Annual Report 2010

FoneWorx

CarbonWorx Green Initiative

CarbonWorx Story Board - Our Journey to Date...

CarbonWorx Idea

February 2009

Concept Designed

March 2009

Development Commenced

April 2009

Card concept developed

May 2009

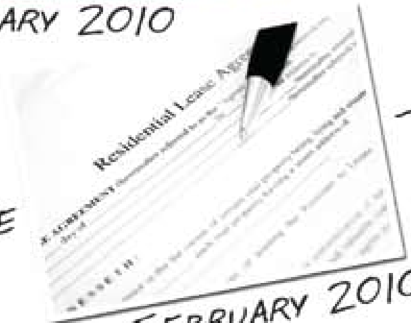
Formed multiple partnerships

July - November 2009

Evaluated suitable land

Website Completed

February 2010



Lease signed for first site

February 2010

CEO M. Smith & Nkosi Phathekile Holomisa signing

Story continues inside back cover

FoneWorx Holdings Limited

(Registration number: 1997/010640/06)

Contents

Directors and Adminstration

Company registration number

1997/010640/06

JSE share code

FWX

Website

www.foneworx.co.za

Directors

Executive

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

Non-executive

Ashvin Govan Mancha* (B Proc) - Chairman
Gaurang Mooney BA* (Botswana)
Andrew Conway Molusi*
April Masitwe*
(* 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

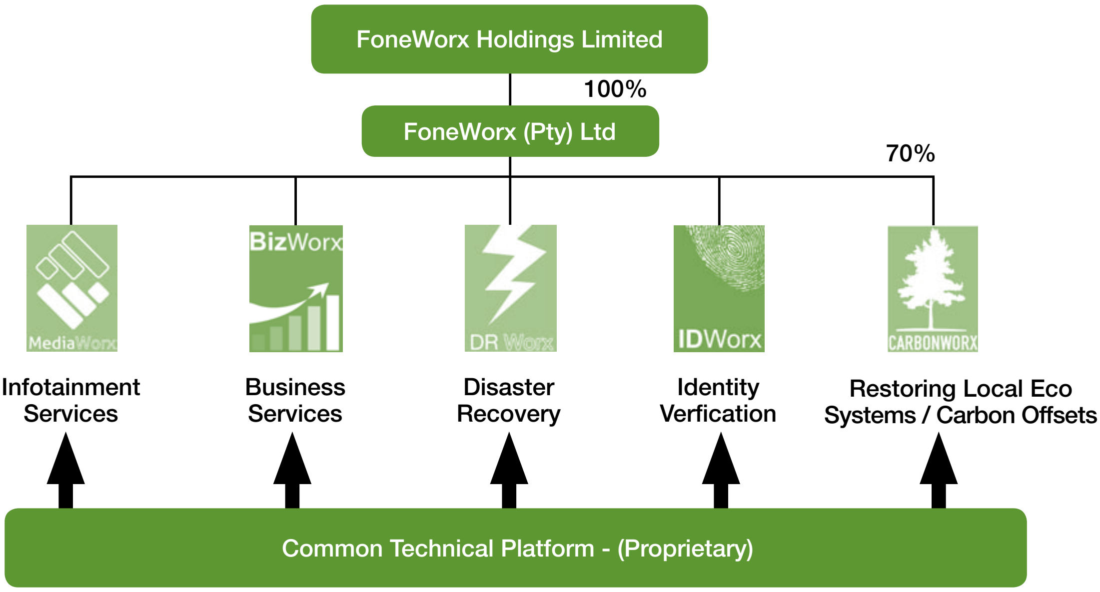
P A Scholtz CA (SA)
PO Box 3386, Pinegowrie, 2123

Designated Adviser

Merchantec (Proprietary) Limited

Profile

FoneWorx (Proprietary) Limited, being the main trading subsidiary of FoneWorx Holdings Limited ("FoneWorx" or "the 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:



INFOTAINMENT SERVICES

MediaWorx

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

MediaWorx has relationships with 86 networks in 36 African countries and manages approximately 850 individual campaigns per annum.

BUSINESS SERVICES

BizWorx

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

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

BizWorx distributes its broad range of services via a dealer network which currently constitutes 360 dealers, and operates through various points of presence including PostNet, which provides 227 outlets for the sale of a number of the BizWorx applications and services. BizWorx has developed its own proprietary platform for the hosting and management of the various

Profile

BizWorx applications incorporating Fax2Email and PC2Fax. BizWorx launched Fax2Email approximately 5 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.

SWITCHING 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 and also 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, that can be adapted to various institutions and their individual requirements.

CarbonWorx

CarbonWorx is a new division of FoneWorx which was launched commercially on 1 July 2010. The CarbonWorx architecture uses the common platform deployed by FoneWorx for its existing MediaWorx, BizWorx and IDWorx services. It is a card-based application which uses the various technologies developed by FoneWorx. CarbonWorx addresses the challenges of climate change and the reduction of greenhouse gases including carbon dioxide abatement or sequestration.

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 populations 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 includes: 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.

Chief Executive Officer's Review

I am pleased to present the audited annual financial statements for the year ended 30 June 2010.

Financial highlights for the year include:

- Group revenue up 15.9% to R91.9 million (2009: R79.3 million).
- Net profit after tax up by 10.8% from R18.2 million to R20.1 million.
- Net asset value per share increase by 21.6% from 51.7 cents per share to 61.7 cents per share.
- Cash and cash equivalents up by 23.1% from R60.2 million to R74.1 million.

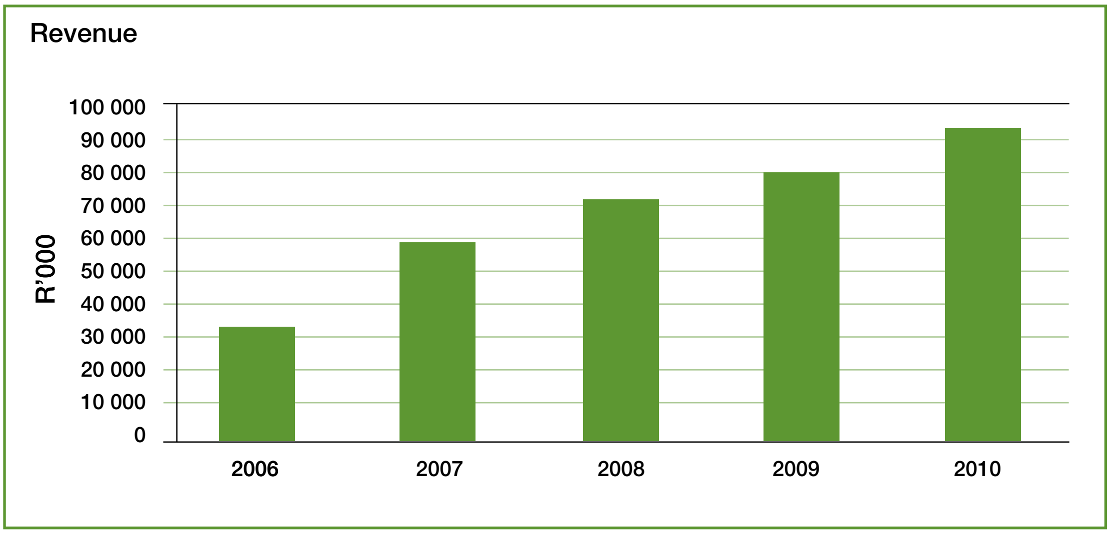
Financial Performance

Revenue

The group has continued to deliver steady growth in revenue despite the prevailing economic conditions. Revenue has grown to R91.9 million (2009: R79.3 million), an increase of 15.9%.

The continued growth in Revenue from 2006 to 2010 is set out in Figure 1 below.

Figure 1



Earnings

Earning before net interest, tax, depreciation and amortisation ("EBITDA") improved by 19.2% to R29.1 million (2009: R24.4 million).

Earnings per share ("EPS") of the group, based on the weighted average number of shares in issue grew by 10.8% to 15 cents from 13.5 cents in the previous corresponding period. Headline earnings per share ("HEPS") increased to 15.1 cents from 13.5 cents, a growth of 11.6%.

