equivalents at the beginning of the year		82,066,745	74,137,785	22,783,871	21,869,402
Total cash and cash equivalents at end of the year	**8**	**98,322,319**	**82,066,745**	**24,152,365**	**22,783,871**

Group Accounting Policies

1. Presentation of Financial Statements

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

These accounting policies are consistent with the previous period.

1.1 New standards and interpretations

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs. Annual Improvements 2009-2011 Cycle amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements. Annual Improvements 2009-2011 Cycle amendments to borrowing costs.	1 January 2013
IFRS 7: Financial Instruments: Disclosures	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
IFRS 9: Financial Instruments	New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2015
IFRS 10 Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company and provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2013

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 11 Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2013
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements.	1 January 2013
IAS 1: Presentation of Financial Statements	Annual Improvements 2009-2011 Cycle amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	1 January 2013
IAS 16: Property, Plant and Equipment	Annual Improvements 2009-2011 Cycle amendments to the recognition and classification of servicing equipment.	1 January 2013
IAS 19: Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013
IAS 27: Consolidated and separate financial statements	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
IAS 28: Investments in Associates	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
IAS 32: Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the net related credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. Annual Improvements 2009-2011 Cycle amendments to clarify the tax effect of distribution to holders of equity instruments.	1 January 2013
IAS 34: Interim Financial Reporting	Annual Improvements 2009-2011 Cycle amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities.	1 January 2013
Interpretations	**Annual periods beginning on or after**	
IFRIC 20: Stripping costs in the Production Phase of a Surface Mine	1 January 2013	

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

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

In assessing the value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. The discount rate applied is based on estimates and judgements made by management and is subject to change.

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

Residual value and useful life

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

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

Income taxes

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

Contingent liabilities

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

Provisions

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

1.3 Basis of consolidation

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

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

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

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method.

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

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

Transactions with non-controlling interest holders that do not result in a loss of control are accounted for as transactions with equity holders and therefore do not affect goodwill initially recognised.

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Land is not depreciated.

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

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

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

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.

1.4 Property, plant and equipment *(continued)*

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

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

All other expenditure that does not meet all of these requirements are expensed to profit or loss when incurred.

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

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

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

Intangible assets consist of the following:

- Computer Software, and
- Internally generated assets

Internally generated assets consist of a Virtual Business Centre (VBC), FICA/RICA card system, CarbonWorx cards, Gateway verification system, Fax2Email non-premium system, StockBroker System, Email2Fax system, Fax2Email system South Africa and an Africa Fax2Email system.

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

Item	Useful life
Computer software	6,67 years
Internally generated asset	5 years

1.6 Investments in subsidiaries

Company financial statements

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Financial instruments

Initial recognition and measurement

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

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

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

Loans to (from) group companies

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

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

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

Impairment losses are reversed in subsequent periods when an increase in the instrument's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the instrument at the date of impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

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

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

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

Assets receivable within the next year are classified as current assets. Assets receivable after one year are classified as noncurrent assets.

1.7 Financial instruments *(continued)*

Trade and other payables

Trade payables are initially measured at fair value, net of transaction costs 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 arrangements entered into. Cash and cash equivalents are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and and 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 the 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.

Other financial liabilities

Other financial liabilities, including interest bearing borrowings that are reflected on the face of the Statement of financial position, 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.

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

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

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

1.8 Tax

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the effect is taken into account in calculating goodwill or in determining the gain on bargain purchase.

1.9 Leases

A Lease is classified as a finance lease if it transfer substantially all the risks and rewards incidental to ownership to the lessee.

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

Operating leases - lessee

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

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

1.10 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.

1.10 Inventories *(continued)*

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 of the write off or when the loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The reversal of a write-down or loss is limited to that initial write-down or loss.

1.11 Impairment of assets

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is an 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 it belongs.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination. Impairments to goodwill are never subsequently reversed.

Goodwill and indefinite useful life intangible assets are assessed for impairment at least annually.

Recoverable amount is the higher of fair value 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 or cash-generating 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 in profit or loss.

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

1.12 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. Transaction costs incurred on such transactions are netted off or deducted from equity.

1.13 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.

Retirements benefits

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

A provision is the present value of expenditure expected to be required to settle an obligation.

If the effect of the time value of money is not considered to be material, the expenditure expected to be required to settle the obligation is not present valued as the carrying amount approximates the present valued amount. The rate applied to present value the expenditure would be a market related pre-tax rate that incorporates the risk associated with the liability.

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised, other than contingent liabilities assumed in a business combination which are recognised at acquisition date at fair value.

1.15 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. 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 end of the reporting period 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 the consideration received or receivable and represents the amounts receivable for services provided 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.

Dividends are recognised, in profit or loss, when the Company's right to receive payment has been established.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred on an effective interest rate basis.

1.17 Cost of services

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

1.18 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.

At each reporting date:

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

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

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

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

1.19 Share-based payments

Equity settled

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting 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 retained income.

Cash settled

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

2. **Property, plant and equipment**

Group	2012 Cost	2012 Accumulated depreciation	2012 Carrying value	2011 Cost	2011 Accumulated depreciation	2011 Carrying value
Land	2,200,000	-	2,200,000	2,200,000	-	2,200,000
Buildings	10,506,133	(847,617)	9,658,516	10,460,668	(806,377)	9,654,291
Plant and machinery	228,436	(208,706)	19,730	217,000	(183,400)	33,600
Furniture and fixtures	821,459	(451,629)	369,830	796,779	(368,104)	428,675
Motor vehicles	1,656,369	(601,498)	1,054,871	1,805,513	(301,157)	1,504,356
Office equipment	916,568	(454,443)	462,125	915,123	(455,785)	459,338
IT equipment	9,305,542	(6,094,005)	3,211,537	13,251,720	(9,645,809)	3,605,911
Leasehold improvements	1,057,199	(273,419)	783,780	1,057,199	(220,559)	836,640
Total	**26,691,706**	**(8,931,317)**	**17,760,389**	**30,704,002**	**(11,981,191)**	**18,722,811**

Reconciliation of property, plant and equipment - Group 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land	2,200,000	-	-	-	2,200,000
Buildings	9,654,291	45,465	-	(41,240)	9,658,516
Plant and machinery	33,600	11,436	-	(25,306)	19,730
Furniture and fixtures	428,675	65,640	-	(124,485)	369,830
Motor vehicles	1,504,356	12,502	(136,203)	(325,784)	1,054,871
Office equipment	459,338	149,258	-	(146,471)	462,125
IT equipment	3,605,911	1,873,123	(1,906)	(2,265,591)	3,211,537
Leasehold improvements	836,640	-	-	(52,860)	783,780
	18,722,811	**2,157,424**	**(138,109)**	**(2,981,737)**	**17,760,389**

Reconciliation of property, plant and equipment - Group - 2011

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

2. Property, plant and equipment (continued)

Details of properties (at cost)

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Erf 1636 Ferndale, Randburg					
Terms and conditions					
- Land at cost		2,200,000	2,200,000	-	-
- Buildings at cost		7,479,575	7,479,575	-	-
- Improvements to building		3,026,558	2,981,093	-	-
		12,706,133	**12,660,668**	**-**	**-**

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

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

Land and buildings with a carrying value of R9,681,430 (2011: R9,677,205) are mortgaged as stated in note 12.

Certain plant and equipment with a carrying amount of R1,317,052 (2011: R2,134,354) have been encumbered as per note 12. A detailed register of assets is available for inspection at the registered office of the Group.

3. Intangible assets

	2012			2011		
Group	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Fax2Email Platform - Africa	2,383,605	-	2,383,605	2,383,605	-	2,383,605
Stockbroker Identification Management System	276,369	(115,154)	161,215	276,369	(59,880)	216,489
Email2Fax and Fax2Email System	1,732,920	-	1,732,920	-	-	-
Identity access management software	2,086,591	(1,251,975)	834,616	2,086,590	(834,656)	1,251,934
Computer software	1,688,377	(1,191,275)	497,102	1,947,923	(1,056,027)	891,896
Carbonworx software	932,812	(373,125)	559,687	932,813	(186,562)	746,251
Virtual business centre	437,984	(262,791)	175,193	437,984	(175,194)	262,790
Gateway verification system	138,974	(32,427)	106,547	138,974	(4,632)	134,342
Fax2Email non-premium Rated System	265,897	(88,612)	177,285	265,897	(35,433)	230,464
Total	**9,943,529**	**(3,315,359)**	**6,628,170**	**8,470,155**	**(2,352,384)**	**6,117,771**

