BizWorx CARBONWORX IDWorx MediaWorx

FoneWorx Holdings Limited
(Registration number: 1997/010640/06)
FoneWorx House
Cnr Bram Fischer Dr & Will Scarlet Rd
Randburg, 2194

(PO Box 3386, Pinegowrie, 2123)

ANNUAL REPORT 2013

Building Multi-Channel Communications

SOCIAL NETWORKS

WEBSITE, ONLINE MENTIONS, ADS

PERSONAL RELATIONSHIPS

TEXT, MOBILE WEB

ESTABLISHING ONE-TO-ONE ENGAGEMENT WITH YOUR CUSTOMERS

INTERACTIVE MEDIA

TELEVISION

IN-STORE EXPERIENCE

EMAIL

FoneWorx
www.foneworx.co.za

FONEWORX HOLDINGS LIMITED

(Registration number: 1997/010640/06)

ANNUAL REPORT
for the year ended 30 June 2013

CONTENTS

SCOPE OF REPORT

FoneWorx

"FoneWorx is an information, communication and technology ("ICT") company, which provides a broad range of products and services to over 400 clients, primarily within media, Fast Moving Consumer Goods ("FMCG"), digital agencies, telecommunications and publishing sectors primarily in South Africa and niche markets throughout Africa."

The Directors of FoneWorx proudly present the Group's Annual Integrated Report for the financial year ended 30 June 2013.

The Annual Report 2013 provides an overview of the Group's business, incorporating identified material issues facing the Group and its subsidiaries. The Annual Report 2013 incorporates the Group's approach to sustainability and general corporate governance.

We have not sought independent assurance on this Annual Intergrated Report 2013 except for the Financial Statements which were independently audited by the Group's Auditors.

In compiling this Annual Report 2013 FoneWorx has given consideration to:

- The JSE Listings Requirements
- The South African Companies Act, Act No. 71 of 2008, as amended
- The King Report on Governance (King III)
- Global Reporting Initiative ("GRI") Framework and Guidelines for Sustainability Reporting
- International Financial Reporting Standards and the Adoption of New Accounting Standards

Directors' Responsibility

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The Board has applied its mind to the integrated report and confirms that the report addresses all material issues and fairly represents the integrated performance of the Group.

FoneWorx is an ICT company that has developed its own proprietary technical platform which provides a broad range of products and service to its clients.

The services provided are all targeted around four themes: Advertising, Promotions, Direct Marketing and Customer Relationship Marketing ("CRM") – see overview below.

The technical tools used to achieve these objectives include: SMS, IVR, USSD, MMS, web, email, mobi, call centre, payment gateways, database management and a combination of these tools.

FoneWorx's clients are found in various sectors of the economy, however a large concentration is found within the advertising and media space.

These include: advertising agencies, electronic media (radio and television) and general corporates. A large percentage of our revenue is generated from repeat work from long-standing clients.

FoneWorx employs account executives who either solicit for new clients or service existing clients. We are also fortunate that we receive referral work from existing clients.

FoneWorx operates primarily in South Africa, however we provide niche services, promotions, text services, competitions and database applications throughout Africa and currently have contractual relationships with 92 networks in 38 countries in Africa.

ADVERTISING	PROMOTIONS	DIRECT MARKETING	CRM
Web Mobile and traditional **Narrowcast** Bluetooth **Physical browsing** RFID, Bar code, QR codes OTHER IVR, IVR push, Gamification	**Competitions** Interactive USSD voting Text2Win **Other** Coupons / Vouchers Sample ordering Request for more information Airtime push	**Messaging** Personalised permission-based messages: - SMS, MMS - WAP / USSD push - email	**Mobile Commerce** Payments Banking / Virtual wallets **Market Research** - Surveys - Polls **Mobile community** Clubs Instant messaging USSD

BizWorx

BizWorx operates as either a bureau-based or stand-alone application, which offers a range of unified communication services, which enable individuals, small, medium and micro enterprises ("SMME's") and corporates to manage their communications through a single or multi-channel solution.

The range of unified services includes:

Fax2Email	Auto receptionist	Airtime Purchase
IVR	MMS	IM
Conference Call	Email	Call Centre
Consulting	USSD	SMS
Email2Fax	Authenticated Mobile Transactions	Mobi Sites

The lion's share of revenue is generated through our Fax2Email and Email2Fax services which provide attractive annuity-based income to the Group.

BizWorx (via FoneWorx) is a licensed service provider to Telkom to provide premium rated Fax2Email services. Telkom has recently extended FoneWorx's contract for a further five years ending 2018. This is the Group's third renewal.

BizWorx markets and distributes its broad range of services via our internal sales executives and a trained dealer network of external companies which operate in the business community.

BizWorx has developed its own proprietary platform for either a hosted solution (provided on FoneWorx platform) or a stand-alone solution (equipment deployed at a client), which includes software, customer care and ongoing development.

Fax2Email services, which is the conversion of hard copy to digital format (tiff or pdf – encrypted or non-encrypted) delivered to an email address, still remains a relevant and meaningful form of information transmission. The BizWorx platform processes around 310,000 unique images per day or 80 million images per annum.

BizWorx also provides consulting and professional services to a broad range of clients who require bespoke services to be designed and hosted on their behalf.

MediaWorx

MediaWorx is a digital service provider of multi-channel communications to a broad range of clients throughout the African continent. MediaWorx consults with each of its clients and structures value-added services to align with the client's marketing and sales strategy,

This division specializes in providing one-to-one communication services aimed at targeted audiences.

Mass markets have fragmented and with these changes impersonal mass communications (especially media advertising) has become less effective.

MediaWorx assists clients in developing short to long term strategies using customer relationship marketing tools to develop and mine databases to effectively manage one-to-one strategies. The objective is to encourage clients to integrate mobile strategies into a firm's marketing communications strategy in totality and not implemented on an ad hoc basis.

This division manages over 600 campaigns on an annual basis using a multitude of bearer technologies such as:

Interactive Voice Response	"IVR"
Unstructured Supplementary Service Data	"USSD"
MultiMedia Services	"MMS"
Instant Messaging	"IM"
Short Message Services	"SMS"
Call Centre	"CC"

MediaWorx also provides clients with fulfillment services which manages thousands of prize fulfillments from our storage facility annually.

MediaWorx provides a range of strategically designed services such as:

- Promotions
- Chat Services
- Call Centre
- Mobile Commerce
- Coupons
- Club Services
- Competitions
- Voting
- Research
- Surveys
- Bulk Communications
- Web Applications

MediaWorx provides a range of niche services to clients throughout Africa. To achieve this, contractual relationships have been entered into with 92 networks in 38 countries throughout Africa.

IDWorx

IDWorx is, in essence, a sub-division or product specific service offered via BizWorx. Due to its potential it has been established and branded with its own profile. **YourIdentity4U** is the trading brand for IDWorx and offers a private cloud-based service aimed at consumers who need to interface with corporates in their daily life. This product offers various bearer technologies such as:

- SMS
- Web
- IVR
- LBS
- USSD
- Call Centre

The services provided via this product include:

Document Storage	Medical Record Storage	Identity Theft Restitution
Reminder Service	Electronic Document Distribution	Personal Information Change Alert
General Alerts	Credit Profile Change Alert	Barcode identification
Password Storage	Medical Alert	Call Centre

CarbonWorx

CarbonWorx is, de facto, a product and service spawned out of MediaWorx. However, due to third party equity involvement in this project, it is housed and reported separately in CarbonWorx Proprietary Limited.

Many companies acknowledge that the climate is changing and despite the debate around whether this is a natural phenomenon or attributed to human activities, there is no debate that environmental issues need to be taken seriously. This includes the destruction of forests and associated wildlife.

CarbonWorx architecture uses the technical platform developed by FoneWorx for MediaWorx and BizWorx to facilitate the purchase and planting of trees using e-commerce.

CarbonWorx (continued)

Individuals or corporates are empowered to calculate their carbon footprint on the CarbonWorx website and then purchase (electronically) the number of trees to offset their calculated footprint.

Trees are then planted in a verified afforestation project, registered with the Department of Environmental Affairs and verified by Golder Associates.

With sustainability issues becoming more relevant as part of the corporate fabric, the services offered via CarbonWorx become more relevant.

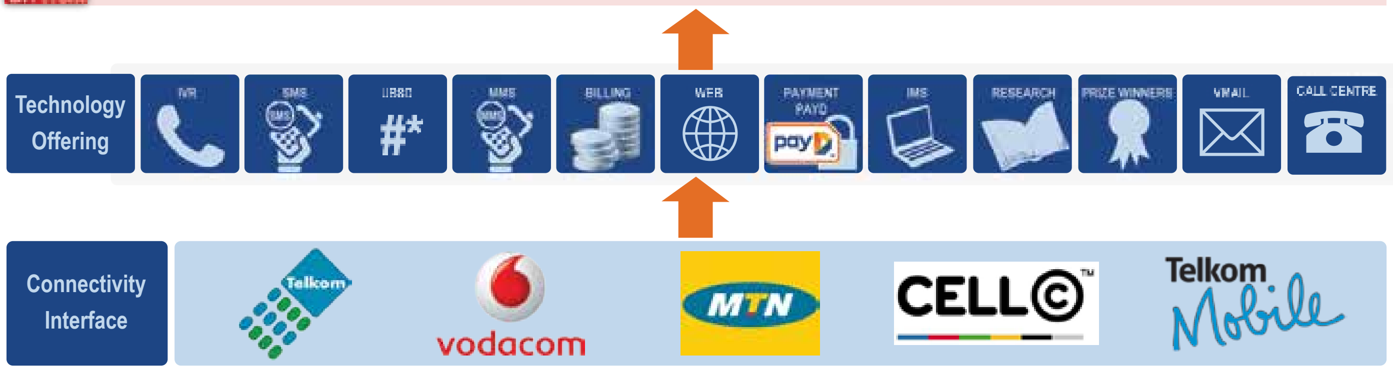
The primary objectives of CarbonWorx can be defined as:

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

DRWorx

DRWorx provides back-up and disaster recovery services for clients who need secondary facilities in the advent of fires, floods, telecommunication or electricity interruptions. The facility is primarily designed for small, medium and micro enterprises as well as stockbrokers.

BizWorx	• Fax2Email • Web2Fax	• Email2Fax • Business Training	• Bespoke Services • Banking / Closed Loop	• Messaging Services	
MediaWorx	• Promotions • Competitions	• Research • Fulfillment	• Instant Messaging • Loyalty	• Club • Consulting	• Creative • Social Media
IDWorx	• Document Storage • Password Storage	• Medical Records Storage • Identity Restitution	• Document Distribution • Alert Services		
CARBONWORX	• Sustainability	• Green Initiative	• Carbon Calculation	• Carbon Off Setting	
DR Worx	• Hosting	• Backups	• Workflow Continuity	• Disaster Recovery	



Mark Smith - Chief Executive Officer
BA LLB (Admitted Attorney) Age : 55

Mark completed his articles and practised as an attorney for a few months before joining Shield Trading Corporation Limited ("Shield") as legal advisor. Mark was also the managing director of Infophone Proprietary Limited which operated telephony services in the premium rate service industry where he gained experience in the audiotex telephony platform. In 1991 Mark was appointed joint managing director of Shield. In 1992 Massmart Holdings Proprietary Limited, a subsidiary of Wooltru Limited, acquired 66% of Shield and Mark was appointed the managing director of Shield. In May 1995, Mark was also appointed a director of Massmart Holdings Proprietary Limited, the holding company of Shield, Makro and Dion. As managing director of Shield, Mark was responsible for 450 franchised outlets and responsible for sales of R1.3 Billion. The total market share of Shield's outlets totalled (collectively) approximately R6 Billion. In February 1997 Mark phased out of Shield to start FoneWorx.