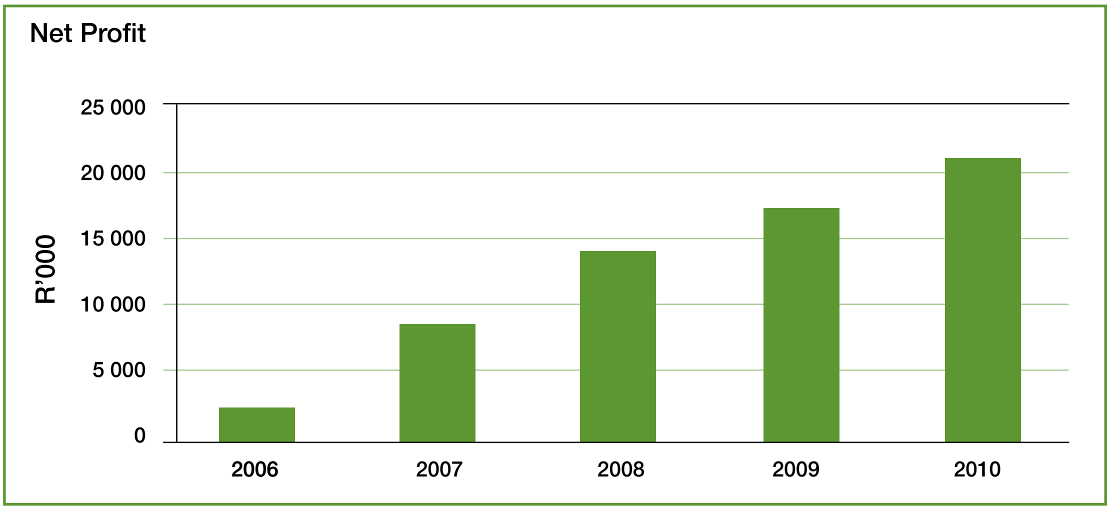
Profit before tax increased by 12.5% to R28.7 million (2009: R25.5 million) and gross profit improved by 20.9% to R57.7 million (2009: R47.7 million), equating to a gross profit margin of 62.7% (2009: 60.3%).

Net profit for the year improved to R20.2 million (2009: R18.2 million) reflecting a 10.8% increase.

Chief Executive Officer's Review

Growth in net profit from 2006 to 2010 is set out in Figure 2 below.

Figure 2

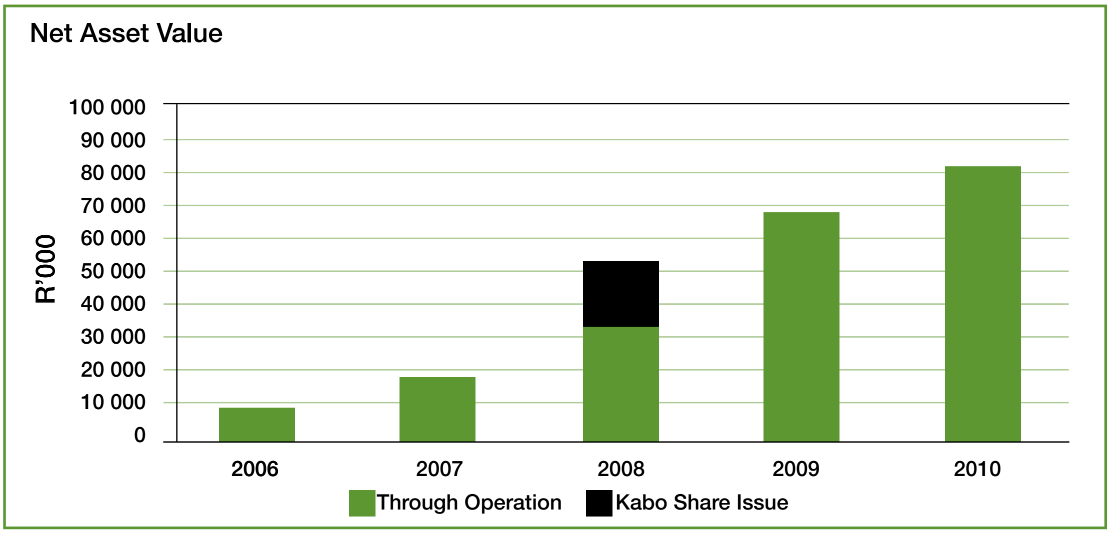


Net asset value

The net asset value of the group has increased to R82.9 million (2009: R68.2 million) over the past year, an increase of 21.5%. Cash and cash equivalent has increased by 23.1% to R74.1 million (2009: R60.2 million).

Increase in net asset value from 2006 to 2010 is set out in figure 3 below

Figure 3



Operational Performance

The year under review was an important period in terms of refining the fundamental offerings for the three newest operating divisions within the group, IDWorx, DRWorx and CarbonWorx.

Our capacity to grow these new divisions is based on the technological platform that the group has developed over the last 14 years. Our technical platform has been designed on a modular basis with layers of different bearer technologies or modules added from time to time. This enables the group to design new products and services at a rapid rate by aggregating historically designed or developed software for a bespoke solution.

Our channel to market on all new products and solutions is always deployed on a cautious and measured basis. Once there is an indication of a positive market response, the new divisions are systematically leveraged and geared up to meet market demand.

FoneWorx's philosophy is to maintain a horizontal technical platform with new bearer services added from time to time, which provides the architecture and backbone for each vertical service offering.

DIVISIONAL OVERVIEW

MediaWorx

This division provides a broad array of interactive services such as SMS, IVR, VMail, MMS and USSD as the bearer technologies to enable clients to offer interactive promotions and customer relationship applications for database compilation and management.

MediaWorx has sales teams based in Gauteng, Durban and Cape Town which provide services to a broad range of Fast Moving Consumer Goods ("FMCG") suppliers as well as advertising agencies and corporates.

Each campaign is individually managed by a sales executive from inception to conclusion, where a "post-campaign" analysis is provided to the client with all the attributes of the campaign measured and analysed.

Due to the nature of the majority of our FMCG clients, an important element of their campaigns or promotions is typically prize fulfillment. **MediaWorx** provides a complete fulfillment service for clients which has created a new and sustainable revenue stream for this division.

This division has a full-time African desk which has established relationships with 86 mobile networks in Africa covering 36 countries. This African footprint enables **MediaWorx** to manage and host SMS services for big brand campaigns such as Big Brother Africa. This division also provides services to SABC and MultiChoice Africa.

During the period under review, the following large well-known campaigns were managed by MediaWorx: Telkom Charity Cup, Noot Vir Noot, OMO, PEP - Rica Riches, Cornetto - Strike It Rich, Magnum Gold, Lucky Star - 50th Birthday campaign, Bokomo – Pronutro and Sony - World Cup Living It.

BizWorx

This division incorporates Fax2Email and PC2Fax which are both offered as individual services, as well as the Virtual Business Centre ("VBC") which incorporates 25 distinct services offered via one portal on a pay-as-you-use basis. The services offered via VBC include:

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

Fax2Email continues to be an important revenue earner, not only for **BizWorx**, but also for the group.

Chief Executive Officer's Review

Fax2Email and PC2Fax are digital solutions used by both large and small enterprises, whilst the VBC is orientated more specifically to small, medium and micro enterprises ("SMME").

All **BizWorx** services are marketed and sold via two distinct channels: internal sales being those persons employed by the group and, independently owned dealers, of which there are approximately 370. The dealer channel is composed of individuals or entities that have their own products and services and channel to market, and supplement their existing offering with the **BizWorx** suite of services.

The FoneWorx Training Academy has successfully trained over 100 business owners over the last 18 months and continues to be an important channel to train business owners to fully utilise the VBC suite of services.

BizWorx incorporates the External Sales Agent ("ESA") status with Telkom, which enables FoneWorx to sell a defined range of Telkom services or products. This service offering enables the group to enhance its range of communication services without managing an expensive infrastructure and is marketed via a distinct group of trained dealers.

BizWorx intends expanding its Fax2Email and PC2Fax footprint to other countries on the African continent and to this end has spent considerable time researching the market opportunities in Kenya, Ghana, Nigeria, Zambia, Zimbabwe, Namibia and Botswana. **BizWorx** intends deploying Fax2Email platforms in at least three of these territories within the current calendar year and the balance the year thereafter. This is expected to considerably increase our Fax2Email traffic and highlight FoneWorx as a dominant brand and player in Africa.

IDWorx

IDWorx provides bespoke identity verification services to corporate and governmental institutions. These services enable the institution to comply with the Know Your Client ("KYC") component of legislations such as FICA and RICA. In addition, new legislation such as the Consumer Protection Act ("CPA") and the Protection of Personal Information Bill ("POPI") will require institutions to manage their data in a secure and regulated manner.