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

Description - Group - 2012	Carrying amount	Remaining amortisation period
Fax2Email platform	2,383,605	5 years
This platform was developed for deployment of Fax2Email and Web2Fax services that can function independently from the South African operation and can be deployed within any country that has basic communication infrastructure. It can be managed remotely, provides for customer care via Voice Over IP ("VOIP"), has additional business continuity features and can adapt easily to accommodate any unique business model.		
Email2Fax and Fax2Email system - Africa	1,732,920	5 years
This system works with the platform for the Africa Fax2Email. The system provides the service of Fax2Email and Email2Fax in Africa. The remaining useful life of this asset is 5 years and has not yet been amortised as an intangible asset as it was only commissioned after year end.		
CarbonWorx Software	559,687	3 years
This software consists of various modules including the end user interface, webpage and the database management system that keeps record of all points earned through the program and all trees planted.		
Identity Access Management Software	834,636	2 years
This product was developed as a mechanism to meet the requirements of various forms of legislation, such as FICA, RICA and the Consumer Protection Act and is aimed at Corporate and Governmental users.		
	5,510,848	

Reconciliation of intangible assets - Group - 2012

	Opening balance	Internally generated	Amortisation	Total
Fax2Email Platform - Africa	2,383,605	-	-	2,383,605
Stockbroker Identification Management System	216,489	-	(55,274)	161,215
Email2Fax and Fax2Email System	-	1,732,920	-	1,732,920
Identity access management software	1,251,934	-	(417,318)	834,616
Computer software	891,896	48,677	(443,471)	497,102
CarbonWorx software	746,251	-	(186,564)	559,687
Virtual Business Centre software	262,790	-	(87,597)	175,193
Gateway Verification System	134,342	-	(27,795)	106,547
Fax2Email Non Premium Rated System	230,464	-	(53,179)	177,285
	6,117,771	**1,781,597**	**(1,271,198)**	**6,628,170**

Notes to the Financial Statements

3. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2011

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

Impairment of intangible assets

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

4. Financial assets by category

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

	Loans and receivables	Fair value through profit or loss - held for trading	Non financial assets	Held to maturity investments	Available for sale	Total
Group - 2012						
Trade and other receivables	16,256,097	-	868,176	-	-	17,124,273
Cash and cash equivalents	98,322,319	-	-	-	-	98,322,319
	114,578,416	**-**	**868,176**	**-**	**-**	**115,446,592**
Group - 2011						
Trade and other receivables	17,031,246	-	839,001	-	-	17,870,247
Cash and cash equivalents	82,066,745	-	-	-	-	82,066,745
	99,097,991	**-**	**839,001**	**-**	**-**	**99,936,992**
Company - 2012						
Loans to group companies	12,173,241	-	-	-	-	12,173,241
Trade and other receivables	424,475	-	14,780	-	-	439,255
Cash and cash equivalents	24,152,365	-	-	-	-	24,152,365
	36,750,081	**-**	**14,780**	**-**	**-**	**36,764,861**
Company - 2011						
Loans to group companies	12,992,740	-	-	-	-	12,992,740
Trade and other receivables	412,065	-	-	-	-	412,065
Cash and cash equivalents	22,783,871	-	-	-	-	22,783,871
	36,188,676	**-**	**-**	**-**	**-**	**36,188,676**

5. Deferred tax asset (liability)

Reconciliation of deferred tax asset (liability)

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
At beginning of the year		(744,784)	658,279	-	-
Property, plant and equipment		(7,163)	82,186	-	-
Intangible assets		(255,000)	(369,345)	-	-
Provisions		1,103,235	(1,179,715)	-	-
Revenue accrual		(17,162)	65,184	-	-
Prepaid expenses		(7,389)	(60,768)	-	-
Tax losses available for set off against future taxable income		46,677	59,395	-	-
		118,414	**(744,784)**	**-**	**-**
Property, plant and equipment		(29,921)	68,700	-	-
Intangible assets		(1,717,377)	(1,385,495)	-	-
Provisions		1,565,565	462,329	-	-
Revenue accrual		92,857	110,019	-	-
Prepaid expenses		(14,000)	(83,492)	-	-
Tax losses available for set off against future taxable income		221,290	83,155	-	-
		118,414	**(744,784)**	**-**	**-**

6. Inventories

Finished goods	1,060,653	2,026,801	-	-
	1,060,653	2,026,801	-	-
Provision for obsolete stock	(503,360)	(253,360)	-	-
	557,293	**1,773,441**	**-**	**-**

Inventory amounting to R250,881 (2011: R506,720) is carried at net realisable value.

Notes to the Financial Statements

7. Trade and other receivables

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Trade receivables		15,954,936	16,718,736	424,475	412,065
VAT		-	-	14,780	-
Other receivables		301,162	312,510	-	-
Prepayments		868,175	839,001	-	-
		17,124,273	**17,870,247**	**439,255**	**412,065**

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 2012 amounted to R15 954 936 (2011 - R16 718 736).

Included in the Company's trade receivables balance are debtors with a carrying amount of R67 412 (2011 - R365 586), 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 three local cellular service providers and one large fixed local telecoms provider there is a concentration of credit exposure.

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

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

8. Cash and cash equivalents

Cash and cash equivalents consist of:				
Cash on hand	13,225	10,744	-	-
Bank balances	98,309,094	82,056,001	24,152,365	22,783,871
	98,322,319	**82,066,745**	**24,152,365**	**22,783,871**

9. Share capital

Authorised				
250 000 000 ordinary shares of R0,001 each	250,000	250,000	250,000	250,000
Issued				
136 002 041 (2011: 136 002 041) shares of R0.001 each	136,002	136,002	136,002	136,002
Share premium	36,373,027	36,373,027	36,373,027	36,373,027
	36,509,029	**36,509,029**	**36,509,029**	**36,509,029**

The 113 997 959 (2011 - 113 997 959) unissued shares are under the control of the Directors, subject to Section 36 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 2011. The authority is valid until the forthcoming Annual General Meeting.

10. Share Premium

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Premium on shares of FoneWorx Holdings Limited		36,373,027	36,373,027	36,373,027	36,373,027

11. Interest bearing liabilities

Minimum instalment payments due				
- within one year	1,793,794	2,391,096	-	-
- in second to fifth year inclusive	6,082,962	7,988,506	-	-
- later than five years	366,471	1,898,665	-	-
	8,243,227	12,278,267	-	-
less: future finance charges	(142,467)	(2,397,470)	-	-
Present value of minimum instalment payments	**8,100,760**	**9,880,797**	**-**	**-**
Present value of minimum instalment payments due				
- within one year	1,704,349	1,691,658	-	-
- in second to fifth year inclusive	6,029,940	6,333,142	-	-
- later than five years	366,471	1,855,997	-	-
	8,100,760	**9,880,797**	**-**	**-**
Non-current liabilities	6,396,411	8,189,139	-	-
Current liabilities	1,704,349	1,691,658	-	-
	8,100,760	**9,880,797**	**-**	**-**

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 R 62 430 (2011: R71 209) inclusive of interest. The Group's obligations under instalment sale agreements are secured by certain equipment and motor vehicles with a carrying amount of R1 317 052 (2011 : R2 134 354).

Included in the interest bearing liabilities is the long-term loan which is secured by a bond registered over ERF 1636, Ferndale. The bond is repayable over 10 years at an interest rate of prime minus 1% and repayable in monthly instalments of R131 717 (2011: R131 717). The carrying amount of property as reflected in the accounting records of the subsidiary is R9 681 430 (2011: R 9 677 205)

12. Provisions

Reconciliation of provisions - Group - 2012

	Opening balance	Additions	Utilised during the year	Total
Leave pay	1,051,175	7,822	(198,714)	860,283
Performance bonus	600,000	4,775,000	(643,980)	4,731,020
	1,651,175	**4,782,822**	**(842,694)**	**5,591,303**

Reconciliation of provisions - Group - 2011				
Leave pay	922,293	159,050	(30,168)	1,051,175
Performance bonus	4,615,511	467,422	(4,482,933)	600,000
	5,537,804	**626,472**	**(4,513,101)**	**1,651,175**

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

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

Notes to the Financial Statements

13. Trade and other payables

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Trade payables		8,642,051	10,038,936	-	-
Amounts received in advance		2,918,528	2,563,936	-	-
VAT		370,261	573,249	-	27,968
Third party prize money		1,333,379	2,770,874	-	-
Accruals		1,537,324	2,064,720	183,953	117,953
		14,801,543	**18,011,715**	**183,953**	**145,921**

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.