Mark has extensively researched Identity Verification applications and also attended courses on the subject matter. In addition, Mark has consulted widely with a number of legal professionals and industry bodies to acquire extensive knowledge in the arena of Identity Verification. Mark has also developed an extensive business training course orientated around the small, medium and micro enterprises and lectures on a broad range of topics in the Virtual Business Centre management courses in the FoneWorx Academy. Mark has consulted widely with environmental experts on climate change and has also presented papers at various climate change conferences. In addition, Mark holds a number of workshops on climate change and restoration of local eco systems in line with climate mitigation and adaptation.

Pieter Scholtz - Financial Director
CA(SA)(B.Com Accounting, B.Com Honours, CTA & CIMA) Age: 37

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. He was also 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.

Graham Groenewalt - Sales Director Age: 55

Graham began his career at Telkom in the technical department and became a department supervisor at the age of 21 after which he was promoted to Zone Manager. Following on from Telkom, Graham co-founded Qualicom, specialising in servicing and maintenance of PABX and telecommunications equipment. Teleboss later bought Qualicom and Graham stayed on as Operations Director. In 1992 he left Teleboss to become an independent consultant. In 1995 Graham returned to Teleboss as Managing Director of the Johannesburg region. After managing Teleboss for four years he took up the position as Chief Executive Officer of TeleMessage in October of 1999 and in December was appointed to the board of directors as Managing Director. Telemessage was merged with a subsidiary of Interconnective Solutions Limited, now FoneWorx Holdings Limited, in 2003.

DIRECTOR'S PROFILE NON - EXECUTIVES

Ashvin Mancha - Independent Non-Executive Director, Chairman Age: 56

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

Gaureng Mooney - Non-Executive Director
BA Economics and Finance Age: 43

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

Roger Pitt - Independent Non-Executive Director
(BCom (Hons)(Acc), CA(SA) - Age: 32

Roger is a chartered accountant, having obtained his BCom (Hons)(Accounting) degree from Rand Afrikaans University. After completing his articles he moved into corporate finance where he gained broad experience in the full scope of corporate actions and also attended board and Audit & Risk Committee meetings of Main Board and AltX listed clients in order to advise them on statutory and regulatory requirements. Roger owns and is currently running an import and distribution business in the medical industry and sits on the board and commitees of various private and listed companys.

Paul Jenkins - Independent Non-Executive Director
BCom, LLB Age: 54

Paul qualified at Randse Afrikaanse Universiteit in 1981 with a BCom and LLB degree and was admitted as an attorney and notary in February 1986. He became a partner of Webber Wentzel in 1988 and left his position as senior commercial legal partner in 1999 to join the Johnnic group full time. In this capacity he served as a director of numerous listed companies and was Chief Executive Officer of Johnnic Entertainment. He is currently self-employed and provides business and legal advisory services to a select group of clients. He is the non-executive Chairman of Caxton and CTP Publishers and Printers Limited and the executive Chairman of Moneyweb Holdings Limited.

Marc du Plessis - Non-Executive Director
B.Com Commercial Accounting Age: 33

After Marc obtained his degree at the University of Stellenbosch in 2001 he attended the AAA school of Advertising and then started working as a Ski Resort Manager in Austria and Italy. In 2006 he joined Caxton as a key account manager and has since progressed through the ranks and currently occupies the position of Digital leadership team and General Manager – Dealfinder.

Piet Greyling - Non-Executive Director
BCom, BCompt (Hons) Age; 56

Piet is a former chartered accountant who spent most of his earlier career in the accounting and auditing profession. He joined the Caxton group in 1992 and is currently the Managing Director of the Newspaper Group.

The FoneWorx Group delivered a positive set of results in the 2013 financial year. The financial highlights for the year under review include:

- Group revenue up 9%
- Profit before tax increased by 10%
- Cash and cash equivalents up by 11%
- Earnings per share up 11%
- Dividend per share up 71%

For a more detailed overview please refer to the Financial Director's report.

The Group's performance during the year under review was purely organic and was achieved within a demanding macro-economic environment and during a protracted and challenging period where senior management's time was consumed with trying to facilitate a merger with Value+ Nettwork (Proprietary) Limited ("Value+") and the Kirsh Consortium.

The FoneWorx board of Directors ("the Board") came to the conclusion that to continue with the proposed transaction, based on additional revised financial information received from Value+, would be reckless and would significantly endanger the financial stability of the FoneWorx Group and substantially change the nature of the transaction. The transaction was ultimately cancelled by consensual agreement. The shares held by the William and Isaac Kirsh Trusts (32.7%) were subsequently acquired by Caxton and CTP Publishers and Printers Limited ("Caxton").

Operational Performance

FoneWorx is an information, communication and technology ("ICT") business that provides a range of multi-channel communications in both voice and data which is switched via our proprietary technical platform with software developed by our own internal programmers. The Group's intellectual property is accordingly:

- the software and hosting environment;
- our route to market; and
- our broad range of services offered as a "turnkey solution" under one roof.

Our target markets, in respect of clients, are relatively broad and include: media houses, advertising agencies, brand managers of large Fast Moving Consumer Goods ("FMCG") companies, broadcasters (SABC and DSTV Africa) and general corporates.

Our services, via our clients, are either offered as Business to Business ("B2B") applications or Business to Consumer ("B2C"). The consumer profile covers the entire LSM1 to LSM10 spectrum.

Our services are offered via divisionalised brands as follows:

BizWorx

BizWorx provides a range of unified communication services ("UCT") to individuals, small business and larger corporates.

Unified communication includes: Fax2Email, Email2Fax, Short Message Services ("SMS"), Interactive Voice Response ("IVR"), Instant Messaging ("IM") and similar technologies.

Our Virtual Business Centre ("VBC"), which is a web-based application with an aggregation of a number of modules such as: SMS, Auto Receptionist, Conference Call, Virtual Airtime etc, continues to be positively received by small businesses that require access to technology on a prepaid basis without capital expenditure. During the period under review free training sessions were provided to small businesses to upskill them on the benefits of VBC. 217 business owners were trained by our Business Manager in our training centre during the period under review.

There is a market perception that faxing is a declining technology, yet all our indications and internal trends clearly show that faxing still is and will remain a dominant aspect of messaging. BizWorx has over 320,000 unique subscribers to its hosted service with an increase of around 2,000 new subscribers per week. Our ten year history in this environment has shown that there are certain subscribers who don't use the service as regularly as others and certain subscribers "drop off" the system as they may forget that they have subscribed. However, we continue to see usage north of the 300,000 mark.

Frost and Sullivan evaluated the international faxing market in 2010 and reported that *"the overall computer-based fax market will grow 6.9% compound annually through to 2017"*. FoneWorx processes in excess of 300,000 unique images per day via its three fax platforms.

Faxing in the "cloud" is a phenomenon which has captured the interest of many businesses that want to outsource their faxing capabilities. BizWorx offers a cloud environment which enables in-bound and out-bound faxing to be managed seamlessly and securely.

The BizWorx faxing solution provides users with the following features: safety, security, auditability, reliability and trusted exchange.

Our newly released Email2Fax service, which enables subscribers to send a fax from their computer to any destination in the world, has taken off well, with many repeat users topping up their "virtual wallet" on a monthly basis.

"I am satisfied with the Group's overall performance and the positive platform established for the next reporting period."

BizWorx (continued)

Our fax services and other multi messaging services offered via BizWorx are marketed via a strong dealer network of 82 independently run business owners.

The Premium Rate Fax2Email services are provided by FoneWorx as a licensed service provider to Telkom under contract.

Our contract has been renewed as from the 1st of September 2013 for a period of five years. This will enable us to develop a number of additional "value-added" layers to Fax2Email with the security of the contract in place.

Our strategy going forward in this division is to:

- add layers of modernization to fax
- increase the dealer network
- promote Email2Fax as the "reverse process" of Fax2Email
- promote training to small business to adopt or "unified messaging"
- promote awareness of the services via our own out-bound call centre
- offer free training sessions to SMME's

MediaWorx

MediaWorx provides a range of services such as: SMS, MMS, USSD, vMail, IVR, IM, Call Centre, Fulfillment and bespoke services to advertising agencies, FMCG companies and corporates in general. These technologies are deployed for sales, marketing, customer relationship management ("CRM") and promotional activities such as:

- Competitions (SMS/IVR/USSD/MMS)
- Voting services (SMS/IVR/USSD)
- Community or eco-system building
- Product or prize fulfillment
- Market research / surveys
- Database building and management

This division has huge organic growth opportunity, particularly in line with the widespread adoption by consumers of technologies such as social media and mobile telephony, coupled with the acceptance of on-line shopping, e-banking and content sharing, all of which is collectively referred to as the "Digital Economy".

It is clear that with the "internet economy" migrating to mobile platforms, businesses need to be ready to service their customers effectively via multiple channels.

MediaWorx is well positioned to provide clients with, not only the technical solutions, but also the business strategy around effectively communicating with the consumer, building up a database and providing a customer relationship programme linked to a loyalty club or programme.

In order to "service their customers" businesses need to have a sound knowledge of their customers and ensure they have an "opted in" database particularly in line with the imminent Protection of Personal Information Bill ("POPI").

Mass markets have fragmented and with these changes impersonal mass communication has become less effective.

Targetted one-to-one marketing (MediaWorx's core business) has thus become more important.

MediaWorx consults with its clients to assist in integrating a mobile strategy into a firm's marketing communications strategy for long-term and not ad hoc gains.

During the period under review MediaWorx performed extremely well and managed over 900 campaigns spread over 300 different clients. We are working with a number of clients in developing their "eco-systems" (marketing, loyalty, communications) in line with the new digital economy.

Unstructured Supplementary Service Data of "USSD" as a technology continues to perform well for MediaWorx and MediaWorx has developed a robust USSD platform and provides services to blue chip clients such as: Pep, Supercard, Pick n Pay, Tiger Brands, Unilever, SAB (Hansa/Castle/Black Label) and Caxtons, to mention a few.

During the period under review campaigns were provided to a number of established brands such as:

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

Some of the agencies that MediaWorx provided services to include: Hg80 éKapa, 34, Zoom, Limelight, Ogilvy, Millward Brown, Hardy Boys, Initiative, Paton Tupper, Wired, Wanted, Y&R, 7 Dffrnt Knds of Smke and many more.

FoneWorx has received a renewal of its preferred service provider contract to SABC Mobile for a further 3 (three) years.

MediaWorx Africa

MediaWorx Africa has a presence in 40 countries in Africa and has contractual relationships with over 90 mobile networks in those countries.

This division has successfully managed a number of campaigns incorporating: competitions, voting and mobile surveys for well-known brands such as DSTV Africa (Big Brother), Distill, Clere, Sybase and Samsung.

MediaWorx Africa has managed interactive mobile surveys on behalf of Millward Brown in Kenya, Tanzania and Ghana.

MediaWorx has also established a supply agreement for the importation and sale of dual-SIM based cellphones and tablets to enhance its digital offering to its broad client base.

The strategy going forward for MediaWorx is very promising and includes:

- Increasing sales executives in Cape Town and Johannesburg due to a number of new clients being appointed.
- Increasing the number of advertising/media agencies, which will be the source of new clients.
- Introducing premium rated IVR which has been introduced by the networks.
- Increasing loyalty services to existing and new clients.
- Deploying more instant messaging services to new clients to develop communities.