The services offered by **IDWorx**, using its bespoke proprietary software, will assist institutions in their compliance with the above mentioned legislation. **IDWorx's** pilot project with CIPRO has gone extremely well and has been extended to February 2011. In addition, our partner for our FICA solution, Law Compliance (Proprietary) Limited ("Law"), has secured a solution for ABSA Home Loans and this will require a roll-out to over 600 attorneys within the next twelve months. These attorneys will use the identity verification solution developed by FoneWorx and Law relating to ABSA home loans.

The board of directors of FoneWorx ("the board") is of the view that as more legislation which requires the secure management of data is passed, more markets will be opened for **IDWorx**.

DRWorx

DRWorx has been designed as a niche disaster recovery and work-flow continuity solution for the stock broking fraternity. This division concluded its first agreement with an independent stockbroker during the period under review and now provides a hosted disaster recovery back-up infrastructure and work desks for this stockbroker. The facility that **DRWorx** has developed is a shared infrastructure for trading service providers as defined by the JSE Limited ("JSE"). The JSE has recently developed an accreditation policy for Shared Infrastructure Providers ("SIPs") and **DRWorx** is in the process of evaluating these requirements to determine its future strategy.

CarbonWorx

CarbonWorx is a very exciting division which has been exceptionally well received by individuals, corporates and government.

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 populations 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 includes cultural, religious and leisure.

CarbonWorx has formed solid relationships with a number of influential role players in order to execute this strategy. Partnerships have been established with the Champions of the Environment Foundation, the Department of Environmental and Water Affairs, Contralesa (traditional leaders of SA) and SABC3.

The **CarbonWorx** programme enables individuals and corporates to purchase trees via an innovative card-based programme using the group's technology platform. The programme commences with the purchase of a "starter kit", being a hi-co magstripe card containing details of the cardholder's first tree planted. Thereafter, the cardholder can accumulate points from participating retail or service outlets, which can be redeemed for additional trees.

CarbonWorx is in the process of signing up points partners to ensure cardholders can accumulate points from as many points of presence throughout South Africa as possible.

Designated land around South Africa is secured via long-term lease agreements to ensure the project has longevity, sustainability and can be verified in line with the guidelines set out by the United Nations Framework Convention on Climate Change ("UNFCCC"). It is expected that **CarbonWorx** will show tremendous growth over the next few years when more clarity is available from Government's Green and White Papers setting out goals for business. The requirements on listed entities to comply with additional reporting standards such as social and sustainable issues will also provide greater impetus to the objectives of **CarbonWorx**.

PROSPECTS

The board remains confident about the outlook for the ensuing year to June 2011. I am very excited about the prospects of **IDWorx** and **CarbonWorx**. It is anticipated that these two divisions will provide new revenue streams for the group and open up new channels for leveraging previously untapped sectors of the economy.

The launch of **CarbonWorx** has been well timed and provides the group with some proverbial "white space" which is difficult to find. We believe that corporates are beginning to understand the need to embrace sustainable issues and see this as an enabler for providing a competitive edge. We have been encouraged by the positive response to our unique and innovative offering and believe that **CarbonWorx** can leverage new markets for the group.

The group continues to build a strong balance sheet and Fax2Email provides solid cash flows. With the deployment of Fax2Email in other territories in Africa, our cash flows should be materially enhanced.

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

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

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

Mark Smith
Chief Executive Officer

22 September 2010

Corporate Governance Report

for the year ended 30 June 2010

The board of directors ("board") recognises the need to conduct the affairs of the company with integrity and in compliance with the King Code of Governance Principles, as set out in the King II Report ("King II"). The directors are of the opinion that the group has complied with King II in the past year, except where otherwise indicated. Future compliance with the principles contained in the King III Report, which became effective on 1 March 2010, will be reviewed and considered and the board will ensure that the principles and best practice recommendations that are applicable to the group are implemented and complied with in the new financial year, while taking into account the practicalities of the environment in which the group operates, the financial cost of compliance and the need to take action as appropriate.

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; and
- employment practices which are non-discriminatory and which include training and skills development.

The board

The company has a unitary board which comprises of four executive directors and four non-executive directors of which two are independent. 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. The board also has a policy detailing the procedures for appointments to the board. Such appointments to the board are formal and transparent and a matter for the board as a whole.

The executive directors have responsibility for implementing strategic and operational decisions in the conduct of the group's business. The independent directors support the executive directors and supplement the skills and judgement of the executive directors in the overall direction of the company. The roles of Chairman of the board, 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 and a consultant. Exco meets weekly, and formulates the direction of the group as well as monitoring group performance. Each executive has clear areas of responsibility for which he/she is responsible to Exco.

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

Company Secretary

The Company Secretary provides the board with detailed guidance as to their duties, responsibilities and powers and ensures that the directors are aware of all the regulation and good governance relevant to the company.

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 in the year under review and all members were present. This committee ensures that remuneration levels are appropriate to attract and retain the staff needed to run the group successfully.

Audit Committee

The membership of the Audit Committee consists of the two independent non-executive directors, namely Ashvin Mancha and Gaurang Mooney. A full Audit Committee report is set out on page 15 of this document.

Attendance at Board and Committee meetings

	Board		Audit Committee		Remuneration Committee	
	Number of meetings	Attended	Number of meetings	Attended	Number of meetings	Attended
A Mancha	4	4	4	4	1	1
G Mooney	4	3	4	3	1	1
M Smith	4	4	4*	4*		
A Molusi	4	4				
A Masitwe	4	2				
R Russell	4	4				
R Graver	4	4				
P Scholtz	4	4	4*	4*		
Merchantec Capital (Designated Adviser)	4*	4*	4*	4*		

* By invitation only

Employment equity

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

Occupations levels	Designated							Non-designated			Total
	Male			Female				White Male	Foreign nationals		
	A	C	I	A	C	I	W		Male	Female	
Senior Management								6			6
Skilled technical and academic qualified workers, junior management , supervisors, foremen and superintendents	1		1				1	6	2		11
Semi skilled and discretionary decision making	6		1	6	1	1	12	10			37
Unskilled and defined decision making	1			2							3
Total Permanent	**8**		**2**	**8**	**1**	**1**	**13**	**22**	**2**		**57**
Non Permanent								2			2
Grand Total	**8**	**0**	**2**	**8**	**1**	**1**	**13**	**24**	**2**		**59**

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

Broad Based Black Economic Empowerment

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

Closed period

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

Directors' Responsibility and Approval

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The auditors are responsible for reporting on the fair presentation of the annual financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973 (Act 61 of 1973), 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 2010 set out on pages 16 to 47 were approved by the Board of Directors on 9 September 2010 and are signed on their behalf by:

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Declaration by Secretary

at 30 June 2010

In terms of section 238(G)d of the South African Companies Act 1973 (Act 61 of 1973) ("Companies Act"), as amended, I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date in respect of the financial year reported upon.

Pieter Scholtz CA (SA)
Company Secretary

22 September 2010

PKF

chartered accountants
& business advisers

previously

Fisher Hoffman PKF

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements and group financial statements of FoneWorx Holdings Limited, which comprise the directors' report, the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statements of changes in equity and cash-flow statement for the year then ended, and a summary of significant account policies and other explanatory notes as set out on pages 16 to 47

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the annual financial statements and group financial statement present fairly, in all material respects, the financial position of FoneWorx Holdings Limited as of 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

PKF (Jhb) Inc.

PKF (JHB) INC.
Director: B. Frey
Registration number 1994/001166/21
Chartered Accountants (SA)
Registered Auditors
Johannesburg
22 September 2010

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

Audit Committee Report

The Audit Committee had its second full year of operations and met four times 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 Audit Committee's main responsibilities and duties, as set out in the Audit Committee 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 the proposed audit fee of Deloitte & Touche for the audit of the group but unfortunately could not agree on a fair and reasonable audit fee that was acceptable to all parties. Consequently, Deloitte & Touche resigned as auditors and the Audit Committee recommended and appointed PKF (Jhb) Inc. as the external auditors of the group. In the period under review the Audit Committee reviewed the auditor's letter of engagement, audit planning document and the audit report on the consolidated results of the group.

  In addition, the Audit Committee reviewed 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.

- 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

22 September 2010

Directors Report

for the year ended 30 June 2010 to the Shareholders of FoneWorx Holdings Limited

The directors have pleasure in submitting their report for the year ended 30 June 2010.