14. Financial liabilities by category

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

	Financial liabilities at amortised cost	Non financial instruments	Total
Group - 2012			
Interest bearing liabilities	8,100,760	-	8,100,760
Trade and other payables	11,512,754	3,288,789	14,801,543
Unclaimed dividends	46,950	-	46,950
	19,660,464	**3,288,789**	**22,949,253**
Group - 2011			
Interest bearing liabilities	9,880,797	-	9,880,797
Trade and other payables	14,874,530	3,137,185	18,011,715
Unclaimed dividends	27,688	-	27,688
	24,783,015	**3,137,185**	**27,920,200**

	Financial liabilities at amortised cost	Non financial instruments	Total
Company - 2012			
Loan from group company	134,647	–	134,647
Trade and other payables	183,953	–	183,953
Unclaimed dividends	46,950	–	469,950
	365,550	**–**	**365,550**
Company - 2011			
Loan from group company	134,747	-	134,747
Trade and other payables	117,953	–	117,953
Unclaimed dividends	27,688	–	27,688
	280,388	**–**	**280,388**

15. Revenue

Figures in Rand	Note(s)	Group 2012	Group 2011	Company 2012	Company 2011
Rendering of services		98,617,135	91,579,433	-	-

16. Operating lease charges

Operating profit (loss) for the year is stated after accounting for the following:

	Group 2012	Group 2011	Company 2012	Company 2011
Operating lease charges				
Premises				
• Contractual amounts	94,641	2,400	-	-
Equipment				
• Contractual amounts	25,208	66,584	-	-
	119,849	**68,984**	**-**	**-**

The lease agreements do not include any reversal of purchase option clauses.

	Group 2012	Group 2011	Company 2012	Company 2011
(Profit)/Loss on sale of fixed assets	(36,596)	55,024	-	-
Depreciation and amortisation	4,294,175	4,257,426	-	-
Employee costs	20,678,869	16,627,986	-	-
Amount expensed in respect of defined contribution plan	164,834	177,634	-	-
Insurance	487,876	508,254	-	-
Directors Emoluments	4,965,106	7,643,250	-	-
Fees relating to listing on JSE	285,565	262,312	-	-
Legal Fees	62,855	76,121	-	-
Telecommunication charges	4,769,330	4,392,206	-	-

17. Auditors' remuneration

	Group 2012	Group 2011	Company 2012	Company 2011
Fees	502,338	428,340	132,400	109,824

18. Directors' emoluments

	Emoluments	Travel Allowance	Provident Fund	Leave Pay	Total 2012	Total 2011
R Graver	1,119,434	-	59,316	-	1,178,750	1,733,750
G Groenewaldt	1,104,200	-	-	-	1,104,200	-
R Russell - Resigned	663,740	40,000	28,800	83,756	816,296	1,478,700
M A Smith	1,805,660	-	36,000	-	1,841,660	2,802,800
P A Scholtz^	1,128,400	-	-	-	1,128,400	1,628,800
D Zwarts - Resigned	554,000	-	-	7,351	561,351	-
AG Mancha*	-	-	-	-	-	-
G Mooney*	-	-	-	-	-	-
	6,375,434	**40,000**	**124,116**	**91,107**	**6,630,657**	**7,644,050**

* Independent Non-Executive Directors
^ Prescribed Officer

The salaries are an expense of FoneWorx (Pty) Ltd.

19. Retirement benefits

Company contributions charged to the Statement of Comprehensive Income are R164 834 (2011 - R177 634).

Retirement benefits are provided for employees via pension or provident fund contributions. The pension and provident fund is governed by the Pension Funds Act 1956 (Act no. 24 of 1956). The fund is in the nature of a defined contribution plan where the retirement benefits are determined with reference to the employer's and employees' contribution to the fund. Membership of the fund is voluntary and the fund had seven members at the reporting date (2011: seven members).

20. Investment income

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Dividend revenue					
Subsidiaries - Local		-	-	7,480,112	6,120,092
Interest received					
Bank		4,595,715	4,229,316	1,319,834	1,373,164
		4,595,715	**4,229,316**	**8,799,946**	**7,493,256**

21. Finance costs

Bank	745,668	872,647	-	-
SARS	18,107	41,256	-	-
	763,775	**913,903**	**-**	**-**

22. Taxation

Major components of the tax expense

Current				
Local income tax - current period	10,084,926	6,265,132	320,274	733,193
STC	748,011	612,009	-	-
	10,832,937	**6,877,141**	**320,274**	**733,193**
Deferred				
Originating and reversing temporary differences	(863,198)	1,403,064	-	-
	9,969,739	**8,280,205**	**320,274**	**733,193**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	32,431,341	27,804,423	8,370,612	8,774,089
Tax at the applicable tax rate of 28% (2011: 28%)	9,080,775	7,785,238	2,343,771	2,456,745
Tax effect of adjustments on taxable income				
Impairment of intercompany loans	-	-	(106,122)	(26,001)
Capital gains	-	59,032	-	59,032
Permanent differences	187,640	(116,679)	(1,917,375)	(1,756,583)
Tax losses available for set off against future taxable income	(46,677)	(59,395)	-	-
STC	748,001	612,009	-	-
	9,969,739	**8,280,205**	**320,274**	**733,193**

Gross estimated tax losses of certain subsidiaries at 30 June 2012, available for offset against future taxable income amounted to R1,4 million (2011 - R 1,4 million). A deferred tax asset has not been raised in respect of these losses due to the uncertainty around those subsidiaries' ability to generate future taxable profits against which the deferred tax asset may be utilised. Had a deferred tax asset been raised it would have amounted to R396 000 (2011 - R396 000).

23. Cash generated from (used in) operations

		Group		Company	
Figures in Rand	**Note(s)**	**2012**	**2011**	**2012**	**2011**
Profit before taxation		32,431,341	27,804,423	8,370,612	8,774,089
Adjustments for:					
Depreciation and amortisation		4,252,935	4,217,151	-	-
(Profit) loss on sale of assets		(36,596)	55,022	-	-
Dividends received		-	-	(7,480,112)	(6,120,092)
Interest received		(4,595,715)	(4,229,316)	(1,319,834)	(1,373,164)
Finance costs		763,775	913,903	-	-
Movements in provisions		3,940,128	(3,886,629)	-	-
Reversal of intercompany loan impairments		-	-	(106,122)	(92,862)
Changes in working capital:					
Inventories		1,216,148	(989,326)	-	-
Trade and other receivables		745,975	(2,295,779)	(27,190)	(330,273)
Trade and other payables		(3,210,173)	3,060,469	38,033	10,794
		35,507,818	**24,649,918**	**(524,613)**	**868,492**

24. Tax paid

Balance at beginning of the year	890,374	183,730	(180,531)	(117,340)
Current tax for the year recognised in profit or loss	(10,832,937)	(6,877,141)	(320,274)	(733,193)
Balance at end of the year	(136,417)	(890,374)	129,296	180,531
	(10,078,980)	**(7,583,785)**	**(371,509)**	**(670,002)**

25. Dividends paid

Balance at beginning of the year	(27,688)	(13,675)	(27,688)	(13,675)
Dividends	(7,480,112)	(6,120,092)	(7,480,112)	(6,120,092)
Balance at end of the year	46,950	27,688	46,950	27,688
	(7,460,850)	**(6,106,079)**	**(7,460,850)**	**(6,106,079)**

26. Borrowing powers

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

27. Related parties

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

Related-party relationships where control exists are:

Related party	**Nature of relationship**
Companies	
FoneWorx (Proprietary) Ltd	Subsidiary
Four Rivers Trading 123 (Proprietary) Ltd	Subsidiary
Interconnective Solutions Management Services (Proprietary) Ltd	Subsidiary
Retail Card Club (Proprietary) Ltd	Subsidiary
SurveyOnLine (Proprietary) Ltd	Subsidiary
Valutronics (Proprietary) Ltd	Subsidiary
CarbonWorx (Proprietary) Ltd	Subsidiary
VM Advertising (Proprietary) Ltd	Subsidiary
FoneWorx Kenya Limited	Subsidiary
FoneWorx Global Communications Limited	Subsidiary
FoneWorx Zambia Limited	Subsidiary
FoneWorx Namibia (Proprietary) Ltd	Subsidiary
Afrifocus Securities (Proprietary) Ltd	Company in which AG Mancha has an interest

Directors of FoneWorx Holdings Limited
Mark Allan Smith
Pieter Albertus Scholtz
Ronald Graver
Robert Russell (resigned)
Ashvin Mancha
Gaurang Mooney

Related party balances and transactions

Directors

Directors' emoluments are set out in note18.
There are no other key management personnel.

Investments and loans

Related party investments and loans of the holding Company are reflected in note 32.

Dividends

Dividends were received from FoneWorx (Pty) Ltd amounting to R7 480 112 (2011: R6 120 091).