IDWorx

IDWorx is, in essence, a sub-division or service offered by BizWorx. Due to this service having the potential to make substantial market inroads, it has been divisionalised for marketing and sales purposes.

"YourIdentity4U" is the trading brand that will go to market in October 2013 and will be targeted to consumers who are conscious of having a secure "private cloud" to store vital information pertaining to their identity and when interfacing with businesses that require vital information or documents at very short notice.

The "YourIdentity4U" suite of services is web-based with mobile interfaces using "Apps" and "USSD". The service offering includes:

- Document Storage
- Medical Record Storage
- Personal Information Update
- Reminder Service
- Medical Alert Service
- Phone Apps
- General Alerts
- Electronic Document Distribution
- Barcode Identification
- Password Storage
- Credit Profile Change Alert
- Identity Theft Restitution

The "YourIdentity4U" service also incorporates an identity theft restitution service which is underwritten by Hollard Insurance.

Our strategy in the deployment will be to market the service via:

- our 82 dealers
- websites
- call centre
- insurance companies
- corporates who provide value-added services to clients or staff

DRWorx

DRWorx is a niche disaster recovery and back-up hosting facility which was primarily set up for stockbrokers and similar trading institutions. The hosting facility is an approved JSE Limited ("JSE") site and we have provided services to limited brokers via this hosting environment.

The JSE has recently announced that it will launch its own co-location facility next year. This is a clear indication to us that they will compete directly with facilities such as this and accordingly we intend to change our strategy to form a relationship with specialist hosting and DR companies and enable the facility to be used for business other than stockbrokers. We are currently evaluating these opportunities. We have already expensed four fifths of the capital expenditure for the facility which makes future contracts attractive.

CarbonWorx

CarbonWorx is, de facto, a product and service offering spawned out of MediaWorx. Due to third party equity involvement it is housed in a separate legal entity, CarbonWorx Proprietary Limited, and reported separately.

CarbonWorx operates off the same technical platform as that of MediaWorx and BizWorx and has been refined to three key drivers.

Learning	Understanding sustainability and its key facets in corporate life
Sharing	Creating a platform (web) for service providers who share similar values.
Benefitting	Enabling individuals to calculate their CO_2 footprint and then offset their footprint by planting trees.

CarbonWorx (continued)

Good progress was made in growing over 4,000 trees in our nursery based at Mqanduli.

In addition, over 2,600 trees were planted in four of the six sites operated by CarbonWorx in the area. Trees planted are based on purchases made by individuals and businesses who have calculated their footprints and then offset their impact by planting trees.

The project in Mqanduli managed in association with the Hegebe Trust and the Department of Environmental Affairs, has created 76 "green jobs" for the last three years.

We were most saddened by the passing of one of our founding Directors, Mr Ronald Graver, who was very instrumental in CarbonWorx. The trees planted will remain his legacy for years to come.

Prospects – Positioned For Further Growth

I remain positive about the outlook for the ensuing year to June 2014.

BizWorx continues to provide the Group with solid and predictable income with Fax2Email and Email2Fax showing good growth. Although we don't foresee double digit growth in this division, stable single digit growth is anticipated. This division is entirely automated and requires very little maintenance. It is very scalable with limited human resource and minimum Capex.

MediaWorx has huge potential going forward in line with the emerging "digital economy" and growth in mobile e-commerce.

Mobile is the new face of engagement and will put power in the pocket of millions of global consumers.

Mobile, social, cloud and big data (opted in) are now being integrated delivering Apps and smart products precisely in the context of real-time workflows to the benefit of both consumers and business.

YourIdentity4U

FoneWorx, as a Group, is well positioned to provide its broad range of clients with such services.

Our focus over the next few years will be to deploy our systems,

intellectual property and technology in assisting our clients to develop databases which enable one-to-one marketing and e-commerce solutions linked to loyalty programmes.

We are also very excited about our new shareholders, Caxton, who acquired 32.7% in FoneWorx.

Caxton has exceptionally well established and solid communication brands in the form of 163 local newspapers with linked websites and numerous well established branded magazines.

We have already engaged with a number of these brands and believe that we can establish a symbiotic relationship with these publishing channels by adding a digital element, coupled with loyalty and e-commerce. Our relationship with Caxton will not only provide FoneWorx with a solid strategic shareholder, but an excellent client with many touchpoints for FoneWorx to complement and provide a mobile strategy.

I would like to extend my sincere thanks to all my staff, valued dealers and co-directors for their continued hard work, team spirit, passion and entrepreneurial spirit which has made FoneWorx a leader in this sector.

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

Mark Smith
Chief Executive Officer

FINANCIAL DIRECTORS REPORT

Introduction

The FoneWorx Group delivered positive financial results and further improved its already strong financial position in the past year.

Financial Performance

The Group's revenue has grown 8.9% during the past year, from R98.6 million to R107.3 million. This increase is mostly attributed to the 18.4% increase in revenue from MediaWorx division up to R42.4 million from R35.8 million in the previous year. This is due to a general increase in sales and a change in the billing and accounting procedure implemented by one of the cellular networks. The change required us to invoice and account for the full revenue collected on Wireless Application Service Provider ("WASP") and accordingly invoice them for the full cost of the bearer service. The net effect of this change in accounting practice has had no impact on the gross profit of the division as the related revenue increase brought about a corresponding increase in cost of sales and therefore the gross profit for the division remained steady at R16.9 million (2012: R17.2 million).

The BizWorx division showed marginal revenue growth of 3.5%, however the gross profit increased by 6.4% for the year from R46.3 million to R49.3 million. This improvement is due to an improved mix in sales via our dealer network and directly via FoneWorx, with the latter enjoying greater gross profit margins.

Operational expenditure increased by 7.1% from R11.1 million up to R11.9 million whereas personnel costs for the same period decreased by 7.2% from R20.6 million in the year before to R19.1 million. In addition to this the Group spent R1.4 million on legal expenditure relating the proposed Value+ transaction as discussed in the CEO's report. This is an extraordinary expense.

The net result of the revenue growth and the reduction in operating cost is a 9.8% in operating profit (up from R28.6 million to R31.4 million) and a 4.8 % increase in Earnings Before Interest Depreciation and Amortization ("EBITDA") from R32.8 million to R35.9 million.

Based on the weighted average number of shares in issue, earnings per share ("EPS") increased by 11.3% to 18.35 cents from 16.52 cents in the previous corresponding period.

Profit before tax increased by 9.8% to R35.6 million (2012: R32.4 million) and gross profit increased by 4.1% to R66.2 million (2012: R63.6 million), equating to a gross profit percentage of 61.6% (2012: 64.5%).

Net profit for the year under review increased to 24.93 million (2012: R22.45 million) reflecting a 11% increase. (R10.5 operating expenditure + R1.4 legal cost.)

Statement of Financial Position

During the year the Group entered into a specific share buyback agreement with the Independent Development Corporation ("IDC") and a back to back share issue agreement with the Kirsh Consortium. The Group bought back 40 800 612 shares at a strike price of 130.81 cents totaling R53 475 929 and issued at the same quantity and value to the Kirsh Consortium. Subsequent to this, the shares were sold by the Kirsh Consortium to Caxton & CTP Publishers & Printers.

The assets held by the Group increased by 13.4% from R140.6 million to R159.6 million. Non-current assets remained at R24.7 million (2012: R24.5 million) with current assets increasing by 16.1% to R134.9 million from R116.1 million. Cash and cash equivalents were the biggest attributer to this, growing by 11.2% from R98.3 million to R109.3 million.

All capital acquisitions during the past financial period were funded through the Group's own cash resources and therefore non-current liabilities reduced to R4.9 million from R6.4 million through the normal loan repayments made. Current liabilities increased by R6.0 million supported by a corresponding increase of R8.1 million in current assets excluding the increase in cash and cash equivalents. This increase is attributed to the increased revenue during the last six months of the financial year.

The net asset value per share has increased to 93.1 cents from 82.4 cents over the past year, an increase of 13.0% and the net tangible asset value per share increase 11.6% from 77.6 cents to 88.6 cents.

Equity Movements

During the year under review the Group declared and paid a dividend of 7 cents totalling R9 520 143 (2012: R7 480 112). On 17 September 2013 the Board of FoneWorx declared a dividend of 12 cents per share totalling R16 320 245, an increase of 71.4%.

The cost of the specific buyback and issue of shares of R946 394 was accounted for against share premium.

Going Concern

The Board has formally considered the going concern assertion for the year going forward and is of the opinion that it is appropriate.

Conclusion

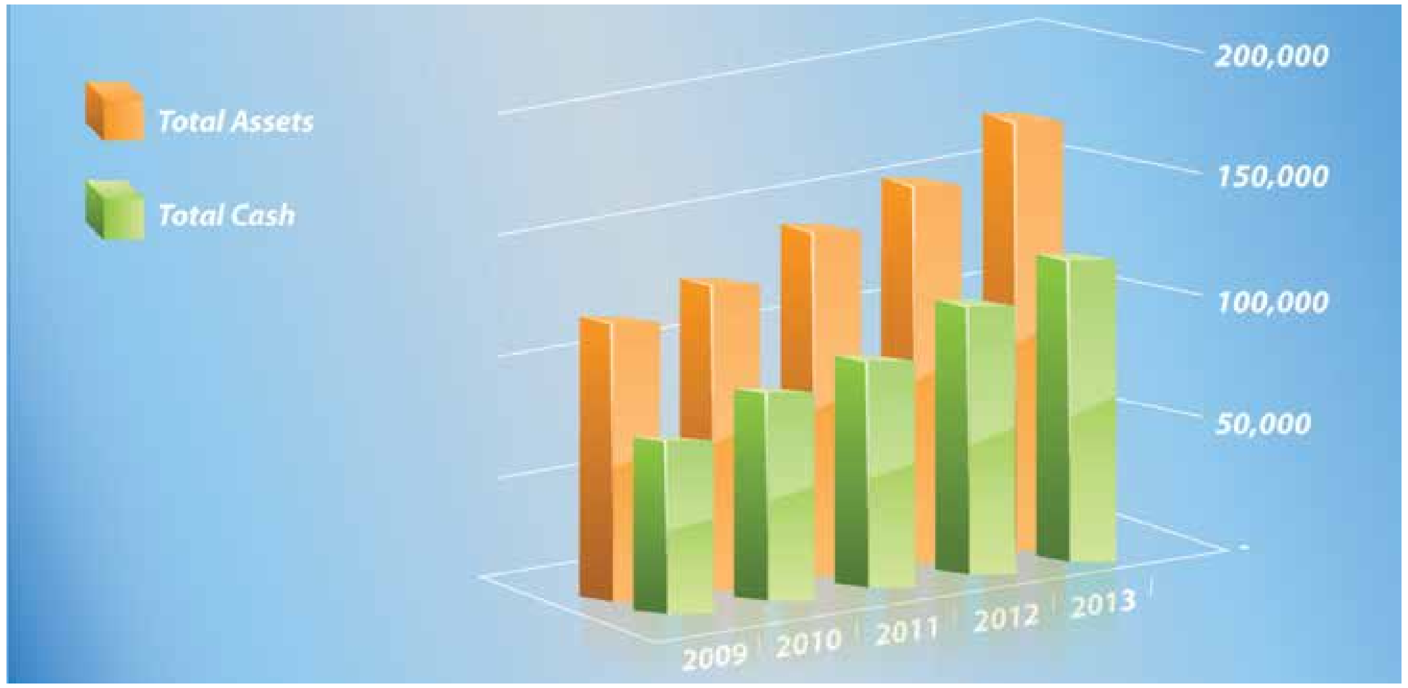
The FoneWorx Group is strategically and operationally well placed for future growth. It has an exceptionally strong balance sheet and solid cash generative business divisions. The Board is of the opinion that the Group will continue to be profitable and be in a position to expand its operations through internally developed solutions as well as acquisitions.