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 2010 the issued share capital stood at R136,002, divided into 136,002,041 ordinary shares of R0,001 each. After the consolidation of the shares held by Interconnective Solutions Share Incentive Trust, the issued share capital was reduced to 134,402,041 ordinary shares of R0,001 each. This remained unchanged from the prior year.

Directors

The directors of the company for the year ended 30 June 2010 and up to the date of this report were:

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

Dividend

The Company has declared and paid a dividend during the year under review of R5 440 082 (4 cents per share) (2009: R 3 672 055 (2,72 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 R6 120 092 (4.5 cents per share) at their Board meeting of 9 September 2010.

Share incentive scheme

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

Directors' Beneficial Shareholding as at 30 June 2010

	30 June 2010		30 June 2009	
	Direct Beneficial	Indirect Beneficial	Direct Beneficial	Indirect Beneficial
	'000	'000	'000	'000
R Graver	9 985	45	9 985	45
A G Mancha		54		54
G Mooney		15 219		15 219
R Russell	360		360	
M A Smith	10 925	47	10 925	47
Total	**21 210**	**15 365**	**21 210**	**15 365**

In compliance with the Listings Requirements of the JSE, the disclosure of Directors' shareholding has been amended and no longer reflects indirect non-beneficial shareholding of directors. There has been no changes in the Directors' beneficial shareholding in FoneWorx from the date of the audit report and the date of Notice of the Annual General Meeting.

Shareholder spread as at 30 June 2010

	Number of shareholders	%	Number of shares '000	%
1 - 100 000	583	90.7	8 319	6.19
100 001 - 500 000	43	6.7	10 594	7.88
500 001 - 10 000 000	13	2.0	38 082	28.33
10 000 001 +	4	0.6	77 408	57.59
Total	**643**		**134 402**	

Shareholding of ordinary shares at 30 June 2010

	Number of shareholders	%	Number of shares '000	%
Public	635	98.8	44 107	32.8
Non- Public				
- Directors	5	0.7	36 635	27.3
- Non-Directors	3	0.5	53 660	39.9
Total	**643**		**134 402**	

Directors Report

for the year ended 30 June 2010 to the Shareholders of FoneWorx Holdings Limited

Major shareholders

* Shareholders other than directors who, insofar as is known, were directly or indirectly interested in 5% or more of the company's issued share capital as at 30 June 2009 were as follows:

	Number of shares ('000)	%
KaboFoneWorx (Propriety Limited)	40 800	30
Navsur Limited	10 463	7.8
Total	**51 263**	**37.8**

Special resolutions

One Special Resolution was passed at the Annual General Meeting held on 19 November 2009.

SPECIAL RESOLUTION NUMBER 1

General approval to acquire shares

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

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

- the acquisition of the ordinary shares be effected through the order book operated by the JSE trading system without any prior understanding or arrangement between the company and the counter party;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- the repurchase of ordinary shares may only be undertaken if, after such repurchase, the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listing Requirements concerning shareholder spread;

- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter; and
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf."

Events subsequent to the financial year end

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

Litigation statement

The directors, whose names are on pages 2 and 16, 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 Groups 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.

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Non-Current Assets			
Property, plant and equipment	2	17 642 522	18 691 441
Intangible assets	3	4 015 774	3 137 652
Deferred tax	5	658 279	671 930
		22 316 575	**22 501 023**
Current Assets			
Inventories	6	784 115	649 139
Current tax receivable		207 657	281 678
Trade and other receivables	7	15 574 468	18 339 379
Cash and cash equivalents	8	74 137 785	61 273 411
		90 704 025	**80 543 607**
Total Assets		**113 020 600**	**103 044 630**
Equity and Liabilities			
Equity			
Share capital	9&10	35 709 029	35 709 029
Retained income		47 212 075	32 486 829
		82 921 104	**68 195 858**
Liabilities			
Non-Current Liabilities			
Loan payable	12	–	471 975
Interest bearing liabilities	13	8 430 556	9 579 244
		8 430 556	**10 051 219**
Current Liabilities			
Current tax payable		23 927	917 146
Interest bearing liabilities	13	1 142 287	1 941 728
Trade and other payables	15	14 951 247	16 025 211
Provisions	14	5 537 804	4 789 971
Unclaimed dividends		13 675	5 327
Bank overdraft	8	–	1 118 170
		21 668 940	**24 797 553**
Total Liabilities		**30 099 496**	**34 848 772**
Total Equity and Liabilities		**113 020 600**	**103 044 630**
Net asset value per share (cents)		61.7	51.7

Statement of Comprehensive Income

Figures in Rand	Note(s)	2010	2009
Revenue	17	91 921 685	79 288 057
Cost of sales		(34 232 391)	(31 558 081)
Gross profit		**57 689 294**	**47 729 976**
Other income		661 274	182 471
Operating expenses		(10 819 137)	(9 378 606)
Staff costs		(18 416 563)	(14 056 300)
Depreciation and amortisation expense		(3 826 729)	(3 201 048)
Operating profit	18	**25 288 139**	**21 276 493**
Investment income	22	4 702 705	5 856 548
Finance costs	23	(1 272 598)	(1 610 989)
Profit before taxation		**28 718 246**	**25 522 052**
Taxation	24	(8 552 918)	(7 322 473)
Profit for the year attributable to the equity holders of the parent		**20 165 328**	**18 199 579**
Other comprehensive income		–	–
Total comprehensive income attributable to the equity holders of the parent		**20 165 328**	**18 199 579**
Basic earnings per share (cents)	31	15.00	13.54
Diluted earnings per share (cents)	31	14.96	13.38
Headline earnings per share (cents)	31	15.10	13.53

Group Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 July 2008	**134 402**	**35 574 627**	**35 709 029**	**17 916 105**	**53 625 134**
Changes in equity					
Total comprehensive income for the year	–	–	–	18 199 579	18 199 579
Dividends	–	–	–	(3 628 855)	(3 628 855)
Total changes	–	–	–	14 570 724	14 570 724
Balance at 01 July 2009	**134 402**	**35 574 627**	**35 709 029**	**32 486 829**	**68 195 858**
Changes in equity					
Total comprehensive income for the year	–	–	–	20 165 328	20 165 328
Dividends	–	–	–	(5 440 082)	(5 440 082)
Total changes	–	–	–	14 725 246	14 725 246
Balance at 30 June 2010	**134 402**	**35 574 627**	**35 709 029**	**47 212 075**	**82 921 104**
Note(s)	9	9	9		

Statement of Cash Flows

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Cash generated from operations	25	31 217 067	22 694 381
Interest income		4 702 705	5 856 548
Finance costs		(1 272 598)	(1 610 989)
Tax paid	26	(9 358 465)	(7 620 311)
Net cash from operating activities		**25 288 709**	**19 319 629**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1 812 598)	(4 671 537)
Proceeds on disposal of property, plant and equipment	2	7	175 922
Purchase of intangible assets	3	(27 683)	(573 177)
Expenditure on product development	3	(1 614 053)	(2 524 576)
Proceeds on disposal of intangible assets	3	–	32 331
Net cash from investing activities		**(3 454 327)**	**(7 561 037)**
Cash flows from financing activities			
Repayment of loan payable		(471 975)	–
Repayment of interest bearing liabilities		(1 948 130)	(193 021)
Dividends paid	27	(5 431 734)	(3 623 528)
Net cash from financing activities		**(7 851 839)**	**(3 816 549)**
Total cash and cash equivalents movement for the year		**13 982 543**	**7 942 043**
Cash and cash equivalents at the beginning of the year		60 155 242	52 213 199
Total cash and cash equivalents at end of the year	**8**	**74 137 785**	**60 155 242**

Group Accounting Policies

1. Presentation of Financial Statements

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

1.1 New standards and interpretations

Standards in issue at the date of authorisation of the financial statements that have not been early adopted

Standard	Detail	Annual period beginning on or after
IFRS 2 - Share based payments	Amendments relating to group cash-settled share based payment transactions	1 January 2010
IFRS 3 - Business Combinations	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3 Measurement of non-controlling interests Unreplaced and voluntarily replaced share-based payment awards	1 January 2011
IFRS 7 - Financial Instruments: Disclosures	Clarification of disclosures	1 January 2011
IAS 1 - Presentation of Financial Statements	Clarification of statement of changes in equity	1 January 2011
IAS 24 - Related Party Disclosure	Clarification of the definition of related party	1 January 2011
IAS 27 - Consolidated and Separate Financial Statements	Transition requirements for amendments arising as a result of IAS 27	1 January 2011
IAS 34 - Interim Financial Reporting	Significant events and transactions	1 January 2011
IFRIC 14 - IAS 19 The Limit on a Defined Benefit Asset, Minimum requirements and their interaction	Amendments relating to the recognition of assets of some voluntary prepayments for minimum funding contributions	1 January 2011

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

1.2 Significant judgements

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

Impairment

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

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

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

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

Residual value and useful life

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

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

Income taxes

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

Contingent liabilities

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

1.3 Basis of consolidation

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

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

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

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

Business combinations

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

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

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

Investments in subsidiaries are accounted for at cost less any impairment losses.