Revenue and debtors

Transactional revenue received from Afrifocus Securities (Pty) Ltd amounting to R487 030 (2011: R555 823). Trade receivables balances at year end R Nil (2011: R 411 854)

28. Earnings per share

	Company	
Figures in Rand	**2012**	**2011**
The calculation of earnings per share is based on profits of R22 461 602 attributable to equity holders of the parent (2011: R19 524 218) and a weighted average of 136 002 041 (2011: 135 202 041) ordinary shares in issue during the year	16.50 cents	14.44 cents
The calculation of headline earnings per share is based on profits of R22 461 602 attributable to equity holders of the parent adjusted to R22 435 253 (2011: R 19 524 218 adjusted to R 19 563 835) and a weighted average of 136 002 041 (2011:135 202 041) ordinary shares in issue during the year	16.50 cents	14.47 cents
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders of parent	22,461,602	19,524,218
(Profit)/loss on disposal of property, plant and equipment:	(36,596)	55,024
Tax effect of the disposal of property, plant and equipment	10,247	(15,407)
Headline earnings	22,435,253	19,563,835
The calculation of diluted earnings per share is based on profits of R 22 461 602 (2011: R 19 524 218) and a weighted average of 136 002 041 (2011: 135 202 041) ordinary shares issued during the year	16.52 cents	14.44 cents
Reconciliation between earnings and diluted earnings per share:		
Weighted average number of shares used in the calculation of earnings per share	136,002,041	135,202,041

29. Dividends per share

The calculation of dividends per share is based on dividends of R7 480 112 attributable to equityholders of the parent (2011: R6 120 092) and a weighted average of 136 002 041 (2011: 135 202 041) ordinary shares in issue during the year	5.50	4.53

30. Risk management

Capital risk management

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

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

Currently the Group's cash and cash equivalents of R98.3 million (2011: R82.1 million) exceeds its interest bearing debt of R8.1 million (2011: R9.9 million) as set out in note 12 by 12.14 times (2011: 8.29 times).

30. Risk management (continued)

Significant accounting policies

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

Fair values

Figures in Rand	2012 Fair value	2012 Carrying amount	2011 Fair value	2011 Carrying amount
Group				
Trade and other receivables	16,256	16,256	17,031	17,031
Cash and cash equivalents	98,322	98,322	82,067	82,067
Trade and other payables	11,513	11,513	14,875	14,875
Unclaimed dividends	47	47	28	28
Interest bearing liabilities	8,101	8,101	9,881	9,881
Company				
Trade and other receivables	424	424	412	412
Loans to/from group companies	12,039	12,039	12,858	12,858
Cash and cash equivalents	24,152	24,152	22,784	22,784
Trade and other payables	184	184	118	118
Unclaimed dividends	47	47	28	28

The fair value of trade and other receivables, as well as trade and other payables, is estimated as the present value of future cashflows, discounted at the effective interest rate at the reporting date. The fair value of the interest bearing liabilities approximates the carrying value, the carrying value is calculated as the present value of the future cash flows discounted at a market related rate.

Concentration of risk

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

Foreign currency risk

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

Interest rate risk

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

The Group's exposure to interest rates on financial assets are R98.3 million (2011: R82.1 million) and financial liabilities are R8.1 million (2011: R9.9 million).

Interest rate sensitivity analysis

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

If interest rates have been 100 basis points higher and all other variables were held constant, the Group's profit for the year under review would have increased by R719 254 (2011: R697 567).

If interest rates had been 100 basis points lower and all other variables were held constant, the Group's profit for the year under review would decrease by R719 254 (2011: R697 567).

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

Credit risk

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

The total loans to Group companies amounts to R12,173,241 (2011: 12,992,740). These amounts are intercompany and the Directors believe these will be recoverable.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Group - 2012	Group - 2011	Company - 2012	Company - 2011
Loans to group companies	-	-	12,173,241	12,992,740
Trade and other receivables	16,256,097	17,031,246	424,475	412,065
Cash and cash equivalents	98,322,319	82,066,745	24,152,365	22,783,871

Liquidity risk

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

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

	Carrying amount	Contractual payments	Less than 1 year	Between 2 and 5 years	Over 5 years
Group at 30 June 2012					
Interest bearing liabilities	8,100,760	8,243,227	1,793,820	4,587,668	1,861,739
Unclaimed dividends	46,950	46,950	46,950	-	-
Trade and other payables	11,512,753	11,512,753	11,512,753	-	-
Group at 30 June 2011					
Interest bearing liabilities	9,880,797	12,278,267	2,391,086	7,988,506	1,898,665
Unclaimed dividends	27,688	27,688	27,688	-	-
Trade and other payables	14,874,530	14,874,530	14,874,530	-	-
Company at 30 June 2012					
Loans from group companies	134,647	134,647	134,647	-	-
Unclaimed dividends	46,950	46,950	46,950	-	-
Trade and other payables	183,953	183,953	183,953	-	-
Company at 30 June 2011					
Loans from group companies	134,747	134,747	134,747	-	-
Unclaimed dividends	27,688	27,688	27,688	-	-
Trade and other payables	117,953	117,953	117,953	-	-

31. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers ("the CODM") have been identified as the executive committee members who make strategic decisions.

The CODM have organised the operations of the Company based on its brands and this has resulted in the creation of the following segments:

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

The accounting policies of the operating segments are the same as those described in the basis of preparation. MediaWorx provides services within South Africa as well as in 36 African countries ("Africa sales"). Within the period under review 7.2% (2011: 4.8%) of MediaWorx revenue can be attributed to Africa sales. The Company allocates revenue to each country based on the domicile of the related customer. All of the Company's assets are located in South Africa. MediaWorx currently generates 24.5% and 16.4% (2011: 32.1% and 21.2%) of its revenue through two customers respectively. BizWorx generated 96.% (2011: 95.5%) through one single customer.

The reconciliation of gross profit to profit before taxation is provided in the Statement of Comprehensive Income. The CODM reviews these income and expense items on a Group basis and not per individual segment.

All assets and liabilities are reviewed on a Group basis by the CODM. Capital expenditure would be reviewed on a Group basis as well.

	Company	
Figures in Rand	**2012**	**2011**
Revenue		
BizWorx	62,764,706	64,369,424
MediaWorx	34,465,663	24,626,667
Development	1,386,766	2,583,342
	98,617,135	91,579,433
Cost of sale		
BizWorx	(16,422,082)	(20,259,924)
MediaWorx	(17,644,980)	(14,368,085)
Development	(959,112)	(1,426,669)
	(35,026,174)	(36,054,678)
Gross Profit		
BizWorx	46,342,624	44,109,500
MediaWorx	16,820,683	10,258,582
Development	427,654	1,156,673
	63,590,961	55,524,755

32. Subsidiaries

	Issued shared capital	Group effective interest	Cost of investment	Indebtedness by subsidiary	Provision for doubtful loans
2012					
The holding Company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	8,543,558	-
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2,310,100	306,158	-
Interconnective Solutions Management Services (Proprietary) Limited	100	100%	100	(134,647)	-
Retail Card Club (Proprietary) Limited*	100	100%	100	617,364	(617,364)
SurveyOnLine (Proprietary) Limited*	100	100%	100	1,226,439	(1,226,439)
Valutronics (Proprietary) Limited*	100	100%	100	101,924	(101,924)
CarbonWorx (Proprietary) Limited	100	100%	100	1,159,075	-
VM Advertising (Proprietary) Limited*	100	100%	100	823,984	(823,984)
FoneWorx Kenya Limited	5,000,000	60%	100	688,804	-
FoneWorx Global Communications Limited (Nigeria)	10,000,000	70%	100	1,412,215	-
FoneWorx Zambia Limited	5,000,000	60%	100	59,108	-
FoneWorx Namibia (Proprietary) Limited	100	100%	100	4,723	-
			2,311,200	**14,808,705**	**(2,769,711)**
2011					
The holding Company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	10,992,506	-
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2,310,100	250,187	-
Interconnective Solutions Management Services (Proprietary) Limited*	100	100%	100	(134,747)	-
Retail Card Club (Proprietary) Limited*	100	100%	100	616,265	(616,265)
SurveyOnLine (Proprietary) Limited*	100	100%	100	1,334,111	(1,334,111)
Valutronics (Proprietary) Limited*	100	100%	100	101,474	(101,474)
CarbonWorx (Proprietary) Limited	100	100%	100	433,331	-
VM Advertising (Proprietary) Limited*	100	100%	100	823,954	(823,984)
FoneWorx Kenya Limited	5,000,000	60%	100	292,121	-
FoneWorx Global Communications Limited	10,000,000	70%	100	983,885	-
FoneWorx Zambia Limited	5,000,000	60%	100	38,815	-
FoneWorx Namibia (Proprietary) Limited	100	100%	100	1,925	-
			2,311,200	**15,733,827**	**(2,875,834)**

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

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

* The loans to these companies have been subordinated and the impairment was calculated based on the value of the deficit in the Company. All exposure based on the guarantee given has therefore been provided for.

The reversal of impairment recognised in the current period relating to the provision against the loan amounts to R106 122 (2011: R92 862 expense).