FINANCIAL DIRECTOR'S REPORT

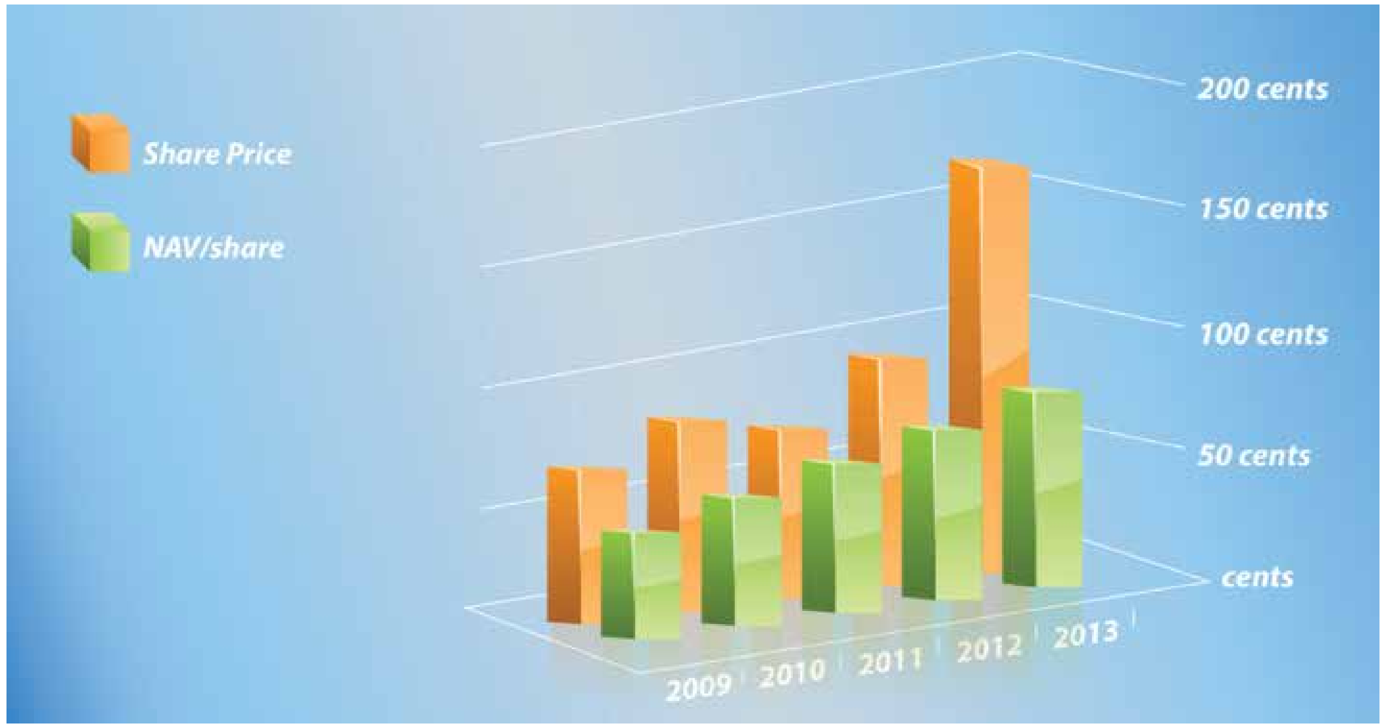
	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Operating results	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Revenue	107,367	98,617	91,579	91,921	79,288
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	35,869	32,852	28,706	29,115	24,477
Operating profit	31,350	28,599	24,489	25,288	21,276
Profit for the year/period	24 931	22,462	19,524	20,165	19,199
Cash generated from operations	28,021	29,261	20,382	25,289	19,319
Financial position					
Total equity	126,572	112,107	97,125	82,921	68,196
Total assets	159,682	140,659	127,504	113,020	103,044
Total Cash	109,334	98,322	82,067	74,138	61,279
Total current assets	134,966	116,167	102,664	90,704	80,543
Total liabilities	33,110	28,566	30,379	30,100	34,849
Total current liabilities	28,201	22,170	21,445	21,668	24,798
Financial ratios					
EBITDA margin	33.4%	33.31	31.35%	31.67%	30.87%
Operating profit margin	21.19%	29.00	26.74%	27.51%	26.83%
Return on equity	20.87%	21.47	21.69%	26.69%	31.52%
Return on assets	16.59%	16.75	16.23%	18.67%	20.43%
Debt Equity Ratio	26.09%	25.47	31.28%	36.30%	51.10%
Average debtors' days	96 days	82 days	85 days	86 days	114 days
Liquidity ratio	4.8 times	4.9 times	4.2 times	3.8 times	3.0 times
Share performance					
Number of shares in issue at year-end	136,002,041	136,002,041	136,002,041	134,402,041	134,402,041
Basic and diluted earnings per share	18.33 cents	16.52 cents	14.44 cents	15.00 cents	13.54 cents
Headline and diluted headline earnings per share	18.33 cents	16.52 cents	14.44 cents	15.10 cents	13.38 cents
Net asset value per share	93.10 cents	82.40 cents	71.40 cents	61.70 cents	51.70 cents
Tangible net asset value per share	86.60 cents	77.60 cents	66.90 cents	58.70 cents	48.40 cents
Closing share price at year-end	197 cents	110 cents	80 cents	92 cents	75 cents
Dividend per share	7.00 cents	5.50 cents	4.50 cents	4.00 cents	2.72 cents

5 Year Revenue and Profitability

Steady Increase in Assets over the Past 5 Years



Share performance over the Past 5 Years



The Board of Directors supports the importance of sound corporate governance and the principles set out in the King III Report. Where applicable and appropriate the Group is committed to the implementation of these principles.

Board of Directors

The FoneWorx Board is committed to:

- integrity and best practice in its dealings with stakeholders and society at large;
- doing business with customers and suppliers using best ethical practices;
- employment practices which are non-discriminatory and which include training and skills development; and
- doing business in a manner that is sustainable for all stakeholders, the details of which are set out on pages 30 to 35 (sustainability report)

The FoneWorx Board is responsible for the Group's corporate governance processes. The Group does not have a formal framework for the delegation of authority levels. The Group has, however, a well entrenched process for all decisions so as to ensure that each and every decision is taken at the appropriate level.

New Directors that are appointed are introduced to the Executive Committee ("Exco"), senior management and afforded an overview of the business and training. In line with the AltX requirements, all new Directors are required to attend the JSE Directors Induction Programme.

The Board

FoneWorx has a unitary Board which for the year under review comprised of three executive Directors, one independent non-executive Director (Chairman) and one non-executive Director. Regrettably one executive director, Mr Ronald Graver, passed away during the period under review after 16 years of service on the Board. In line with the passing of Mr Graver and the acquisition of 32.7% of the FoneWorx equity by Caxton, three new board members have been appointed: Paul Jenkins, Marc du Plessis and Piet Greyling.

The appointment of Directors is undertaken by the Board as a whole in a manner which is formal and transparent. The Directors are of the opinion that this structure is effective and believe that an appropriate policy is in place to ensure that a balance of power and authority exists amongst Directors, so that no one Director has unfettered powers of decision-making.

Due to the size of FoneWorx, the Board has elected not to form a Nomination Committee to co-ordinate and evaluate appointments to the Board.

If a vacancy arises, the Board will develop the criteria for the required candidate.

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

The executive Directors have responsibility for implementing strategic and operational decisions in the conduct of the Group's business. The independent non-executive Directors and non-executive Directors supplement the executive Directors' skills and judgement, giving assistance in the overall direction of the Group.

The Board is aware that during the period under review, the number of non-executive Directors and independent Directors did not fully comply with the King III recommendations, however it was of the opinion that in view of the size of the Group and resource constraints, the non-executive Directors were, both in terms of judgement and character, sufficiently independent to ensure objectivity in all Board discussions and decisions.

The roles of the Chairman of the Board, who is independent, and Chief Executive officer are separate.

The day-to-day management of the Group vests in Exco, which consists of the three Executive Directors plus two IT Managers, the Legal/Human Resource Manager and the Financial Manager. Each member of Exco has clear areas of responsibility and members meet on most Wednesdays in the year from 9am to 12pm to cover key dials of the business.

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

Board Processes

The Board has adopted a formal charter in line with King III which has been implemented to set out processes and responsibilities. This charter defines and records the responsibilities, functions and broad areas of evaluating, including identifying key risk areas, financial and non-financial aspects affecting the Group.

The Board accordingly follows key dials which reflect resource planning, products, service and human resource.

The Group has established a formal policy restricting share dealing by Directors, officers and staff within closed periods and in times where price sensitive information is being dealt with.

Directors attendance at board Meetings for the year under review

	Board		Audit and Risk Committee		Remuneration Committee		Social and Ethics Committee	
	No. of meeting	Attended	No. of meeting	Attended	No. of meeting	Attended	No. of meeting	Attended
A Mancha	4	4	2	2	1	1	2	2
G Mooney	4	4	2	2	1	1		
M Smith	4	4	2*	2*			2	2
R Graver (Passed away 22 March 2013)	2	2						
P Scholtz	4	4	2*	2*			2	2
Mr Graham Groenewaldt (Appointed 27 March 2013)	2	2						
Merchantec Capital (Designated Adviser)	4*	4*	2*	2*				

* *By invitation*

The Board is of the view that its members have the expertise and experience to fulfill their obligations to the Group. The Board of Directors has a minimum of four meetings a year. Should the need arise, additional meetings are constituted.

During the year the Boards composition fell short of the requirements as set out in King III. This was due to limitations imposed on the Board structure until the Kirsh Consortium / Value+ transaction was concluded. Subsequent to this matter being resolved the Board appointed four additional Board members. The Board now comprises of six non-executive directors (three independent) and three executive directors.

Risk Evaluation

The Board determines the Group's risk profile and tolerance for risk, in achieving its strategic and operational objectives. Risk is also carefully evaluated at Exco level and conveyed to the Board.

Exco also contracts with external consultants for opinions or reviews on matters pertaining to its IT risk profile and tolerance for risk specific to products and services and the potential impact on the Group's reputation.

Board Committees

Audit And Risk Committee

During the year under review the Audit and Risk Committee consisted of one independent non-executive Director (Ashvin Mancha who acted as Chairman), a non-executive Director (Gaurang Mooney) and two executive Directors who were invitees to the meetings.

In addition, the Group's external auditors (Grant Thornton Jhb Inc) and Financial Director also met with the committee members.

The Audit and Risk Committee meets at least twice a year. Further meetings are convened when necessary. The Board is of the view that due to the size of the Group, the number of meetings is sufficient.

During the period under review the Audit and Risk Committee met to evaluate:

- the interim and year-end results
- regulatory and accounting standard compliance
- that the external auditors are independent auditors and that the fees payable were appropriate
- the audit plan
- the effectiveness of internal controls in the Group
- the risks facing the Group and to satisfy itself that management has put plans in place to mitigate identified risks

The Audit and Risk Committee has recommended the integrated report to the Board for approval. The Audit and Risk Committee has considered and has satisfied itself of the appropriateness of the expertise and experience of the Financial Director, Mr Pieter Scholtz.