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 and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each financial year-end. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

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

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

Intangible assets consists of the following:
Computer Software, and
Internally generated assets

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

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

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

1.6 Financial instruments

Initial recognition and measurement

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

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

Loans to (from) group companies

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

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

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

Impairment losses are reversed in subsequent periods when a 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 be recognised.

Trade and other receivables

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

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

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

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

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

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

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

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

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

Liabilities are recognised initially at fair value, net of transaction costs incurred. Liabilities are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liabilities using the effective interest method. The effect of discounting is not considered to be material, discounting is not applied as the nominal value approximates the amortised cost value.

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

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

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and are accounted for using the 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 nor the accounting profit.
Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of deferred tax assets is reviewed at each 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 company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the year

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

1.8 Leases

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

Leases of assets, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

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

1.9 Inventories

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

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

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

Group Accounting Policies

1.10 Impairment of assets

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

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment 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. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Share capital and equity

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

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

Retirements benefits

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

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

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

1.15 Borrowing costs

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

1.16 Cost of sales

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

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

Group Accounting Policies

1.17 Translation of foreign currencies

Foreign currency transactions

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

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.

1.18 Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line 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 the equity-settled employee benefits reserve.

1.19 Offset

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

Notes to the Group Annual Financial Statements
for the year ended 30 June 2010

2. Property, plant and equipment

	2010			2009		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Land	2 200 000	–	2 200 000	2 200 000	–	2 200 000
Buildings	10 460 668	(766 102)	9 694 566	10 420 807	(726 405)	9 694 402
Plant and machinery	288 224	(140 000)	148 224	200 000	(100 000)	100 000
Furniture and fixtures	736 061	(249 771)	486 290	490 389	(165 309)	325 080
Motor vehicles	566 232	(476 507)	89 725	1 506 506	(970 004)	536 502
Office equipment	815 614	(330 547)	485 067	523 975	(228 304)	295 671
IT equipment	10 970 407	(7 321 256)	3 649 151	9 823 203	(5 225 776)	4 597 427
Leasehold improvements	1 057 199	(167 700)	889 499	1 057 199	(114 840)	942 359
Total	**27 094 405**	**(9 451 883)**	**17 642 522**	**26 222 079**	**(7 530 638)**	**18 691 441**

Reconciliation of property, plant and equipment - 2010

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

Reconciliation of property, plant and equipment - 2009

Land	2 200 000	–	–	–	2 200 000
Buildings	9 314 460	763 533	–	(383 591)	9 694 402
Plant and machinery	140 000	–	–	(40 000)	100 000
Furniture and fixtures	163 638	221 798	–	(60 356)	325 080
Motor vehicles	837 803	–	–	(301 301)	536 502
Office equipment	200 000	160 962	–	(65 291)	295 671
IT equipment	3 449 922	3 476 069	(155 664)	(2 172 900)	4 597 427
Leasehold improvements	945 022	49 175	–	(51 838)	942 359
	17 250 845	**4 671 537**	**(155 664)**	**(3 075 277)**	**18 691 441**

Figures in Rand	2010	2009
2. Property, plant and equipment (continued)		
Details of properties		
Erf 1636 Ferndale, Randburg		
Terms and conditions		
- Land at cost	2 200 000	2 200 000
- Buildings at cost	7 479 575	7 479 575
- Improvements to building	2 981 093	2 941 232
	12 660 668	**12 620 807**

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

This property was acquired by Four Rivers Trading 123 (Proprietary) Limited for R9.68 million on 8 August 2007. Land and buildings with a carrying value of R9 343 501 (2009: R9 717 366) are mortgaged as stated in note 13.

Certain plant and equipment with a carrying amount of R1 082 740 (2009: R2 051 260) have been encumbered as per note 13.

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

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

3. Intangible assets

	2010			2009		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Brand names	276 369	(4 606)	271 763	–	–	–
Identity access management software	1 679 274	–	1 679 274	2 096 592	–	2 096 592
Computer software	1 045 877	(659 211)	386 666	1 018 193	(405 117)	613 076
CarbonWorx cards (under development)	932 813	–	932 813	–	–	–
Virtual Business Centre software	427 984	(87 597)	340 387	427 984	–	427 984
Gateway verification system (under development)	138 974	–	138 974	–	–	–
Fax2Email non-premium (under development)	265 897	–	265 897	–	–	–
Total	**4 767 188**	**(751 414)**	**4 015 774**	**3 542 769**	**(405 117)**	**3 137 652**

3. **Intangible assets**

Reconciliation of intangible assets - 2010

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

Reconciliation of intangible assets - 2009

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

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:

2010	Loans and receivables	Fair value through profit or loss - held for trading	Cash investments	Held to maturity investments	Available for sale	Total
Trade and other receivables	15 092 816	–	–	–	–	15 092 816
Cash and cash equivalents	–	–	74 123 871	–	–	74 123 871
	15 092 816	**–**	**74 123 871**	**–**	**–**	**89 216 687**
2009						
Other	3 014 900	–	–	–	–	3 014 900
Trade and other receivables	15 072 000	–	–	–	–	15 072 000
Cash and cash equivalents	–	–	61 273 411	–	–	61 273 411
	18 086 900	**–**	**61 273 411**	**–**	**–**	**79 360 311**

Notes to the Group Annual Financial Statements
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Figures in Rand		2010	2009
5.	**Deferred tax**		
	Deferred tax asset		
	Originating temporary differences and capital allowances	658 279	671 930
	Reconciliation		
	At beginning of the year	671 930	1 112 231
	Charge to the income statement	(13 651)	(440 301)
		658 279	**671 930**
	Reconciliation of deferred tax asset		
	Property, plant and equipment	(13 486)	(8 448)
	Intangible assets	(1 016 150)	(706 882)
	Provisions	1 642 044	1 341 192
	Provision for bad debts	–	7 016
	Impairment of receivables	–	8 352
	Revenue accrual	44 835	43 406
	Prepaid expenses	(22 724)	(12 706)
	Taxes losses available for set off against future taxable income	23 760	–
		658 279	**671 930**
6.	**Inventories**		
	Finished goods	784 115	649 139
7.	**Trade and other receivables**		
	Trade receivables	15 092 816	15 145 179
	Less: Provision for bad debts	–	(33 410)
	Fair value adjustment	–	(39 769)
	Held on trust - Martin Patlansky Attorneys	–	1 555 781
	Other receivables	157 013	90 776
	Prepayments	324 639	161 703
	ABSA Bank Limited	–	1 459 119
		15 574 468	**18 339 379**

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 2010 amounted to R15 092 816 (2009: R15 145 179).

Included in the company's trade receivables balance are debtors with a carrying amount of R112 (2009: R99 562), which are past due at the reporting date for which the company has not provided, as there has not been significant changes in the credit quality and the amounts are still considered recoverable. The company does not hold any collateral over these balances. The credit terms of the past due trade receivables have not been renegotiated.

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

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

Figures in Rand	2010	2009
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	13 914	57 190
Bank balances	74 123 871	61 216 221
Bank overdraft	–	(1 118 170)
	74 137 785	**60 155 241**
Current assets	74 137 785	61 273 411
Current liabilities	–	(1 118 170)
	74 137 785	**60 155 241**
9. Share capital		
Authorised		
250 000 000 ordinary shares of R0.001 each	250 000	250 000
Issued		
134 402 041 (2008 - 134 402 041) shares of R0.001 each	134 402	134 402
Share premium	35 574 627	35 574 627
	35 709 029	35 709 029

The 113 997 959 (2009: 113 997 959) unissued shares are under the control of the directors, subject to Sections 221 and 222 of the Companies Act and the Listing Requirements of the JSE Limited, South Africa, in terms of a resolution passed at the annual general meeting in November 2009. The authority is valid until the forthcoming annual general meeting.