32 Subsidiaries (continued)

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

Figures in Rand	Profit before tax	Tax	Profit for the year after tax
2012			
FoneWorx (Proprietary) Limited	31,375,449	9,308,639	22,066,810
Four Rivers Trading 123 (Proprietary) Limited	1,342,700	387,503	955,197
Interconnective Solutions Management Services (Proprietary) Limited	(791)	-	(791)
Retail Card Club (Proprietary) Limited	(175)	-	(175)
SurveyOnLine (Proprietary) Limited	95,622	-	95,622
Valutronics (Proprietary) Limited	(1,153)	-	(1,153)
CarbonWorx (Proprietary) Limited	(166,703)	(46,677)	(120,026)
FoneWorx Kenya Limited	(347,483)	-	(347,483)
FoneWorx Global Communications Limited	(627,031)	-	(627,031)
FoneWorx Zambia Limited	(21,168)	-	(21,168)
FoneWorx Nambia (Proprietary) Limited	(2,302)	-	(2,302)
	31,646,965	**9,649,465**	**21,997,500**
2011			
FoneWorx (Proprietary) Limited	24,833,813	7,244,401	17,589,412
Four Rivers Trading 123 (Proprietary) Limited	1,252,677	362,006	890,671
Interconnective Solutions Management Services (Proprietary) Limited	(27,233)	-	(27,233)
Retail Card Club (Proprietary) Limited	(600)	-	(600)
SurveyOnLine (Proprietary) Limited	(1,660)	-	(1,660)
Valutronics (Proprietary) Limited	(1,630)	-	(1,630)
CarbonWorx (Proprietary) Limited	(212,125)	(59,395)	(152,730)
FoneWorx Kenya Limited	(249,094)	-	(249,094)
FoneWorx Global Communications Limited (Nigeria)	(240,010)	-	(240,010)
FoneWorx Zambia Limited	-	-	-
FoneWorx Namibia (Proprietary) Limited	(1,744)	-	(1,744)
	25,352,394	**7,547,012**	**17,805,382**

33. 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) Ltd.

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

- Virtual Payment Solutions (Pty) Ltd - R50 000 (2011: R50 000).

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

Notice of Annual General Meeting

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

Notice is hereby given that the 14th Annual General Meeting ("Annual General Meeting") of shareholders of FoneWorx will be held at 10:00 on Thursday, 29 November 2012 at FoneWorx House, Corner Bram Fischer Drive and Will Scarlet Road, Ferndale Randburg (entrance on Will Scarlet Road), Ferndale, Randburg, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The board of directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), as amended, the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 23 November. Accordingly, the last day to trade FoneWorx shares in order to be recorded in the Register to be entitled to vote will be Friday, 16 November 2012.

1. To receive, consider and adopt the annual financial statements of the Company and the Group for the financial year ended 30 June 2012, including the reports of the auditors, directors and the Audit and Risk Committee.

2. To re-elect, Ronald Graver who, in terms of Article 65 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

   Ronald Graver

   Ronald was the music procurement and marketing manager for 320 CNA retail stores from 1980 until 1990. He then held the position of marketing director of RPM, a division of CNA Gallo from 1989 to 1990. In 1990 he was appointed the managing director of Parrot Publishing Proprietary Limited, a joint venture between Nasionale Pers Limited and the Argus Group. Ronald then left Parrot to form his own Company, International Appeal Proprietary Limited, which operated within the premium rate industry. In 1994 Ronald joined Shield as marketing manager and in 1997 he resigned from Shield to start FoneWorx.

3. To re-elect, Pieter Albertus Scholtz who, in terms of Article 65 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

   Pieter Albertus Scholtz CA(SA) (B.com Accounting, B.Com Honours, CTA & CIMA)

   Pieter qualified as a Chartered Accountant (SA) in 2001 and passed the Chartered Institute of Management Accountants (CIMA) final examination in 2002. He served his articles at the Johannesburg office of the Auditor-General where he stayed on until May 2005. During this period he was the appointed Training Officer for all the SAICA trainees within the Johannesburg Office, specialising in Performance Auditing and was the Senior Manager in charge of numerous high profile government audits within the Gauteng Province.

   In June 2005 Pieter joined the Commission of Gender Equality as the Chief Financial Officer (CFO). In December 2006 Pieter was offered the position of Group Finance Manager for Blue IQ Holdings Proprietary Limited, a government held entity focusing on infrastructure development throughout the Gauteng province. In February 2008 he was appointed as the Financial Director of FoneWorx.

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

   Ashvin Govan Mancha (B.Proc)

   Ashvin obtained a B. Proc from the University of Witwatersrand in 1981, and thereafter a Diploma in Financial Management. He completed articles at Soller, Winer and Partners, and was admitted as an Attorney in 1982. His primary responsibilities and experience were in the banking sector. In 1985 he entered the family business which ran property and retail businesses which gave him direct exposure to the stockbroking community in South Africa.

He then joined Ed, Hern Rudolph Inc. as a stockbroker on completion of his stockbroking exams and was the first qualified black practicing stockbroker during the apartheid era of South Africa. He was invited to join the board of directors, and remained a director after the firm was sold to BOE Natwest in 1995. During the period up to his departure in December 1999, he built up one of the largest private client stockbroking businesses in South Africa. In June 2000 he started the stockbroking firm of Afrifocus Securities with a staff of 3 which has grown to a staff of 46 based at 4 offices being Sandton, Cape Town, Centurion and Durban.

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

Gaurang Mooney (BA Economics and Finance)

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

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

The minimum percentage of voting rights required for each of the resolutions set out in item numbers 1 to 6 above to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the Annual General Meeting.

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

7. ORDINARY RESOLUTION NUMBER 1

Approval of remuneration policy

"**Resolved that** the remuneration policy of the directors of FoneWorx Holdings Limited ("the Company"), as set out on page 23 of the annual report to which this notice is attached to, be and is hereby approved as a non-binding advisory vote of shareholders of the Company in terms of the King III Report on Corporate Governance."

Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

8. ORDINARY RESOLUTION NUMBER 2

Control of authorised but unissued ordinary shares

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

Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

9. ORDINARY RESOLUTION NUMBER 3

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

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

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or

- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

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

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

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

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

10. 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 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE"), as amended from time to time.

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

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five)

business days immediately preceding the date on which the transaction is effected;

- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf.
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- the Company may only effect the repurchase once a resolution has been passed by the board of directors of the Company ("the Board") confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanatory note

The purpose 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.

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

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

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

- directors and management – page 2 and 24;
- major shareholders of the Company – page 25;
- directors' interests in securities – page 25;
- share capital of the Company – page 24; and
- litigation statement – page 27.

10.2 Material change

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

10.3 Directors' responsibility statement

The directors, whose names are given on page 2 and 24 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 1 that have been omitted which would make any statement in relation to special resolution number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 1 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 1.

10.4 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 ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

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

11. SPECIAL RESOLUTION NUMBER 2

Financial assistance for subscription of securities

"**Resolved that**, as a special resolution, in terms of section 44 of the Companies Act, 2008 (Act 71 of 2008) ("Companies Act"), the shareholders of FoneWorx Holdings Limited ("the Company") hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 2, financial assistance by way of a loan, guarantee, the provision of security or otherwise, as contemplated in section 44 of the Companies Act, to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related Company, or for the purchase of any securities of the Company or a related or inter-related Company, provided that –

(a) the board of directors of the Company ("the Board"), from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and

(b) the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 2 unless the Board meets all those requirements of section 44 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

Explanatory note

The purpose of this special resolution number 2 is to grant the Board the authority to authorise the Company to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any option or securities issued or to be issued by the Company or a related or inter-related Company.

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

12. SPECIAL RESOLUTION NUMBER 3

Loans or other financial assistance to directors

"**Resolved that**, as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) ("Companies Act"), the shareholders of FoneWorx Holdings Limited ("the Company") hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a director or prescribed officer of the Company, or to a related or inter-related Company or corporation or to a member of any such related or inter-related corporation or to a person related to any such Company, corporation, director, prescribed officer or member provided that –

(a) the board of directors of the Company ("the Board"), from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided, and

(b) the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

Explanatory note

The purpose of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a director or prescribed officer of the Company, or to a related or inter-related Company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such Company, corporation, director, prescribed officer or member.

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 3:

(a) By the time that this notice of Annual General Meeting is delivered to shareholders of the Company, the Board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a director or prescribed officer of the Company or of a related or inter-related Company, or to a related or inter-related Company or corporation, or to a member of any such related or inter-related corporation, or to a person related to any such Company, corporation, director, prescribed officer or a member;

(b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and

(c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

13. SPECIAL RESOLUTION NUMBER 4

Substitution of the existing Memorandum of Incorporation of the Company

"**Resolved,** as a special resolution that the existing Memorandum of Incorporation of the Company be and is hereby substituted with a new Memorandum of Incorporation, the salient features of which are set out in the annexure to this notice of Annual General Meeting, in accordance with the provisions of section 16(1)(c) of the Companies Act, 2008 (Act 71 of 2008), as amended, ("the Companies Act") and in compliance with Schedule 10 of the JSE Listings Requirements, with effect from the date of approval of this special resolution number 4."

The board of directors of FoneWorx Holdings has passed a resolution proposing that this special resolution number 4 is adopted for the purpose of ensuring that the Company's Memorandum of Incorporation is in line with the Companies Act and in compliance with Schedule 10 of the JSE Listings Requirements.