With the addition of four board members subsequent to the year end the Board was able to amend the composition of the Audit and Risk Committee by nominating Mr. Roger Pitt (Independent Non-Executive).

The Committee now consists of Mr. Roger Pitt (Committee Chairman), Mr. Gaurang Mooney (Non-Executive) and Mr. Ashvin Mancha (Independent Non-Executive Chairman of the Board).

IT Governance

The IT Manager is responsible to report to Exco and by invitation to the Board to ensure that IT controls are in place and all risks associated with the IT Department, products and services are identified and, where appropriate, mitigated.

The IT Manager reports to Exco every Wednesday and provides an overview of the IT systems, projects under development and progress made on redundancy and diversity strategies.

The Group has established three distinct and diverse hosting environments which operate as live sites for approximately sixty five percent of its revenue, primarily relating to the services offered by BizWorx.

In addition, a full back-up site has been established to remotely back-up and store all facets of services managed by the Group.

The Group also pays an external consultant to assist and advise on firewall protection and gateway management. In addition, the Group also consults with external software security companies to provide input on security, hacking, phishing and the like.

External auditors (B E Rees & Company), other than the Group's main auditors, are also contracted to audit certain software programs in line with the Consumer Protection Act ("CPA") and WASPA Code of Conduct.

Social And Ethics Committee

This committee was set up in terms of Section 72 of the Companies Act. The primary functions of the committee are to monitor and Group's activities having regard to any relevant legislation, other legal requirements or prevailing codes of best practice.

The committee members comprise: Mr Ashvin Mancha (Chairman), Mr Mark Smith, Mr Pieter Scholtz, Mr Gaurang Mooney and Mr Stefan Kleynhans.

The committee met once in the period under review and established the following areas of responsibility:

i. Review and approve the policy, strategy and structure to manage social and ethics issues in the Company.

ii. Oversee the monitoring, assessment and measurement of the Company's activities relating to social and economic development, including the Company's standing in terms of the goals and purposes of:

- The 10 principles set out in the United Nations Global Compact Principles;
- The OECD recommendations regarding corruption, see the Organisation for Economic Co-operation and Development (OECD) website for further details (www.oecd.org);
- The Employment Equity Act;
- The Broad-Based Black Economic Empowerment Act;

iii. Oversee the monitoring, assessment and measurement of the Company's activities relating to good corporate citizenship, including the Company's promotion of equality, prevention of unfair discrimination, addressing of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed, and record of sponsorship, donations and charitable giving;

iv. Oversee the monitoring, assessment and measurement of the Company's activities relating to the environment, health and public safety, including the impact of the Company's activities and of its products or services.

v. Oversee the monitoring, assessment and measurement of the Company's consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws in order to ensure that company adheres to its values.

vi. Oversee the monitoring of the Company's labour and employment, including the company's standing in terms of the International Labour Organization Protocol on decent work and working conditions, the company's employment relationships, and its contribution toward the educational development of its employees.

vii. Review the adequacy and effectiveness of the Company's engagement and interaction with its stakeholders.

viii. Consider substantive national and international regulatory developments as well as practice in the fields of social and ethics management.

ix. Review and approve the policy and strategy pertaining to the Company's programme of corporate social investment.

x. Determine clearly articulated ethical standards (Code of Ethics) and ensure that the Company takes measures to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture within the Company.

Social And Ethics Committee (continued)

xii. Review the material risks and liabilities relating to the provisions of the Code of Ethics, and ensure that such risks are managed as part of the Company's risk management programme.

xiii. Review the Company's performance assertions in implementing the provisions of the Code of Ethics.

xiv. Review the Company's performance assertions in implementing the provisions of the Code of Ethics.

xv. Obtain external assurance of the Company's ethics performance on an annual basis, and facilitation of the inclusion in the Integrated Report an assurance statement related to the ethics performance of the Company.

xvi. Ensure that management has allocated adequate resources to comply with social & ethics policies, codes of best practice and regulatory requirements.

Remuneration Committee

The Remuneration Committee comprises: Mr Ashvin Mancha and Mr Gaurang Mooney and, by invitation, Mr Mark Smith and Mr Pieter Scholtz. The Committee had one meeting during the year under review.

The salaries of the executive Directors', CEO, Financial Director and Sales Director are determined by the Renumeration Comittee

The salaries of senior management and staff are suggested by the CEO and Financial Director and tabled to the entire Remuneration Committee for discussion and approval. (The three executive Directors are excluded from deliberations in respect of their own remuneration).

For the period under review no fees were paid to the non-executive Directors.

The Remuneration Committee is guided by the Group's strategy, performance of the period under review, whether internal targets were achieved and an evaluation of external salary and bonus trends.

The Committee looks at industry standards, trends in the marketplace and the personal input of each individual based on annual appraisal systems.

Bonus payments are determined based on:

- the Group as a whole achieving a designated target
- the individual's performance relative to the target
- external benchmarks

Company Secretary

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

The role of the Company Secretary was performed by Pieter Scholtz, the Financial Director, for the year under review. In order to comply with requirements of King III, The Board is in the process to appoint and Independent external Company Secretary.

During the year under review the Company Secretary was able to ensure good governance by relying on the JSE accredited designated advisor of the Company for guidance and review.

Going Concern

The "going concern" basis has been adopted in preparing the financial statements. The current strong financial position of the Group, strong cash flows and continued fiscal controls, gives the Directors reason to believe that the business of the Group will continue to function as a going concern for the foreseeable future.

Internal Controls and Audit

The Group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for the assets of the Group and its stakeholders.

Nothing material has come to the attention of the Directors or the external auditors, based on their tests of internal controls, to indicate that any material breakdown in the functioning of the abovementioned internal controls and systems has occurred during the year under review.

Due to the size of the Group and the nature of its transactions the Board has not required the Group to establish an internal audit function. The Board reviews this requirement annually.

Employment Equity

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

Occupations levels	Designated							Non-designated			Total
	Male			Female				White Male	Foreign nationals		
	A	C	I	A	C	I	W		Male	Female	
Senior Management								3			3
Skilled technical and academic qualified workers, junior management, supervisors, foremen and superintendents	1	1		1	1		8	11	1		24
Semi skilled and discretionary decision making	2	1	1	5			4	5			18
Unskilled and defined decision making	2			2							4
Total Permanent	5	2	1	8	1		12	19	1		49
Non Permanent	1	1		1	2		2				7
Grand Total	6	3	1	9	3		14	19	1		56

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

Broad Based Black Economic Empowerment

FoneWorx is committed to complying with the Department of Trade and Industry's Black Economic Empowerment Codes of Good Practice.It is diligently seeking to increase its shareholding by Historically Disadvantaged Individuals even though similar efforts in the past have been fruitless. The Group is a Level 6 Contributor in terms of the Broad Based Black Economic Empowerment Act.

Analysis of the application of the 75 corporate governance principles as recommended in the King III Report

No.	Area		Requirement	Status	Comments
	Ethical Leadership and Corporate Citizenship				
1.		1.1	The board should provide effective leadership based on an ethical foundation	Y	
2.		1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	Y	
3.		1.3	The board should ensure that the company's ethics are managed effectively	Y	
	Boards and directors				
4.	Role and Function of the board	2.1	The board should act as the focal point for and custodian of corporate governance	Y	
5.		2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Y	
6.		2.3	The board should provide effective leadership based on an ethical foundation	Y	
7.		2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Y	
8.		2.5	The board should ensure that the company's ethics are managed effectively	Y	
9.		2.6	The board should ensure that the company has an effective and independent audit committee	Y	The Group Audit & Risk Committee consists of majority independent non-executive Directors.
10.		2.7	The board should be responsible for the governance of risk	Y	
11.		2.8	The board should be responsible for information technology (IT) governance	Y	
12.		2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Y	
13.		2.10	The board should ensure that there is an effective risk-based internal audit	N	The Board reviewed this requirement and found that due to the size of the Group and the nature of its operations it did not warrant an internal audit function. The Board will continue to monitor this requirement if the nature of its business changes.
14.		2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	Y	
15.		2.12	The board should ensure the integrity of the company's integrated report	Y	
16.		2.13	The board should report on the effectiveness of the company's system of internal controls	Y	
17.		2.14	The board and its directors should act in the best interests of the company	Y	
18.		2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	Y	
19.		2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	Y	
20.		2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	Y	
21.	Composition of the board	2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent		As from 17 September 2013 the Board complies with this requirement.
22.	Board appointment process	2.19	Directors should be appointed through a formal process	Y	
23.	Director developments	2.20	The induction of and on-going training and development of directors should be conducted through formal processes	Y	
24.	Company secretary	2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Y	
25.	Performance assessment	2.22	The evaluation of the board, its committees and the individual directors should be performed every year	Y	Done internally
26.	Board committees	2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Y	
27.	Group boards	2.24	A governance framework should be agreed between the group and its subsidiary boards	Y	

	Boards and directors (continued)				
28.	Remuneration of directors and senior executives	2.25	Companies should remunerate directors and executives fairly and responsibly	Y	
29.		2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Y	
30.			Shareholders should approve the company's remuneration policy	Y	
	Audit committees				
31.		3.1	The board should ensure that the company has an effective and independent audit committee	Y	
32.	Membership and resources of the audit committee	3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	Y	The Group Audit & Risk Committee consists of majority independent non-executive Directors.
33.		3.3	The audit committee should be chaired by an independent non-executive director	Y	As from 17 September 2013 the Committee complies with this requirement.
34.	Responsibilities of the audit committee	3.4	The audit committee should oversee integrated reporting	Y	
35.		3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Y	
36.	Internal assurance providers	3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Y	
37.		3.7	The audit committee should be responsible for overseeing of internal audit	N	The Board reviewed this requirement and found that due to the size of the Group and the nature of its operations it did not warrant an internal audit function. The Board will continue to monitor this requirement if the nature of its business changes.
38.		3.8	The audit committee should be an integral component of the risk management process	Y	
39.	External assurance providers	3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Y	
40.	Reporting	3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	Y	

	The governance of risk				
41	Board's responsibility for risk governance	4.1	The board should be responsible for the governance of risk	Y	
42		4.2	The board should determine the levels of risk tolerance	Y	
43		4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Y	
44	Managements responsibility for risk management	4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Y	
45	Risk assessment	4.5	The board should ensure that risk assessments are performed on a continual basis	Y	
46		4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Y	
47	Risk response	4.7	The board should ensure that management considers and implements appropriate risk responses	Y	
48	Risk monitoring	7.8	The board should ensure continual risk monitoring by management	Y	
49	Risk assurance	4.9	The board should receive assurance regarding the effectiveness of the risk management process	Y	
50	Risk disclosure	4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Y	

	The governance of information technology				
51		5.1	The board should be responsible for information technology (IT) governance	Y	
52		5.2	IT should be aligned with the performance and sustainability objectives of the company	Y	
53		5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	Y	
54		5.4	The board should monitor and evaluate significant IT investments and expenditure	Y	
55		5.5	IT should form an integral part of the company's risk management	Y	
56		5.6	The board should ensure that information assets are managed effectively	Y	
57		5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Y	
	Compliance with laws, rules, codes and standards				
58		6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Y	
59		6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	Y	
60		6.3	Compliance risk should form an integral part of the company's risk management process	Y	
61		6.4	The board should delegate to management the implementation of an effective compliance framework and processes	Y	
	Internal audit				
62	The need for and role of internal audit	7.1	The board should ensure that there is an effective risk based internal audit	N	The Board reviewed this requirement and found that due to the size of the Group and the nature of its operations it did not warrant an internal audit function. The Board will continue to monitor this requirement if the nature of its business changes.
63	Internal audit's approach and plan	7.2	Internal audit should follow a risk based approach to its plan	N	
64		7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	N	
65		7.4	The audit committee should be responsible for overseeing internal audit	N	
	Internal audit				
66	Internal audit's status in the company	7.5	Internal audit should be strategically positioned to achieve its objectives	N	
	Governing stakeholder relationships				
67		8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	Y	
68		8.2	The board should delegate to management to proactively deal with stakeholder relationships	Y	
69		8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Y	
70		8.4	Companies should ensure the equitable treatment of shareholders	Y	
71		8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Y	
72	Dispute resolution	8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	Y	
	Integrated reporting and disclosure				
73	Transparency and accountability	9.1	The board should ensure the integrity of the company's integrated report	Y	The Board reviewed this requirement and found that due to the size of the Group and the nature of its operations it did not warrant an internal audit function. The Board will continue to monitor this requirement if the nature of its business changes.
74		9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Y	
75		9.3	Sustainability reporting and disclosure should be independently assured	N	

FoneWorx adheres to the precepts of socially responsible investments and views the different aspects and concepts of sustainability, people, planet and profits as interlinked and interdependent.