	2010	2009
10. Share Premium		
Balance at beginning of period	35 574 627	35 574 627
Group share premium can be reconciled as follows:		
Premium on shares of FoneWorx Holdings Limited	36 374 627	36 374 627
Less: Premium on shares held by Interconnective Solutions Share Incentive Trust	(800 000)	(800 000)
	35 574 627	35 574 627

11. Share Incentive trust

Interconnective Solutions Share Incentive Trust is the owner of 1 600 000 shares in FoneWorx Holdings Limited at an issue price of R0.50 each. As mentioned in the Directors' Report, 900 000 shares we allocated at R0.50 and 700 000 shares were allocated at R1.04 to senior and long-serving staff during the 2007 financial year. The terms of this allocation are that the shares must be paid for in full before delivery of the shares is taken, and that payment must be made within 10 years of the grant. In compliance with IAS 27 Consolidated and Separate Financial Statements, the trust has been consolidated. Refer to note 30.

	2010	2009
12. Loan payable		
Tresso Trading (Proprietary) Limited	–	(471 975)
The above loan was purchased by FoneWorx Holdings Limited during the year under review.		

Figures in Rand	2010	2009
13. Interest bearing liabilities		
Minimum instalment payments due		
- within one year	1 860 983	3 013 072
- in second to fifth year inclusive	6 618 578	6 738 426
- later than five years	3 530 637	5 160 162
	12 010 198	14 911 660
Less: future finance charges	(2 437 355)	(3 390 688)
Present value of minimum instalment payments	**9 572 843**	**11 520 972**
Present value of minimum instalment payments due		
- within one year	1 142 287	1 941 728
- in second to fifth year inclusive	5 213 033	4 981 139
- later than five years	3 217 523	4 598 105
	9 572 843	**11 520 972**
Non-current liabilities	8 430 556	9 579 244
Current liabilities	1 142 287	1 941 728
	9 572 843	**11 520 972**

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 R29 688 inclusive of interest. The Group's obligations under instalment sale agreements are secured by certain equipment and motor vehicles with a carrying amount of R1 082 740 (2009: R2 051 260).

Included in the interest bearing liabilities is the long-term loan is secured by a bond registered over ERF 1636, Ferndale. The bond is repayable over 10 years at an interest rate of prime minus 1% and repayable in monthly instalments of R141 757. The carrying amount of property as reflected in the accounting records of the subsidiary is R9 343 501 (2009: R9 717 366).

14. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	878 521	62 182	(18 410)	922 293
Performance bonus	3 911 450	4 615 511	(3 911 450)	4 615 511
	4 789 971	**4 677 693**	**(3 929 860)**	**5 537 804**
Reconciliation of provisions - 2009				
Leave pay	736 209	167 645	(25 333)	878 521
Performance bonus	3 500 000	3 447 739	(3 036 289)	3 911 450
	4 236 209	**3 615 384**	**(3 061 622)**	**4 789 971**

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

Figures in Rand	2010	2009
15. Trade and other payables		
Trade payables	8 974 737	9 949 473
Amounts received in advance	902 247	848 360
VAT	558 642	616 548
Third party prize money	1 521 110	229 500
Absa Bank Limited	–	1 555 781
Accruals	2 994 511	2 825 549
	14 951 247	**16 025 211**

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.

16. Financial liabilities by category

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

2010	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Trade and other payables	11 969 247	–	–	11 969 247
Other	1 521 110	–	–	1 521 110
	13 490 357	**–**	**–**	**13 490 357**
2009				
Other financial liabilities	2 027 756	–	–	2 027 756
Trade and other payables	12 775 022	–	–	12 775 022
Bank overdraft	1 118 170	–	–	1 118 170
Other	229 500	–	–	229 500
	16 150 448	**–**	**–**	**16 150 448**

Notes to the Group Annual Financial Statements

for the year ended 30 June 2010

Figures in Rand	2010	2009
17. Revenue		
Rendering of services	91 921 685	78 948 442
Rental income	–	339 615
	91 921 685	**79 288 057**
18. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
Contractual amounts	59 805	120 247
Loss on sale of fixed assets	172 377	–
Profit on sale of assets	–	(22 053)
Profit on foreign exchange	–	(9 380)
Depreciation and amortisation	3 826 726	3 201 048
Depreciation on investment property	(373 978)	–
Employee costs	19 632 075	13 938 218
Amount expensed in respect of retirement benefit plans	177 880	210 619
Insurance	453 224	201 114
Auditors remuneration - for audit services	551 180	383 000
Directors Emoluments	6 896 020	5 828 229
Fees relating to listing on JSE	308 868	307 871
Legal Fees	183 474	35 004
Telecommunication charges	4 138 637	4 050 978
19. Auditors' remuneration		
Fees	398 580	383 000

20. Directors' emoluments

	Basic salary	Bonus /leave pay	Travel allowance	Provident Fund	Medical Aid	Total 2010	Total 2009
R Graver	893 298	500 000	–	59 316	58 886	1 511 500	1 334 375
AG Mancha*	–	–	–	–	–	–	–
G Mooney*	–	–	–	–	–	–	–
AC Molusi*	–	–	–	–	–	–	–
A Masitwe*	–	–	–	–	–	–	–
R Russell	806 520	500 000	120 000	38 400	–	1 464 920	1 303 995
MA Smith	1 491 183	975 000	–	36 000	42 317	2 544 500	2 266 800
PA Scholtz	741 887	425 000	144 000	–	64 213	1 375 100	923 059
	3 932 888	**2 400 000**	**264 000**	**133 716**	**165 416**	**6 896 020**	**5 828 229**

* Independent directors.

21. Retirement benefits

Company contributions charged to the income statement are R177 880 (2009: R210 619).

Retirement benefits are provided for employees via pension or provident fund contributions. The pension and provident fund is governed by the Pension Funds Act 1956 (Act no. 24 of 1956). The fund is in the nature of a defined contribution plan where the retirement benefits are determined with reference to the employer's and employees' contribution to the fund. Membership of the fund is voluntary and the fund had seven members at the balance sheet date (2009: nine members).

Figures in Rand	2010	2009
22. Investment income		
Interest received		
Bank	4 702 705	5 856 548
23. Finance costs		
Bank	1 154 677	1 550 404
SARS	117 921	60 585
	1 272 598	**1 610 989**
24. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	7 995 259	6 514 966
STC	544 008	367 206
	8 539 267	**6 882 172**
Deferred		
Originating and reversing temporary differences	13 651	440 301
	8 552 918	**7 322 473**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting profit	28 718 246	25 522 052
Tax at the applicable tax rate of 28% (2009: 28%)	8 041 109	7 146 175
Tax effect of adjustments on taxable income		
Capital gains	–	–
Permanent differences	(8 439)	(119 397)
Tax losses available for set off against future taxable income	(23 760)	–
Assessed loss utilised	–	(71 511)
STC	544 008	367 206
	8 552 918	**7 322 473**

Gross estimated tax losses of certain subsidiaries at 30 June 2010, available for offset against future taxable income amounted to R1.4 million (2009: R1.4 million). A deferred tax asset has not been raised in respect of these losses due to the uncertainty around those subsidiaries' ability to generate future taxable profits against which the deferred tax asset may be utilised. Had a deferred tax asset been raised it would have amounted to R396 000 (2009: R396 000).

Figures in Rand	2010	2009
25. Cash generated from operations		
Profit before taxation	28 718 246	25 522 052
Adjustments for:		
Depreciation and amortisation	3 452 748	3 201 048
Loss/(Profit) on sale of assets	172 377	(22 053)
Interest received	(4 702 705)	(5 856 548)
Finance costs	1 272 598	1 610 989
Movements in provisions	747 833	553 762
Changes in working capital:		
Inventories	(134 976)	(635 112)
Trade and other receivables	2 764 912	(4 210 113)
Trade and other payables	(1 073 966)	2 530 356
	31 217 067	**22 694 381**
26. Tax paid		
Balance at beginning of the year	(635 468)	(1 373 607)
Current tax for the year recognised in profit or loss	(8 539 267)	(6 882 172)
Balance at end of the year	(183 730)	635 468
	(9 358 465)	**(7 620 311)**
27. Dividends paid		
Balance at beginning of the year	(5 327)	–
Dividends	(5 440 082)	(3 628 855)
Balance at end of the year	13 675	5 327
	(5 431 734)	**(3 623 528)**

28. Borrowing powers

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

29. Related parties

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

30. Share based payments

Employee share option plan

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

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

The number of options granted is approved by shareholders at a previous annual general meeting and is approved by the Remuneration Committee.