The Company's Memorandum of Incorporation, or a copy thereof, will be available for inspection at the the Company's registered office which address is set out on page 4 of the annual report, during normal business hours from the date of issue of this notice of Annual General Meeting up to and including the date of the Annual General Meeting or any adjournment thereof.

Explanatory note

The purpose of this special resolution number 4 is for the Company to comply with the Companies Act and the JSE Listings Requirements, which require a listed Company to amend its entire Memorandum of Incorporation to bring it in harmony with the provisions of the Companies Act and Schedule 10 of the JSE Listings Requirements within two years from 1 May 2011.

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

14. **ORDINARY RESOLUTION NUMBER 4**

Signature of documents

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

Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

15. **Other business**

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

Voting and proxies

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

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

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

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

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

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

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

By order of the Board

Pieter Albertus Scholtz

Company Secretary

28 September 2012

Johannesburg

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

Salient features of Memorandum of Incorporation

For the purpose of this annexure, "Act" refers to the Companies Act, 2008 (Act 71 of 2008), as amended, consolidated or re-enacted from time to time, and includes all schedules to such Act and the Regulations.

A reference to a section by number refers to the corresponding section of the Act, notwithstanding the renumbering of such section after the date on which the Company is incorporated.

A reference to a clause by number refers to a corresponding provision of the Memorandum of Incorporation.

In any instance where there is a conflict between a provision (be it expressed, implied or tacit) of the Memorandum of Incorporation and –

- a provision of any Shareholders Agreement, the provision of the Memorandum of Incorporation shall prevail to the extent of the conflict;
- an alterable or elective provision of the Act, the provision of the Memorandum of Incorporation shall prevail to the extent of the conflict; and
- an unalterable or non-elective provision of the Act, the unalterable or non-elective provision of the Act shall prevail to the extent of the conflict unless the Memorandum of Incorporation imposes on the Company a higher standard, greater restriction, longer period of time or similarly more onerous requirement, in which event the relevant provision of the Memorandum of Incorporation shall prevail to the extent of the conflict.

2. AMENDMENT OF MEMORANDUM OF INCORPORATION

2.1 Subject to the provisions of clause 8.6, and in accordance with section 16(2), this Memorandum of Incorporation may only be altered or amended by way of a special resolution of the ordinary Shareholders in accordance with clause 2.2 below, except if such amendment is in compliance with a Court order as contemplated in section 16(1)(a).

6 COMPANY RULES

The Board is prohibited from making, amending or repealing any rules as contemplated in section 15(3) and the Board's capacity to make such rules is hereby excluded.

8 ISSUE OF SHARES AND VARIATION OF RIGHTS

8.1 The Company is authorised to issue 250 000 000 (two hundred and fifty million) ordinary par value shares of R0.001 each, of the same class, each of which ranks *pari passu* in respect of all rights and entitles the holder to –

8.1.1 vote, whether in person or by proxy, on any matter to be decided by the Shareholders of the Company;

8.1.2 participate proportionally in any distribution made by the Company; and

8.1.3 receive proportionally the net assets of the Company upon its liquidation.

8.2 The Board may resolve to issue further Shares of the Company at any time, but only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation.

8.3 The number of authorised Shares as set out in clause 8.1 may only be increased, as contemplated in clause 8.4.1 below, following the conversion of such ordinary par value Shares to ordinary no par value Shares by way of special resolution of the Shareholders.

8.4 The Board shall not have the power to –

8.4.1 increase or decrease the number of authorised Shares of any class of the Company's Shares; or

8.4.2 consolidate and reduce the number of the Company's issued and authorised Shares of any class; or

8.4.3 subdivide its Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital; or

8.4.4 reclassify any classified Shares that have been authorised but not issued; or

8.4.5 determine the preferences, rights, limitations or other terms of any Shares, or

8.4.6 convert one class of Shares into one or more other classes of Shares; or

8.4.7 create any class of Shares,

and such powers shall only be capable of being exercised by the Shareholders by way of a special resolution of the Shareholders.

8.5 Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share as contemplated in clause 22.2.

8.6 The authorisation and classification of Shares, the numbers of authorised Shares of each class, and the preferences, rights, limitations and other terms associated with each class of Shares as set out in this Memorandum of Incorporation may be changed only by an amendment of this Memorandum of Incorporation by special resolution of the Shareholders and in accordance with the JSE Listings Requirements, and such amendments shall not be implemented without a special resolution adopted by the holders of Shares of that class at a separate meeting.

8.7 No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7).

8.8 No further securities ranking in priority to, or *pari passu* with an existing class of Shares, shall be created without a special resolution being passed at a separate general meeting of Shareholders.

8.9 The Company may only issue Shares which are fully paid up and freely transferable and only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation.

8.10 All issues of Shares for cash, as defined in the JSE Listings Requirements, and including the grant of options and/or issue of convertible securities, must, to the extent applicable, be effected in compliance with the JSE Listings Requirements.

8.12 Subject to what may be authorised by the Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 8.15, and subject to clause 8.14, the Board may only issue unissued Shares if such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such Shares are issued for the acquisition of assets by the Company.

8.14 Notwithstanding the provisions of clauses 8.3, 8.4, 8.12 and 8.15, any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, in accordance with the provisions of section 41(3), require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.

8.15 Notwithstanding the provisions of clause 8.12, the Shareholders may at a general meeting authorise the Directors to issue Shares of the Company at any time and/or grant options to subscribe for Shares as the Directors in their discretion think fit, provided that such transaction(s) comply with the JSE Listings Requirements.

11. TRANSFER OF SECURITIES

11.4 All authorities to sign transfer deeds or other instruments of transfer granted by holders of Securities for the purpose of transferring Certificated Securities which may be lodged, produced or exhibited with or to the Company at its registered office shall, as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at such of the Company's offices at which the authority was first lodged, produced or exhibited. Even after the giving and lodging of such notice, the Company shall be entitled to give effect to any instruments signed under the authority to sign and certified by any officer of the Company as being in order before the giving and lodging of such notice.

12. NO LIEN

Securities shall not be subject to any lien in favour of the Company and shall be freely transferable by the holder thereof.

13. TRANSMISSION OF SECURITIES

13.1 The executor of the estate of a deceased sole holder of a Security shall be the only person recognised by the Company as having any title to such Security.

14. DEBT INSTRUMENTS

The Board may authorise the Company to issue secured or unsecured debt instruments as set out in section 43(2), but no special privileges associated with any such debt instruments as contemplated in section 43(3) may be granted, and the authority of the Board in such regard is limited by this Memorandum of Incorporation.

15. CAPITALISATION SHARES AND SCRIP DIVIDENDS

15.1 The Board shall have the power and authority, as in terms of section 47, and subject to necessary compliance with the JSE Listings Requirements, to –

15.1.1 approve the issuing of any authorised Shares as capitalisation Shares; or

15.1.2 to issue Shares of one class as capitalisation Shares in respect of Shares of another class; or

15.1.3 to resolve to permit Shareholders to elect to receive a cash payment in lieu of a capitalisation Share ("**Scrip Dividend**").

15.2 The Board may not resolve to offer a Scrip Dividend, as contemplated in clause 15.1.3, unless the Board –

15.2.1 has considered the Solvency and Liquidity Test as required by section 46, on the assumption that every such Shareholder would elect to receive cash;

15.2.2 is satisfied that the Company would satisfy the Solvency and Liquidity Test immediately upon the completion of the distribution; and

15.2.3 grants the right at election to shareholders to receive either cash or shares, or both, in accordance with the JSE Listings Requirements.

17. FINANCIAL ASSISTANCE

The Board may authorise the Company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any Securities, issued or to be issued by the Company or a related or inter-related Company, or for the purchase of any such Securities, as set out in section 44, and the authority of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

18. ACQUISITION BY THE COMPANY OF ITS OWN SHARES

18.1 Subject to the JSE Listings Requirements, the provisions of section 48 and the further provisions of this clause 18 –

18.1.1 the Board may determine that the Company acquire a number of its own Shares; and

18.1.2 the board of any subsidiary of the Company may determine that such subsidiary acquire Shares of the Company, but –

18.1.2.1 not more than 10% (ten percent), in aggregate, of the number of issued Shares of any class may be held by, or for the benefit of, all of the subsidiaries of the Company, taken together; and

18.1.2.2 no voting rights attached to those Shares may be exercised while the Shares are held by that subsidiary and it remains a subsidiary of the Company.