This philosophy is born out in the material issues table reflecting the symbiotic relationship of financial and non-financial issues.

Sustainable business strategy

CORE OBJECTIVE / MATERIAL ISSUE	FOCUS AREA	STRATEGY GOING FORWARD
Human capital	Invest in our people, upskill and transformation.	Fully functional human resource process and management.
Financial	Enhance turnover, improve margins and manage expense.	Set strategic targets at Board level.
Services and products	Constantly innovate and keep ahead of the digital curve.	Develop intellectual property framework and increase depth of programming resources.
External relations	Establish, build and maintain key partnerships and strategic alliances.	Create clear focus on key stakeholders to the Group.

Stakeholder Engagement

Our approach to stakeholder engagement is orientated to:

- identification of who they are and engage with them at an operational and strategic level.
- manage reputational risk in dealing with identified stakeholders.
- report on stakeholder engagement in the integrated annual report.
- achieve a balance of various stakeholders' expectations in the best interest of the Group as a whole.

STAKEHOLDER	STAKEHOLDER EXPECTATIONS	MATERIAL FOCUS AREAS AND INTERACTION
Employees	• Clear understanding of deliverables	Clear job descriptions, convey Group strategy.
	• Regular appraisals	Annual appraisals in August and regular feedback on performance.
	• Sound labour practices	Comply and explain implications of all Acts and Regulations.
	• Remuneration to be competitive	Evaluate market and maintain long service (10 years) award in place.
	• Quality work environment	Ensure physical and psychological elements are in place.
	• Personal upliftment	Constantly train and provide staff access to 3rd party training.
	• Business news and performance	Expose staff to Group strategy and bi-annual and annual results, performance, opportunities and threats.
Customers	• High level of service and product/ service experience.	Comply with contractual obligations as minimum standards and ensure customer care is at highest possible levels. Evaluate customer service with focus groups.
	• Competitive pricing	Constantly evaluate the open market and internal cost structure to provide best pricing relative to service.
	• Resolve problems	Dedicated call centre with escalation of problem to required internal skills senior staff (Directors) to be available to customers.

Scope of report

Our approach to each of these issues and the policies that govern them is more fully elaborated on in the relevant sections of this report. Our approach is structured around the principle and guidelines around King III and the Global Reporting Initiative ("GRI") and reviews the Group's economic, social and environmental performance for the financial year under review.

STAKEHOLDER	STAKEHOLDER EXPECTATIONS	MATERIAL FOCUS AREAS AND INTERACTION
Suppliers	• Clarity around service level agreements ("SLA's")	• Ensure SLA's are evaluated each year. • Ensure levels are maintained.
	• Meetings	Ensure regular meetings with suppliers to maximize mutual benefits.
	• Maintain good payment terms	Ensure good payment record remains in place to extract best value.
	• Website	Provide access to information and development on website.
	• Access to management and Board members	In place and encouraged.
	• Integrated reporting	Strive to enhance level of information annually.
	• Growth	• Ensure healthy position at all times. • Ensure business remains competitive. • Grow organically. • Seek possible aligned acquisitions.
	• Capital and dividend distribution	Distributions to be attractive but not to the prejudice of business sustainability or growth.
	• Maintain Group reputation	Maintain Group's values and external focus.
	• Business continuity	Ensure human resource, succession planning is in place.
	• Business performance window	Increase analyst and investor feedback about Group's performance and build closer relationships.
Community	• Ethical conduct	Maintain healthy interaction externally.
	• Job opportunities	Provide entry level opportunities with growth potential.
Government and Regulators	• Maintain ethical tax compliance	In place.
	• Understand and compliance to statutory requirements.	Constantly review amendments and comply. In place.

Human Capital and Wellness

Our staff is and will remain the biggest asset to the Group. We are an innovative company and design and host the majority of our products and services and cannot maintain this without the passion and commitment of our staff. There is a skills shortage in South Africa and to overcome this, the Group employs junior programmers and upskills them via an internal leadership programme.

Staff are made aware of occupational health issues and we strive to provide all staff with the most appropriate working conditions. All staff have access to a Human Resource Manager to assist them with a broad range of issues.

Full-time employees are eligible for:

- Group cover (funeral, life, disability)
- Leave (annual, ill health, maternity, compassionate and study)
- Employee training / bursaries

Employee Relations

The Group strives to improve employee relations and engages employees in various ways. Due to low numbers of staff (56) there is a high interaction between senior management and all levels of staff on a daily basis. Ninety five percent of staff are resident in the Head Office in Randburg which enhances communication and relations.

We approach employee relations positively and constructively and enjoy constructive dialogue on a continuous basis.

Employee Safety

All our staff operate in an office environment with little exposure to machinery. Appropriate precautions are taken to avoid injuries and staff are exposed to general occupational health and safety risks.

CONTEXT	DESCRIPTION / COMMENT / IMPACT	RESPONSE
General economic conditions	The impact on logical dynamics such as unemployment and disposable income has an indirect negative impact on revenue as the Group's products are not directly linked to consumers but more business.	The Group constantly evaluates market conditions and responds at strategic levels. The Group's services are spread across LSM1-10 to mitigate specific sector / profile downturn.
Reliance on network supply and WASPA association	A large percentage of the Group's revenue is initiated via service provider agreements from the mobile and fixed line networks who may amend gross revenues to the Group on a discretionary basis.	Relationships with these service providers remains solid and communication levels are good. The Group continues to create new revenue streams unrelated to network providers.
Growth • Acquisitions • Organic	Appropriate size and strategically aligned opportunities are constantly evaluated. Huge potential within MediaWorx for development of digital services and loyalty opportunities.	Management is constantly evaluating prospects and has third party looking for suitable opportunities. Constant critical evaluation of "strategic extension" opportunities.
Human resource	The Group's future performance is largely dependent on human capital and a mix of technology.	The Group constantly upskills human capital and ensures appropriate succession planning. Key management is subject to both incentive / bonus policies and restraint of trades. Management constantly strives to maintain an entrepreneurial approach.
Business interruption	The Group relies heavily on its proprietary technical platform as the "backbone" of all its services. Disruption to the platform would impact on our profitability and reputation.	• Group has evaluated the risks and established two live sites that operate in association with our main Head Office site in Randburg. This currently caters for sixty five percent of the Group's turnover. • In addition, a full off-site back-up site has been established for the entire business. • Management constantly evaluates the mitigation of downtime and enhancing live "off-site" opportunities.
Systems, business and IT management	The core to the Group's existence is technology. This is manifested in both innovation and hosting. The misalignment between the business offering and technology could result in lost sales and revenue opportunities.	• Exco and the Board constantly evaluate all technical processes and business objectives to ensure priorities, service delivery and customer care. • Appropriate IT infrastructure (people, hardware, software systems) is kept in place.
Legislation, regulation and governing bodies	The Group is conscious of the need to comply with all relevant legislation and codes in particular. Consumer Protection Act, WASPA Code of Conduct and related Acts.	Regulatory and legislative compliance is maintained by internal legal executives and, where appropriate, external advice. Products and services offered are regulated in line with these requirements.
Risk management	Understanding the nature of risks faces by the Group, both internally and externally.	• Audit and Risk Committee provide direction. • Formal and informal evaluation at all levels of operation.
Product responsibility	The Group's growth is dependent on the correct and ethical marketing and hosting of its services.	The Group constantly monitors and enhances customer feedback and satisfaction. Protecting customer privacy is a priority.

CONTEXT	DESCRIPTION / COMMENT / IMPACT	RESPONSE
Financial management	Working capital management is crucial to the success of the group. Reporting, early warning systems, credit control and targets remain paramount.	• Exco has implemented and evaluates a number of key dials on a weekly and monthly basis. • Appropriate internal controls with integrity and are in place.

Transformation

Management is aware of the need to constantly evaluate all the elements of the BEE scorecard and other such risks facing the Group.

The focus areas of management include skills development and training to ensure the Group has a relevant supply of talent.

The Company is committed to transformation in the workplace and to ensuring that all our employees are afforded the opportunity to advance. Management is conscious that the following requires constant monitoring and appropriate attention: management control, employment equity, skills development, preferential procurement, socio-economic investment.

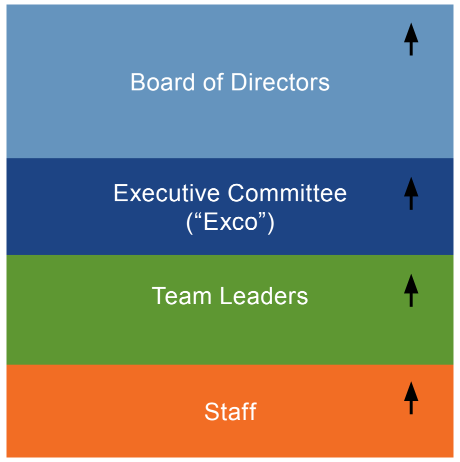
Purpose, Values and Decision Making

Purpose

To develop and host cutting-edge and innovative products and services in line with the exponential growth of new digital technologies.

Values

- Accountability
- Transparency
- Teamwork
- Flexibility
- Integrity



Enviroment

The Group acknowledges its role in climate management and responsibility in association with business sustainability. The process is managed by the Executive Committee and overseen by the Chief Executive Officer.

The Group is sensitive to its social and moral obligation to look after the environment in which it operates.

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

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

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

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

Reporting and Boundaries

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

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

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

Sustainable Economic Value

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

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

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

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

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

Eco-Responsibility

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

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

We are aware that our Group, although small, needs to have a positive impact in the short, medium and particularly long term.

In achieving this we address all issues of environmental impacts in a consistent manner. We constantly review our energy consumption and carbon-related impacts including dealing with water, waste and recycling.

Advancing Sustainable Societies

Anti-corruption

The Group strongly believes that corrupt and fraudulent activities are a threat to the sustainability of business. We have a holistic approach of pro-active fraud risk and this is embedded in our Audit and Risk committees.

We encourage the concept of 'whistle-blowers' and follow in detail tip-offs and any activity that deviates from our standards.

Employee Safety

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

Human Rights

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

In doing business, we work within the laws of the countries within which we operate. The Group strongly disagrees with any form of child labour and will not associate itself with any supplier making use of such labour.