30. Share based payments (continued)

The following share-based payment arrangements were in existence during the current and comparative reporting years:

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

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

	Number of options	Weighted average exercise price
Balance at 1 July 2009	1 600 000	0.08
Granted during the financial year	–	–
Forfeited during the financial year	–	–
Exercised during the financial year	–	–
Expired during the financial year	–	–
Balance at 30 June 2010	1 600 000	0,08

No share options were granted under the employee share option plan were exercised during the financial year.

Figures in Rand	2010	2009
31. Earnings per share		
The calculation of earnings per share is based on profits of R20 165 328 attributable to shareholders of the parent (2009: R18 199 579) and a weighted average of 134 402 041 (2009: 134 402 041) ordinary shares in issue during the year	15.00 cents	13.54 cents
The calculation of headline earnings per share is based on profits of R20 165 328 attributable to shareholders of the parent adjusted to R20 289 439 (2009: R18 199 579 adjusted to R18 183 701) and a weighted average of 134 402 041 (2009: 134 402 041) ordinary shares in issue during the year	15.10 cents	13.53 cents
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders of parent	20 165 328	18 199 579
Loss/(Profit) on disposal of property, plant and equipment	172 377	(22 053)
Tax effect of the sale of associate and disposal of property, plant and equipment	(48 266)	6 175
Headline earnings	20 289 439	18 183 701
The calculation of diluted earnings per share is based on profits of R20 165 328 (2009: R18 199 579) and a weighted average of 134 812 910 (2009: 136 002 041) ordinary shares issued during the year	14.96 cents	13.38 cents
Reconciliation between earnings and diluted earnings per share:		
Weighted average number of shares used in the calculation of earnings per share	134 402 041	134 402 041
Shares deemed to be issued in respect of:		
Employee options	410 869	1 600 000
	134 812 910	136 002 041

32. Risk management

Capital risk management

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

The capital structure of the Group consists of debt, which includes borrowing disclosed in note 13, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and premium, reserves and retained earnings as disclosed in notes 8, 9 and 10, respectively.

Currently the Group's cash and cash equivalents of R74.1 million (2009: R60.2 million) exceeds its total debt of R9.6 million (2009: R11.9 million) as set out in notes 12 and 13 by 7.71 times (2009: 5.06 times).

Significant accounting policies

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

Fair values

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

Figures in R'000	2010 Fair value	2010 Carrying amount	2009 Fair value	2009 Carrying amount
Trade and other receivables	15 250	15 250	15 163	15 163
Cash and cash equivalents	74 138	74 138	60 155	60 155
Trade and other payables	15 106	15 106	(16 025)	(16 025)
Long-term loans and instalment sale liabilities	9 573	9 573	(11 521)	(11 521)
Loans payable	–	–	(471)	(471)
	114 067	**114 067**	**47 301**	**47 301**

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

Concentration of risk

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

Foreign currency risk

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

Interest rate risk

Fluctuating interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business the Group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash 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 R74.1 million (2009: R60.2 million) and financial liabilities are R9,6 million (2009: R11.9 million).

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher and all other variables were held constant, the group's profit for the year under review would have increased by R645 649 (2009: R540 274).

If interest rates had been 100 basis point lower and all other variables were held constant, the group's profit for the year under review would decrease by R645 649 (2009: R540 274).

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

Credit risk management

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

Liquidity risk

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 company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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.

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 142 287	1 270 275	3 943 250	3 217 031
Trade and other payables	15 106 575	–	–	–
At 30 June 2009				
Borrowings	1 941 728	1 115 395	3 865 744	4 598 105
Trade and other payables	16 025 211	–	–	–

33. 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 3.5% (12 months 2009 2.4%) 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 36.8% and 17.9% (2009: 34.6% and 27.7%) of its revenue through two customers respectively. BizWorx generated 94.4% (2009: 93.1%) 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.

Figures in Rand	2010	2009
33. Segment reporting (continued)		
Revenue		
BizWorx	64 245 676	58 231 141
MediaWorx	26 080 018	20 105 047
Development	1 595 991	951 869
	91 921 685	**79 288 057**
Cost of sales		
BizWorx	(21 452 155)	(20 235 141)
MediaWorx	(12 134 496)	(10 895 004)
Development	(645 740)	(427 936)
	(34 232 391)	**(31 558 081)**
Gross Profit		
BizWorx	42 793 521	37 996 000
MediaWorx	13 945 522	9 210 043
Development	950 251	523 933
	57 689 294	**47 729 976**

34. Subsidiaries

2010	**Issued share capital R**	**Group effective interest %**	**Cost of investment R**	**Indebtedness by subsidiary R**	**Provision for doubtful loans R**
The holding company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	10 583 485	–
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2 310 100	189 326	–
Interconnective Solutions Management Services (Proprietary) Limited	100	100%	100	112 709	(112 709)
Retail Card Club (Proprietary) Limited	100	100%	100	606 665	(606 665)
SuveyOnLine (Proprietary) Limited	100	100%	100	1 323 532	(1 323 532)
Valutronics (Proprietary) Limited	100	100%	100	101 806	(101 806)
Mazambane Trading 56 (Proprietary) Limited	100	100%	100	564 752	–
VM Advertising (Proprietary) Limited	100	100%	100	823 984	(823 984)
			2 310 800	**14 306 259**	**(2 968 696)**
2009					
The holding company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	15 664 137	–
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2 310 150	(584 783)	–
Interconnective Solutions Management Services (Proprietary) Limited	100	100%	100	211 756	(211 756)
Retail Card Club (Proprietary) Limited	100	100%	100	594 659	(594 659)
SuveyOnLine (Proprietary) Limited	100	100%	100	835 863	(835 863)
Valutronics (Proprietary) Limited	100	100%	100	93 845	(93 845)
VM Advertising (Proprietary) Limited	100	100%	100	823 984	(823 984)
			2 310 750	**17 639 461**	**(2 560 107)**

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.

34. **Subsidiaries (continued)**

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

2010	Profit before tax R	Tax R	Profit for the year after tax R
FoneWorx (Proprietary) Limited	24 926 430	7 364 614	17 561 816
Four Rivers Trading 123 (Proprietary) Limited	1 259 959	363 904	896 055
Interconnective Solutions Management Services (Proprietary) Limited	224 671	61 841	162 830
Retail Card Club (Proprietary) Limited	(25 875)	–	(25 875)
SuveyOnLine (Proprietary) Limited	(12 167)	–	(12 167)
Valutronics (Proprietary) Limited	(3 062)	–	(3 062)
Mazambane Trading 56 (Proprietary) Limited	(84 858)	(23 760)	(61 098)
	26 285 098	**7 766 599**	**18 518 499**
2009			
FoneWorx (Proprietary) Limited	23 684 990	6 664 881	17 020 109
Four Rivers Trading 123 (Proprietary) Limited	38 352	118 144	(79 792)
Interconnective Solutions Management Services (Proprietary) Limited	386 082	(109 806)	495 888
Retail Card Club (Proprietary) Limited	(46 276)	–	(46 276)
SuveyOnLine (Proprietary) Limited	(12 764)	–	(12 764)
Valutronics (Proprietary) Limited	(1 911)	–	(1 911)
	24 048 473	**6 673 219**	**17 375 254**

35. **Securities and guarantees**

The Group's banking facilities are secured as follows:

- Suretyship limited to R5 000 000 issued by FoneWorx Holdings Limited in favour of BOE Private Bank as security for the facility granted to Four Rivers Trading 123 (Proprietary) Limited.
- Unlimited suretyship issued by FoneWorx Holdings Limited in favour of ABSA Bank Limited as security for banking facilities granted to FoneWorx (Proprietary) Limited.
- Cession of book debts by FoneWorx (Proprietary) Limited in favour of ABSA Bank Limited.

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

- SABC Limited - R1 500 000 (2009: R1 500 000).
- Virtual Payment Solutions (Proprietary) Limited - R50 000 (2009: 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 12th annual general meeting of shareholders of the company will be held at the offices of the company, First Floor, Corner Bram Fischer Drive and Will Scarlet Road (entrance on Will Scarlet Road), Ferndale, Randburg, at 10:00, on Thursday, 11 November 2010, to conduct the following business:

1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 30 June 2010, including the directors' report and the report of the auditors therein.