18.2 Any decision by the Company to acquire its own Shares must satisfy the JSE Listings Requirements and the requirements of section 46 and, accordingly, the Company may not acquire its own Shares unless –

18.2.1 for as long as it is required in terms of the JSE Listings Requirements, the acquisition has been approved by a special resolution of the Shareholders, whether in respect of a particular repurchase or generally approved by Shareholders and unless such acquisition otherwise complies with the relevant paragraphs of section 5 of the JSE Listings Requirements (or such other sections as may be applicable from time to time);

18.2.2 the acquisition –

18.2.2.1 is pursuant to an existing legal obligation of the Company, or a court order; or

18.2.2.2 the Board, by resolution, has authorised the acquisition;

18.2.3 it reasonably appears that the Company, and its subsidiaries where applicable, will satisfy the Solvency and Liquidity Test immediately after completing the proposed acquisition; and

18.2.4 the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company, and its subsidiaries where applicable, will satisfy the Solvency and Liquidity Test immediately after completing the proposed acquisition.

20. SHAREHOLDERS' MEETINGS

20.1 The Board is entitled to call a Shareholders' meeting at any time.

20.2 Notwithstanding the provisions of section 60 dealing with the passing of resolutions of Shareholders otherwise than at a meeting of Shareholders, the Company shall hold a Shareholders' meeting –

20.2.1 at any time that the Board is required by the Act, the JSE Listings Requirements or this Memorandum of Incorporation to refer a matter to Shareholders for decision; or

20.2.2 whenever required in terms of the Act to fill a vacancy on the Board; or

20.2.3 when required in terms of clause 20.4 or by any other provision of this Memorandum of Incorporation.

20.3 Any Shareholders' meeting convened in terms of the JSE Listings Requirements shall be held in person and not by means of a written resolution as contemplated in section 60.

20.4 The Board shall call a meeting of Shareholders if 1 (one) or more written and signed demands by Shareholders calling for such a meeting are delivered to the Company and –

20.4.1 each such demand describes the specific purpose for which the meeting is proposed; and

20.4.2 in aggregate, demands for substantially the same purpose are made and signed by the holders, as of the earliest time specified in any of those demands, of at least 10% (ten percent) of the voting rights entitled to be exercised in relation to the matter proposed to be considered at the meeting.

20.5 In addition to other meetings of the Company that may be convened from time to time, the Company shall convene an annual general meeting of its Shareholders once in each calendar year, but no more than 15 (fifteen) months after the date of the previous annual general meeting.

20.11 All meetings (whether called for the passing of special or ordinary resolutions) shall be called on not less than 15 (fifteen) business days' notice.

20.12 The quorum for a Shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) Shareholders entitled to attend and vote and present in person. In addition –

20.12.1 a Shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and

20.12.2 a matter to be decided at a Shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

20.18 After a quorum has been established for a meeting, or for a matter to be considered at a meeting, all the Shareholders forming part of the quorum must be present at the meeting for the matter to be considered at the meeting.

21. SHAREHOLDERS' MEETINGS BY ELECTRONIC COMMUNICATION

21.1 Subject to the provisions of the JSE Listings Requirements, the Company may conduct a Shareholders' meeting entirely by Electronic Communication or provide for participation in a meeting by Electronic Communication, as set out in section 63, and the power of the Company to do so is not limited or restricted by this Memorandum of Incorporation.

21.2 Any notice of any meeting of Shareholders at which it will be possible for Shareholders to participate by way of Electronic Communication shall inform Shareholders of the ability to so participate and shall provide any necessary information to enable Shareholders or their proxies to access the available medium or means of Electronic Communication, provided that such access shall be at the expense of the Shareholder or proxy concerned.

22. VOTES OF SHAREHOLDERS

22.1 Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with this Memorandum of Incorporation, at a meeting of the Company –

22.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

22.1.2 on a poll any person who is present at the meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Securities held by that Shareholder; and

22.1.3 the holders of Securities other than ordinary Shares shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 22.2.

22.2 If any resolution is proposed as contemplated in clause 8.5, the holders of such Shares ("**Affected Shareholders**") shall be entitled to vote at the meeting of ordinary Shareholders as contemplated in clause 22.1, provided that –

22.2.1 the votes of the Shares of that class held by the Affected Shareholders ("Affected Shares") shall not carry any special rights or privileges and the Affected Shareholder shall be entitled to 1 (one) vote for every Affected Share held; and

22.2.2 the total voting rights of the Affected Shareholders in respect of the Affected Shares shall not be more than 24.99% (twenty four point ninety nine percent) of the total votes (including the votes of the ordinary Shareholders) exercisable at that meeting (with any cumulative fraction of a vote in respect of any Affected Shares held by an Affected Shareholder rounded down to the nearest whole number).

24 SHAREHOLDERS' RESOLUTIONS

24.1 For an ordinary resolution to be approved it must be supported by more than 60% (sixty percent) of the voting rights of Shareholders exercised on the resolution, as provided in section 65(7).

24.2 For a special resolution to be approved it must be supported by the holders of at least 75% (seventy five percent) of the voting rights exercised on the resolution, as provided in section 65(9).

24.3 No matters, except –

24.3.1 those matters set out in section 65(11); or

24.3.2 the proposed change of the name of the Company; or

24.3.3 any other matter required by the Act to be resolved by means of a special resolution; or

24.3.4 for so long as the Company's securities are listed on the JSE, any other matter required by the JSE Listings Requirements to be resolved by means of a special resolution, require a special resolution adopted at a Shareholders' meeting of the Company.

24.4 In the event that any Shareholder abstains from voting in respect of any resolution, such Shareholder will, for the purposes of determining the number of votes exercised in respect of that resolution, be deemed not to have exercised a vote in respect thereof.

25 COMPOSITION AND POWERS OF THE BOARD OF DIRECTORS

25.1 In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the Board must comprise at least 4 (four) Directors and the Shareholders shall be entitled, by ordinary resolution, to determine such maximum number of Directors as they from time to time shall consider appropriate.

25.2 All Directors shall be elected by an ordinary resolution of the Shareholders at a general or annual general meeting of the Company and no appointment of a Director in accordance with a resolution passed in terms of section 60 shall be competent.

25.4 Apart from satisfying the qualification and eligibility requirements set out in section 69, a person need not satisfy any additional eligibility requirements or qualifications to become or remain a Director or a prescribed officer of the Company.

25.5 The Company may not appoint a person as an *ex officio* Director, as contemplated in section 66(4)(ii) of the Act and the power of the Company in this regard is limited or restricted by this Memorandum of Incorporation.

25.6 No Director shall be appointed for life or for an indefinite period and the Directors shall rotate in accordance with the following –

25.6.1 at each annual general meeting referred to in clause 20.5, 1/3 (one third) of the Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3 (one third), shall retire from office, provided that if a Director is appointed as managing Director or as an employee of the Company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors;

25.6.2 the Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot;

25.6.3 a retiring Director shall be eligible for re-election at such annual general meeting contemplated in clause 25.6.1 above, provided that such meeting is held in person and not by means of a written resolution as contemplated in section 60;

25.6.4 if at any meeting at which an election of Directors ought to take place the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of this Memorandum of Incorporation, including clauses 20.13 to 20.17 (inclusive) will apply *mutatis mutandis* to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.

25.7 Subject to the provisions of clause 25.2 above, the Board shall provide the Shareholders with a recommendation in the notice of the meeting at which the election or the re-election of a retiring Director is proposed, as to which retiring Directors are eligible for re-election, taking into account that Director's past performance and contribution.

25.8 The Board has the power to –

25.8.1 fill any vacancy on the Board in writing, provided that such appointment be confirmed by Shareholders, in accordance with this clause 25, at the next annual general meeting of the Company, as required in terms of section 70(3)(b)(i); and

25.8.2 exercise all of the powers and perform any of the functions of the Company, as set out in section 66(1), and the powers of the Board in this regard are only limited and restricted as contemplated in this clause 25.

25.11 If the number of Directors falls below the minimum number fixed in accordance with this Memorandum of Incorporation, the remaining Directors must as soon as possible and in any event not later than 3 (three) months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with clause 25.8.1 or convene a general meeting for the purpose of filling the vacancies, and the failure by the Company to have the minimum number of Directors during the said 3 (three) month period does not limit or negate the authority of the board of Directors or invalidate anything done by the board of Directors while their number is below the minimum number fixed in accordance with this Memorandum of Incorporation.

25.13 A Director may hold any other office or place of profit under the Company (except that of auditor) or any subsidiary of the Company in conjunction with the office of Director, provided that the appointment and remuneration or fees (in addition to the remuneration or fees to which he may be entitled as a Director) in respect of such other office must be determined by a disinterested quorum of the Directors.

25.14 A Director of the Company may be or become a director or other officer of, or otherwise interested in, any Company controlled by the Company or in which the Company may be interested as shareholder or otherwise, provided that the appointment and remuneration or fees (in addition to the remuneration or fees to which he may be entitled as a Director) in respect of such other office must be determined by a disinterested quorum of Directors.

25.15 Unless otherwise agreed with the JSE, a special resolution to Shareholders to ratify an act of the Directors in accordance and compliance with section 20 of the Act, as amended or renumbered from time to time, and not contrary to any clause in this Memorandum of Incorporation, may be proposed to Shareholders provided that it is not contrary to the JSE Listings Requirements or is agreed to by the JSE.