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

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

Advancing SMMEs

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

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

Enviromental Sustainability

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

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

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

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

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

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

Governance, Commitments and Engagements

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

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

Stakeholder Relations and Engagements

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

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

Carbon Footprint

The Group completed its first Carbon Footprint assessment for its baseline year 2011.

This process was, once again, done internally using the guidelines established by the Greenhouse Gas Protocols ("GHG") in line with ISO 14064. This process has not been independently verified due to the small footprint of the Group (primarily electricity) and the materiality of the value.

The 2013 Carbon Footprint is 987 tonnes of CO_2e with 98% of carbon emissions.

CarbonWorx afforestation site - Mqanduli, Eastern Cape

DIRECTORS' RESPONSIBILITY AND APPROVAL DECLARATION BY COMPANY SECRETARY

Directors' Responsibility and Approval

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

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

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

The annual financial statements for the year ended 30 June 2013 set out on pages 44 to 76 were approved by the Board of Directors on 27 September 2013 and are signed on their behalf by:

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Declaration by Company Secretary

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

Pieter Scholtz CA(SA)
Company Secretary

27 September 2013

AUDIT AND RISK COMMITTEE REPORT

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

The Audit & Risk Committee currently comprises of two 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 & Risk Committee meetings. The Group Auditor is invited from time to time.

The Board appointed Mr. Roger Pitt as a third member and as the new Chairman of the Committee on 17 September 2013.

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

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

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

- **External Audit**

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

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

- **Company Risk Exposure**

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

- **Financial Statements**

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

Mr A Mancha
Audit & Risk Committee Chairman

27 September 2013

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

- Remuneration and other benefits relating to employees of the Group are set by the Executive Committee of the Group and submitted to the Remuneration Committee annually for review and consideration.

  Salary

  - The division's performance within the Group;
  - The individual's performance within his/her division; and
  - The individuals overall contribution to the Group.

  Performance bonus

  - The overall performance of the Group;
  - The division's performance within the Group;
  - The individual's performance within his/her division;
  - The individual's overall contribution to the Group; and
  - Therefore bonuses are accordingly not guaranteed.

- Remuneration and other benefits of Executive Directors are set by the Remuneration Committee at their discretion but it is based on the following:

  Salary

  - The division's performance for which the Director is responsible; and
  - The Director's overall contribution to the Group.

  Performance bonus

  - The overall performance of the Group;
  - The Board sets annual targets that have to be achieved by the Group before any bonus provision is made for Directors;
  - Bonuses are therefore included as an expense provision in the year to which they relate, even though the actual payment only takes place and is disclosed in the following year's financial results;
  - The division's performance for which the Director is responsible;
  - The Director's overall contribution to the Group; and
  - Therefore bonuses are accordingly not guaranteed.

- Remuneration and other benefits of Non-Executive Directors are set by the Remuneration Committee at their discretion but it is based on the following:

  Board Member remuneration:

  - Mr Ashvin Mancha - Chairman – R5 000 per month retainer & R10 000 per meeting
  - Mr. Roger Pitt – Chairman of Audit & Risk Committee R5 000 per month retainer & R10 000 per meeting

DIRECTORS' REPORT

The Directors have pleasure in submitting their report for the year ended 30 June 2013.

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 2013 the issued share capital stood at R136,002, divided into 136,002,041 ordinary shares of R0,001 each.

Directors

The Directors of the Company for the year ended 30 June 2013 were:

Director	Role	Age	Other significant board memberships	Length of service in Group
Ronald Graver (Passed away on 22 March 2013)	Executive Director	56	None	16 Years
Ashvin Mancha*	Non-Executive Chairman	56	None	9 Years
Gaurang Mooney (Botswana)	Non-Executive Director	43	Trans Africa (Proprietary) Limited, Jumbo Botswana (Proprietary) Limited, Overseas Development Enterprises (Botswana) (Proprietary) Limited, Trans Cash and Carry (Proprietary) Limited and Unitrade Management Services (Proprietary) Limited	13 Years
Mark Smith	Chief Executive Officer	55	None	16 Years
Pieter Scholtz	Financial Director	37	None	5 Years
Graham Groenewaldt (Appointed 27 March 2013)	Sales Director	55	None	13 Years

** Independent – Non-Executive*

The Board reviewed the impact of Mr Mancha's and Mr Mooney's independence due to their long service and found that they are still independent and can apply exceptional judgement in their duties as non-executive Directors.

Dividend

The Company has declared and paid a dividend during the year under review of R9 520 143 (7 cents per share) (2012: R7 480 112 (5.5 cents per share)). In line with the amended requirements of the Articles of Association of the Company, the Directors recommended and approved a dividend of R16 320 244 (12 cents per share) at their Board meeting of 17 September 2013.

Directors' Shareholding as at 30 June 2013

	30 June 2013		30 June 2012	
	Direct Beneficial '000	Indirect Beneficial '000	Direct Beneficial '000	Indirect Beneficial '000
A G Mancha		54		54
G Mooney		15,219		15,219
M A Smith	11 002		11 002	

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

Shareholder spread as at 30 June 2013

	Number of shareholders	%	Number of shares '000	%
1 - 100 000	726	93.1	9,684	7.1
100 001 – 500 000	38	4.9	10,096	7.4
500 001 – 10 000 000	12	1.5	35,065	25.8
10 000 001 +	4	0.5	81,157	59.7
	780	100	136,002	100

Shareholding of ordinary shares at 30 June 2013

	Number of shareholders	%	Number of shares '000	%
Public	773	99.1	53,785	39.5
Non - Public				
- Directors	5	0.6	27,203	20.0
- Non-Directors	2	0.3	55,014	40.5
	780	100	136,002	100

Major shareholders

* Shareholders other than Directors who, insofar as is known, were directly or indirectly interested in 5% or more of the Company's issued share capital as at 30 June 2013 were as follows:

	Number of shares ('000)	%
Caxton & CTP Publishers & Printers	44 550	32.8
Navsur Limited	10 463	7,8
Estate Late Ronald Graver	9 985	7.3

Special resolutions

Special General Meeting held 13 September 2012

Special Resolution Number 1 – Specific repurchase

"Resolved that, FoneWorx Holdings Limited ("FoneWorx" or "the Company") be and is hereby authorised, by way of a specific authority in terms of section 48 of the Companies Act, the Memorandum of Incorporation of the Company and the Listings Requirements, to acquire 40 800 612 ordinary shares in the capital of the Company at a price of 130.81 cents per ordinary share, from the Industrial Development Corporation of South Africa ("IDC"), upon the terms and conditions recorded in the written agreement entered into between the Company and the IDC on 10 July 2012 ("Purchase Agreement"), a copy of which agreement has been initialled by the Chairperson of the general meeting for identification purposes."

Special Resolution Number 2 – Authority to Issue 30% of Voting Rights

"Resolved that in terms of section 41(3) of the Companies Act, FoneWorx Holdings Limited ("FoneWorx" or "the Company") be and is hereby authorised, to issue 40 800 612 ordinary shares constituting 30% of the ordinary shares in the capital of the Company."

Special Resolution Number 3 – Repurchase of Subscription Shares in Terms of the Put Option

"Resolved that, subject to the passing of Special Resolution Numbers 1 and 2 and Ordinary Resolution Number 1, FoneWorx Holdings Limited ("FoneWorx" or "the Company") be and is hereby authorised in terms of section 48 of the Companies Act, the Memorandum of Incorporation of the Company and the Listings Requirements, to acquire from the Isaac Kirsh Family Trust No. 2 ("Isaac Kirsh Trust") and the William Kirsh Family Trust ("William Kirsh Trust") (the Isaac Kirsh Trust and the William Kirsh Trust are collectively referred to hereinafter as the "Kirsh Family Trusts") 40 800 612 ordinary shares in the capital of the Company at a price of 130.81 cents per ordinary share, should the Put Option granted by FoneWorx to the Kirsh Family Trusts be exercised by the Kirsh Family Trusts in accordance with the terms and conditions of the written agreement entered into between the Kirsh Family Trusts and the Company on 11 July 2012 ("Subscription Agreement"), a copy of which agreement has been tabled at this general meeting for purposes of identification."

Annual General Meeting held 27 November 2012

Special Resolution Number 1 - General approval to acquire shares

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

Special Resolution Number 2 - Financial assistance for subscription of securities

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

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

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

Special Resolution Number 3 - Loans or other financial assistance to directors

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

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

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

Special Resolution Number 4 - Substitution of the existing Memorandum of Incorporation of the Company

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

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

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

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 7 - 9 and 39, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least 12 months, a material effect on the Group's financial position.

Material change

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

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF FONEWORX HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of FoneWorx Holdings Limited set out on pages 44 to 76, which comprise the statements of financial position as at 30 June 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FoneWorx Holdings Limited as at 30 June 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2013, we have read the Director's Report, Audit & Risk Committee's Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton (Jhb) Inc

GRANT THORNTON (JHB) INC
Chartered Accountants (SA)
Registered Auditors
Registration No.: 1994/001166/21

B Frey - Director
Chartered Accountant (SA)
Registered Auditor

27 September 2013

42 Wierda Road West, Wierda Valley 2196

GROUP STATEMENTS OF FINANCIAL POSITION

Figures in Rand	Note(s)	Group 2013	Group 2012	Company 2013	Company 2012
Assets					
Non-Current Assets					
Property, plant and equipment	2	15 893 812	17 760 389	-	-
Intangible assets	3	8 822 532	6 628 170	-	-
Investments in subsidiaries	32	-	-	2 311 200	2 311 200
Deferred tax asset	5	-	118 414	-	-
		24 716 344	**24 506 973**	**2 311 200**	**2 311 200**
Current Assets					
Inventories	6	347 953	557 293	-	-
Loans to group companies	32	-	-	9 495 693	12 173 241
Current tax receivable		39 145	147 936	-	-
Trade and other receivables	7	25 244 238	17 139 053	229 955	439 255
Cash and cash equivalents	8	109 334 359	98 322 319	25 988 096	24 152 365
		134 965 695	**116 166 601**	**35 713 744**	**36 764 861**
Total Assets		**159 682 039**	**140 673 574**	**38 024 944**	**39 076 061**
Equity and Liabilities					
Equity					
Share capital and premium	9 and 10	52 624 736	36 509 029	52 624 736	36 509 029
Accumulated profit / (loss)		73 946 903	75 597 691	(15 990 508)	2 072 186
		126 571 639	**112 106 720**	**36 634 228**	**38 581 215**
Liabilities					
Non-Current Liabilities					
Interest bearing liabilities	11	4 574 026	6 396 411	-	-
Deferred tax liability	5	334 918	-	-	-
		4 908 944	**6 396 411**	**-**	**-**
Current Liabilities					
Loan from group company	32	-	-	134 127	134 647
Current tax payable		-	11 518	176 776	129 296
Interest bearing liabilities	11	1 808 614	1 704 349	-	-
Trade and other payables	13	20 020 167	14 816 323	1 010 527	183 953
Provisions	12	6 303 389	5 591 303	-	-
Unclaimed dividends		69 286	46 950	69 286	46 950
		28 201 456	**22 170 443**	**1 390 716**	**494 846**
Total Liabilities		**33 110 400**	**28 566 854**	**1 390 716**	**494 846**
Total Equity and Liabilities		**159 682 039**	**140 673 574**	**38 024 944**	**39 076 061**
Net asset value per share (cents)		93.1	82.4		
Net tangible asset value per share (cents)		86.6	77.6		