2. To re-elect, Ronald Graver who, in terms of Article 66 of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.

   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) Ltd, a joint venture between Nasionale Pers Limited and the Argus Group. Ronald then left Parrot to form his own company, International Appeal (Proprietary) Ltd, 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, Gaurang Mooney who, in terms of Article 66 of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.

   Gaurang Mooney : BA Economics & Finance (Non-executive Director)
   Gaurang studied at the University of Texas and obtained a Bachelor of Arts degree in Economics and Finance. Gaurang's background is in finance and he is an executive director of Overseas Development Enterprises (Proprietary) Ltd. 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.

4. To re-elect, Pieter Scholtz who, in terms of Article 66 of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.

   Pieter 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.

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

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

6. **ORDINARY RESOLUTION NUMBER 1**

   Control of authorised but unissued ordinary shares

   "**Resolved** by way of a general authority that the authorised but unissued ordinary shares in the capital of FoneWorx Holdings Limited ("the company") be and are hereby placed under the control and authority of the directors of the company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 221 and 222 of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of JSE Limited from time to time."

7. **ORDINARY RESOLUTION NUMBER 2**

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

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

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

   for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE Listing Requirements") from time to time.

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

   - the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
   - any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
   - the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 50% (fifty percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
   - this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
   - an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;

- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Limited ("the JSE") Listings Requirements, Ordinary Resolution Number 2 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting, excluding the company's designated adviser, Merchantec (Proprietary) Limited and the controlling shareholders together with their associates.

8. SPECIAL RESOLUTION NUMBER 1

General approval to acquire shares

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

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

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

8.1 **Reason for and effect of Special Resolution Number 1**

The reason for and effect of this Special Resolution Number 1 is to obtain an authority for, and to authorise, the company and the company's subsidiaries, by way of a general authority, to acquire the company's issued ordinary shares.

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

8.2 **Other disclosure in terms of Section 11.26 of the JSE Listings Requirements**

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

- directors and management – page 2 and 16
- major shareholders of FoneWorx – page 18;
- directors' interests in securities – page 17;
- share capital of the company – page 16; and
- litigation statement – page 19.

8.3 **Material Change**

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

8.4 **Directors' responsibility statement**

The directors, whose names appear on page 2 and 16 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the Special Resolution Number 1 and certify that to the best of their knowledge and belief there are no facts in relation to the Special Resolution Number 1 that have been omitted which would make any statement in relation to the Special Resolution Number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution together with this notice contains all information required by law and the JSE Listings Requirements in relation to the Special Resolution Number 1.

8.5 **Adequacy of working capital**

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

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

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

9. ORDINARY RESOLUTION NUMBER 3

Signature of documents

"Resolved that each director of FoneWorx Holdings Limited ("the company") be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider this resolution which are passed (in the case of ordinary resolutions) or are passed and registered by the Companies and Intellectual Property Registration Office (in the case of special resolutions)."

Notice of Annual General Meeting

10. Other Business

To transact such other business as may be transacted at an annual general meeting of the company.

Voting and Proxies

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is attached hereto.

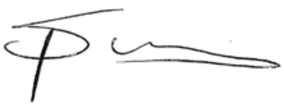
The attached form of proxy is only to be completed by those ordinary shareholders who:

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

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

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

By order of the Board



Pieter Scholtz CA (SA)
Company Secretary

9 September 2010
Johannesburg

Shareholders’ diary

Financial year end	**30 June 2010**
Annual report and financial statements	**22 September 2010**
Annual general meeting	**11 November 2010**
Interim report	**February 2011**

FoneWorx Holdings Limited

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

Form of Proxy

For use only by ordinary shareholders who:

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

at the 12th annual general meeting of ordinary shareholders of the company to be held on Thursday,11 November 2010 at 10:00 at the offices of the company, First Floor, Corner Bram Fischer Drive and Will Scarlet Road (entrance on Will Scarlet Road), Ferndale, Randburg.

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

I/We (name/s in block letters)

of (address)

Telephone work ( ) Telephone home ( )

being the holder of ______________________________________ordinary shares in the capital of the company do hereby appoint (see note):

1. or failing him / her,

2. or failing him / her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purposes of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions ("resolutions") to be proposed thereat and at each postponement and adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares 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 2010			
2.	To approve the re-election as director of Ronald Graver who retires by rotation			
3.	To approve the re-election as director of Gaurang Mooney who retires by rotation			
4.	To approve the re-election as director of Pieter Scholtz who retires by rotation			
5.	To confirm the re-appointment of PKF as auditors of the company together with Mr Ben Frey being the individual registered auditor for the ensuing year			
6.	Ordinary Resolution Number 1 – control of authorised but unissued ordinary shares			
7.	Ordinary Resolution Number 2 - approval to issue ordinary shares, and to sell treasury shares, for cash			
8.	Special Resolution Number 1 - general approval to acquire shares			
9.	Ordinary Resolution Number 3 – signature of documents			

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

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 2010

Signature

Assisted by (where applicable)

Notes

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by insertion of the relevant number of votes exercisable by the 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 with the company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. **Forms of proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:**

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

    to be received by no later than 10:00 on Tuesday, 9 November 2010 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified on SENS).

14. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).

DRILLING FOR WATER
APRIL 2010

SCHOOL CHILDREN
BEING INVOLVED

FENCING OFF AREAS
TO PLANT TREES

BUILDING WATER
STORAGE TANKS

JUNE 2010

BUILDING INDIGENOUS
NURSERY

BANTU HOLOMISA SHOWING
POSTER OF THE AREA

INDIGENOUS TREES
FOR LAUNCH

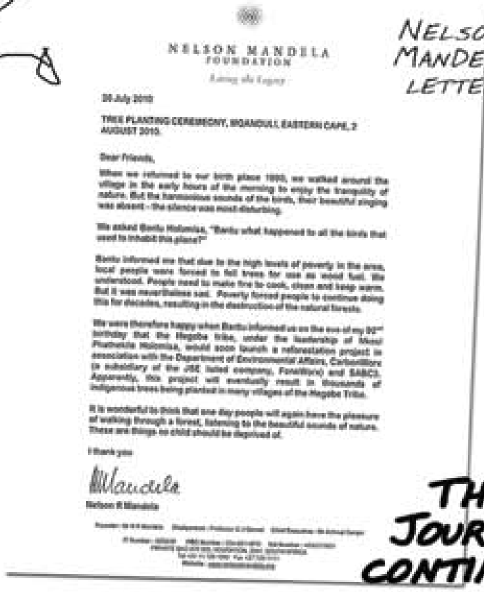
JULY 2010

SETTING UP A LOCAL
OFFICE

MINISTER OF
ENVIRONMENTAL AFFAIRS
AT CARBONWORX LAUNCH
AUGUST 2010

INVITED GUESTS
AT LAUNCH

MINISTER BUYELWA PATIENCE
SONJICA PLANTING A TREE



NELSON MANDELA
FOUNDATION

Living the Legacy

30 July 2010

TREE PLANTING CEREMONY, MQANDULI, EASTERN CAPE, 2 AUGUST 2010.

Dear Friends,

When we returned to our birth place 1990, we walked around the village in the early hours of the morning to enjoy the tranquility of nature. But the harmonious sounds of the birds, their beautiful singing was absent – the silence was most disturbing.

We asked Bantu Holomisa, "Bantu what happened to all the birds that used to inhabit this place?"

Bantu informed me that due to the high levels of poverty in the area, local people were forced to fell trees for use as wood fuel. We understood. People need to make fire to cook, clean and keep warm. But it was nevertheless sad. Poverty forced people to continue doing this for decades, resulting in the destruction of the natural forests.

We were therefore happy when Bantu informed us on the eve of my 92nd birthday that the Hegebe tribe, under the leadership of Nkosi Phathekile Holomisa, would soon launch a reforestation project in association with the Department of Environmental Affairs, CarbonWorx (a subsidiary of the JSE listed company, FoneWorx) and SABC3. Apparently, this project will eventually result in thousands of indigenous trees being planted in many villages of the Hegebe Tribe.

It is wonderful to think that one day people will again have the pleasure of walking through a forest, listening to the beautiful sounds of nature. These are things no child should be deprived of.

I thank you

Nelson R Mandela

NELSON
MANDELA
LETTER

TREES BEING PLANTED
IN THE AFFORESTATION
AREA

92 TREES
DONATED TO
NELSON MANDELA
FOR HIS BIRTHDAY

M. SMITH & R. GRAVER
FROM CARBONWORX

THE
JOURNEY
CONTINUES...