27 DIRECTORS' MEETINGS

27.2 The Directors may elect a chairperson and a deputy chairperson and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson, shall be entitled to preside over all meetings of Directors. If no chairperson or deputy chairperson is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 (ten) minutes of the time appointed for holding the meeting, the Directors present shall choose 1 (one) of their number to be chairperson of such meeting.

27.3 A Director authorised by the Board, may call a meeting of the Board at any time and must call such a meeting if required to do so by at least –

27.3.1 30% (thirty percent) of the Directors, in the case of the Company having more than 12 (twelve) Directors; or

27.3.2 2 (two) Directors, in any other case.

27.4 The Board has the power to –

27.4.1 consider any matter and/or adopt any resolution other than at a meeting contemplated in section 74 and, accordingly, any decision that could be voted on at a meeting of the Board may instead be adopted by the written consent of a majority of the Directors, given in person or by Electronic Communication, provided that each Director has received notice of the matter to be decided. Such written consent shall be as valid and effective as if it had been passed at a meeting of Directors. Any such written consent should be included in the minute book and may consist of several documents, which shall be deemed to have been passed on the date on which it was signed by the last Director (unless the written consent includes a statement to the contrary);

27.4.2 conduct a meeting entirely by Electronic Communication, or to provide for participation in a meeting by Electronic Communication, as set out in section 73(3), provided that, as required by such section, the Electronic Communication facility employed ordinarily enables all persons participating in the meeting to communicate concurrently with each other without an intermediary and to participate reasonably effectively in the meeting;

and the powers of the Board in respect of the above matters are not limited or restricted by this Memorandum of Incorporation.

27.5 The quorum requirement for a Directors' meeting (including an adjourned meeting), the voting rights at such a meeting, and the requirements for approval of a resolution at such a meeting are as set out in section 73(5), subject only to clause 27.5.5, and accordingly –

27.5.1 if all of the Directors of the Company –

27.5.1.1 acknowledge actual receipt of the notice convening a meeting; or

27.5.1.2 are present at a meeting; or

27.5.1.3 waive notice of a meeting,

the meeting may proceed even if the Company failed to give the required notice of that meeting or there was a defect in the giving of the notice;

27.5.2 a majority of the Directors must be present at a meeting before a vote may be called at any meeting of the Directors;

27.5.3 each Director has 1 (one) vote on a matter before the Board;

27.5.4 a majority of the votes cast in favour of a resolution is sufficient to approve that resolution;

27.5.5 in the case of a tied vote –

27.5.5.1 the chairperson may cast a deciding vote if the chairperson did not initially have a cast or a vote; or

27.5.5.2 the matter being voted on fails, in any other case.

28 DIRECTORS' COMPENSATION AND FINANCIAL ASSISTANCE

28.1 The Company may pay fees to the Directors for their services as Directors in accordance with a special resolution approved by the Shareholders within the previous 2 (two) years, as set out in section 66(8) and (9), and the power of the Company in this regard is not limited or restricted by this Memorandum of Incorporation.

28.2 Any Director who -

28.2.1 serves on any board committee; or

28.2.2 devotes special attention to the business of the Company; or

28.2.3 goes or resides outside South Africa for the purpose of the Company; or

28.2.4 otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may, subject to clause 28.1 if applicable, be paid such extra remuneration or fees or allowances in addition to or in substitution of the remuneration or fees to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.

28.3 The Directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with -

28.3.1 the business of the Company; and

28.3.2 attending meetings of the Directors or of committees of the Directors of the Company.

28.4 The Board may, as contemplated in and subject to the requirements of section 45, authorise the Company to provide financial assistance to a Director, prescribed officer or other person referred to in section 45(2), and the power of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

31 BORROWING POWERS

31.1 The Directors may from time to time exercise all of the powers of the Company to -

31.1.1 borrow for the purposes of the Company such sums as they think fit; and

31.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company.

32 ANNUAL FINANCIAL STATEMENTS

32.5 A copy of the annual financial statements must be sent to Shareholders at least 15 (fifteen) business days before the date of the annual general meeting of the Company at which such annual financial statements will be considered.

34 DISTRIBUTIONS

34.1 Subject to the provisions of the Act, and particularly section 46, the Company may make a proposed distribution, *inter alia*, dividends or capital payments, if such distribution –

34.1.1 is pursuant to an existing legal obligation of the Company, or a court order; or

34.1.2 is authorised by resolution of the Board and in compliance with the JSE Listings Requirements, provided that such resolution does not provide for capital to be repaid upon the basis that it may be called up again.

34.2 Dividends are declared by the directors in accordance with the Act.

34.3 All unclaimed dividends shall be held by the Company in trust until claimed, provided that dividends unclaimed for a period of 3 (three) years from the date on which they were declared may be declared forfeited by the Directors for the benefit of the Company. All unclaimed monies, other than dividends, that are due to a Shareholder/s shall be held by the Company in trust for an indefinite period until lawfully claimed by such Shareholder/s, subject to the laws of prescription.

34.4 Any distribution, interest or other sum payable in cash or otherwise to the holder of a Share may be paid by cheque or warrant sent by post and addressed to -

34.4.1 the holder at his registered address; or

34.4.2 in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the share, at his registered address; or

34.4.3 such person and at such address as the holder or joint holders may in writing direct.

34.13 Any distribution must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date in compliance with the JSE Listings Requirements.

36 PAYMENT OF COMMISSION

36.1 The Company may pay a commission at a rate not exceeding 10% (ten percent) of the issue price of a Share to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any Shares of the Company or for procuring or agreeing to procure, whether absolutely or conditionally, subscriptions for any Shares of the Company.

37 NOTICES

37.1 All necessary notices and documents required to be delivered to Shareholders by the Act or the JSE Listings Requirements, shall be delivered by the Company, at least, to all certificated Shareholders and to those uncertificated shareholders who have elected to receive such documents (as defined in the JSE Listings Requirements) in accordance with any delivery mechanism detailed in the Act, and in accordance with any method of delivery detailed in the Act, including section 6(9)(b) of the Act, as amended or renumbered from time to time. All notices shall, in addition to the above, be delivered to the JSE and where required by the JSE Listings Requirements, be released through SENS provided that, in the event that the Shares or other Securities of the Company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be published in accordance with the provisions of the Act.

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 14th Annual General Meeting of shareholders of the Company to be held at the offices of the Company, FoneWorx House, Corner Bram Fischer Drive and Will Scarlet Road, Ferndale, Randburg, at 10:00 on Thursday, 29 November 2012 and any adjournment thereof.

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

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work ( ) Telephone home ( ) Cell:

being the holder/custodian of ______ ordinary shares in the Company, hereby appoint (see note):

1. or failing him / her,

2. or failing him / her,

3. the Chairperson of the meeting,

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

		Number of ordinary shares		
		For	**Against**	**Abstain**
1.	To receive, consider and adopt the annual financial statements of the Company and Group for the financial year ended 30 June 2012			
2.	To approve the re-election as director of Ronald Graver who retires by rotation			
3.	To approve the re-election as director of Pieter Albertus Scholtz who retires by rotation			
4.	To approve the appointment of Ashvin Govan Manchaas member and Chairman of the Audit and Risk Committee			
5.	To approve the appointment of Gaurang Mooney as member of the Audit Committee			
6.	To confirm the re-appointment of PKF (Jhb) Inc. as auditors of the Company together with Mr Ben Frey for the ensuing financial year			
7.	**Ordinary resolution number 1** Approval of the remuneration policy			
8.	**Ordinary resolution number 2** Control of authorised but unissued ordinary shares			
9.	**Ordinary resolution number 3** Approval to issue ordinary shares, and to sell treasury shares, for cash			
10.	**Special resolution number 1** General approval to acquire shares			
11.	**Special resolution number 2** Financial assistance for subscription of securities			
12.	**Special resolution number 3** Loans or other financial assistance to directors			
13.	**Special resolution number 4** Substitution of the existing Memorandum of Incorporation of the Company			
14.	**Ordinary resolution number 4** Signature of documents			

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

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the Company.

Signed at on 2012

Signature

Assisted by (if applicable)

Notes to proxy

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".

2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.

4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty-eight hours before the commencement of the Annual General Meeting.

6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.

7. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

8. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.

9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the Annual General Meeting.

11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.

12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

13. **Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:**

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

to be received by no later than 10:00 on Tuesday, 27 November 2012 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

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

Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.

A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the "Notes to proxy".

The completion of a form of proxy does not preclude any shareholder from attending the Annual General Meeting.

Shareholder Diary

Financial year end	30 June 2012
Annual report and financial statements	29 September 2012
Annual general meeting	29 November 2012
Half-year report	February 2013

WOUNDEDBUFFALO
COMMUNICATIONS AGENCY

Annual Report 2012

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