STATEMENTS OF COMPREHENSIVE INCOME

Figures in Rand	Note(s)	Group 2013	Group 2012	Company 2013	Company 2012
Revenue	15	107 367 235	98 617 135	-	-
Cost of services		(41 179 935)	(35 026 174)	-	-
Gross profit		**66 187 300**	**63 590 961**	**-**	**-**
Other income		659 989	975 399	-	-
Operating expenses		(10 487 865)	(11 130 338)	(1 934 113)	(429 334)
Staff costs		(19 101 804)	(20 583 686)	-	-
Legal costs		(1 387 617)	-	-	-
Depreciation and amortisation expense		(4 519 642)	(4 252 935)	-	-
Operating profit (loss)	16	**31 350 361**	**28 599 401**	**(1 934 113)**	**(429 334)**
Investment income	20	4 833 110	4 595 715	10 784 123	8 799 946
Finance costs	21	(547 838)	(763 775)	-	-
Profit before taxation		**35 635 633**	**32 431 341**	**8 850 010**	**8 370 612**
Taxation	22	(10 704 177)	(9 969 739)	(330 460)	(320 274)
Profit for the year attributable to the equity holders of the parent		**24 931 456**	**22 461 602**	**8 519 550**	**8 050 338**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year attributable to equity holders of the parent		**24 931 456**	**22 461 602**	**8 519 550**	**8 050 338**
Basic earnings per share (cents)	28	18.33	16.52		
Diluted earnings per share (cents)	28	18.33	16.52		

GROUP STATEMENTS OF CHANGES IN EQUITY

Figures in Rand	Share capital	Share premium capital	Total share	Accumulated profit/(loss)	Total equity
Group					
Balance at 01 July 2011	**136 002**	**36 373 027**	**36 509 029**	**60 616 201**	**97 125 230**
Changes in equity	-	-	-	22 461 602	22 461 602
Total comprehensive income for the year dividends	-	-	-	(7 480 112)	(7 480 112)
Total changes	-	-	-	14 981 490	14 981 490
Balance at 01 July 2012	**136 002**	**36 373 027**	**36 509 029**	**75 597 691**	**112 106 720**
Changes in equity					
Total comprehensive income for the year	-	-	-	24 931 456	24 931 456
Share repurchase 1 October 2012	(40 801)	(36 373 027)	(36 413 828)	(17 062 101)	(53 475 929)
Share issue 1 October 2012	40 801	53 435 128	53 475 929	-	53 475 929
Cost to issue equity	-	(946 394)	(946 394)	-	(946 394)
Dividends	-	-	-	(9 520 143)	(9 520 143)
Total changes	-	16 115 707	16 115 707	(1 650 788)	14 464 919
Balance at 30 June 2013	**136 002**	**52 488 734**	**52 624 736**	**73 946 903**	**126 571 639**
Note(s)	9	9	9		
Company					
Balance at 01 July 2011	**136 002**	**36 373 027**	**36 509 029**	**1 501 960**	**38 010 989**
Changes in equity					
Total comprehensive income for the year	-	-	-	8 050 338	8 050 338
Dividends	-	-	-	(7 480 112)	(7 480 112)
Total changes	-	-	-	570 226	570 226
Balance at 01 July 2012	**136 002**	**36 373 027**	**36 509 029**	**2 072 186**	**38 581 215**
Changes in equity					
Total comprehensive income for the year	-	-	-	8 519 550	8 519 550
Share repurchase 1 October 2012	(40 801)	(36 373 027)	(36 413 828)	(17 062 101)	(53 475 929)
Share issue 1 October 2012	40 801	53 435 128	53 475 929	-	53 475 929
Cost to issue equity	-	(946 394)	(946 394)	-	(946 394)
Dividends	-	-	-	(9 520 143)	(9 520 143)
Total changes	**-**	**16 115 707**	**16 115 707**	**(18 062 694)**	**(1 946 987)**
Balance at 30 June 2013	**136 002**	**52 488 734**	**52 624 736**	**(15 990 508)**	**36 634 228**
Note(s)	9	9	9		

Figures in Rand	Note(s)	Group 2013	Group 2012	Company 2013	Company 2012
Cash flows from operating activities					
Cash generated from (used in) operations	23	33 890 090	35 507 817	(1 030 719)	(524 613)
Interest income		4 833 110	4 595 715	1 263 980	1 319 834
Dividends received		-	-	9 520 143	7 480 112
Finance costs		(547 838)	(763 775)	-	-
Tax paid	24	(10 153 573)	(10 078 980)	(282 980)	(371 509)
Net cash from operating activities		**28 021 789**	**29 260 777**	**9 470 424**	**7 903 824**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(890 400)	(2 157 424)	-	-
Proceeds on disposal of property, plant and equipment	2	-	174 705	-	-
Purchase of intangible assets	3	(3 957 027)	(1 781 597)	-	-
Proceeds from loans to group companies		-	-	2 809 508	925 520
Net cash from investing activities		**(4 847 427)**	**(3 764 316)**	**2 809 508**	**925 520**
Cash flows from financing activities					
Cost to issue equity	9	(946 394)	-	(946 394)	-
Share repurchase	9	(53 475 929)	-	(53 475 929)	-
Share issue	9	53 475 929	-	53 475 929	-
Repayment of interest bearing liabilities		(1 718 121)	(1 780 037)	-	-
Dividends paid	25	(9 497 807)	(7 460 850)	(9 497 807)	(7 460 850)
Net cash from financing activities		**(12 162 322)**	**(9 240 887)**	**(10 444 201)**	**(7 460 850)**
Total cash and cash equivalents movement for the year		**11 012 040**	**16 255 574**	**1 835 731**	**1 368 494**
Cash and cash equivalents at the beginning of the year		98 322 319	82 066 745	24 152 365	22 783 871
Total cash and cash equivalents at end of the year	8	**109 334 359**	**98 322 319**	**25 988 096**	**24 152 365**

STATEMENTS OF CASH FLOWS

1. Presentation of Financial Statements

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

1.1 New standards and interpretations

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

IFRS 1: First-time Adoption of International Financial Reporting Standards	Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRS's. Annual Improvements 2009-2011 Cycle amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements. Annual Improvements 2009-2011 Cycle.	1 January 2013
IFRS 7: Financial Instruments: Disclosures	Amendments require entities to disclose gross amounts subject to rights of setoff, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
IFRS 9: Financial Instruments	New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2015
IFRS 10 Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2013
	Amendments to the transition guidance of IFRS10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.	1 January 2014
IFRS 11 Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.	1 January 2013
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2013
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
	New disclosures required for Investment Entities (as defined in IFRS 10).	1 January 2014
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements.	1 January 2013
IAS 1: Presentation of Financial Statements	Annual Improvements 2009-2011 Cycle amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	1 January 2013
IAS 16: Property, Plant and Equipment	Annual Improvements 2009-2011 Cycle amendments to the recognition and classification of servicing equipment.	1 January 2013
IAS 19: Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013
IAS 27: Consolidated and separate financial statements	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
	Requirement to account for interests in 'Investment Entities' at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.	1 January 2014
IAS 28: Investments in Associates	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013

1.1 New standards and interpretations (continued)

IAS 32: Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of setoff, amounts set off in accordance with the accounting standards followed, and the net related credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. Annual Improvements 2009-2011 Cycle amendments to clarify the tax effect of distribution to holders of equity instruments.	1 January 2013
IAS 34: Interim Financial Reporting	Annual Improvements 2009-2011 Cycle amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities.	1 January 2013
IAS 36 Impairment of Assets	The amendment to IAS 36 clarifies the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014

Interpretations	Annual periods beginning on or after
IFRIC 20: Stripping costs in the Production Phase of a Surface Mine	1 January 2013
IFRIC Interpretation 21 Levies	1 January 2014

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.

There were no new standards and interpretations adopted during the period.

1.2 Significant judgements and estimates

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 recoverable amount of Intangible assets with an indefinite useful life and intangible assets that are not yet avaliable for use is estimated annually. The recoverable amount of an asset is calculated as the higher of its fair value less costs to sell and its value in use.

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

The discount rate applied is based on estimates and judgements made by management and is subject to change. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the assets exceeds its recoverable amount.

Residual value and useful life

Property, plant and equipment and intangible assets are depreciated or amortised over their estimated useful lives taking into account residual values following the requirements of International Accounting Standards (IAS 16) Property, plant and equipment as well as (IAS 38) Intangible Assets. Estimated useful lives and the residual values are re-assessed at each financial year end. The actual lives and residual values of those 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.

Deferred tax assets

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future.

Assessing the recoverability of deferred tax requires the Group to make significant estimates related to expectations of future taxable income.

Recoverability of deferred tax assets requires estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. The extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Contingent liabilities

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

Provisions

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

1.3 Basis of consolidation

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

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

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

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

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method.

The cost of an acquisition is the fair value of assets given, equity instruments issued and liabilities incurred at the date of exchange. The costs attributable to the acquisition are expensed.

Goodwill is initially recognised and carried at cost. Goodwill is determined as the excess of the aggregate of:

- the consideration transferred;
- the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

Where however, the excess is negative this is immediately recognised in profit or loss as a gain on a bargain purchase

Subsequently goodwill is carried at cost less accumulated impairment losses.

Goodwill is reviewed for impairment at least annually, or when indicators of impairment exist. Any impairment is immediately recognised as an expense.

Impairment losses on goodwill cannot be reversed.

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

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

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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 finanial year.

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

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

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.

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

- 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.

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed every year-end. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indication that the asset may be impaired.

As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets consist of the following:

- Computer Software, and
- Internally generated assets

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

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

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

1.6 Investments in subsidiaries

Company financial statements

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

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

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

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

1.7 Financial instruments

Initial recognition and measurement

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

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

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

Loans to (from) group companies

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

Subsequently these loans are measured at amortised cost using the effective interest rate method. Loans to group companies are then recognised at an amount 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 its is impaired. The impairment is measured as the difference between the instrument's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables

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

1.7 Financial instruments (continued)

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments arrangements entered into. Cash and cash equivalents are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and 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 assets expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and the associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asst and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities

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

Other financial liabilities

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

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

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

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

Financial instruments in general

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

Financial instruments as a whole that are receivable or payable within the next year are classified as current assets. Financial instruments as a whole that are receivable or payable after one year are classified as non-current assets.

1.8 Tax

Current tax

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

Where the estimated current tax payable exceeds the tax already paid, the difference is recognised as a current liability. However if the estimated current tax payable is less than the current tax already paid, the difference is recognised as a current asset.

Deferred tax

Deferred tax is recognised on difference between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the comprehensive liability method.

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

Deferred tax assets arising from deductible temporary differences 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 avaliable to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited to other comprehensive income.in which case the tax is also recognised directly in other comprehensive income, or where they arise from the initial accounting for a business combination.

In the case of a business combination, the effect is taken into account in calculating goodwill or in determining the gain on bargain purchase.

1.9 Leases

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

Operating leases - lessee

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

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

1.10 Inventories

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

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

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

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

1.11 Impairment of assets

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is an indication that those assets maybe 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 assets, the recoverable amount is determined for the cash-generating unit to which it belongs.

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

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

Recoverable amount is the higher of fair 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 or cash-generating unit for which the estimates of future cashflows have not been adjusted.

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

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

1.12 Share capital and equity

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

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

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

Retirements benefits

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

The contributions paid to fund obligations for the payment of retirement benefits are charge against income in the year of payment.

The provident fund is a managed fund and is not subject to an actuarial valuation. The fund is an externally managed fund. The liabilities of the fund are limited to the assets of the fund and the Group has no commitment to meet any unfunded benefits.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

If the effect of the time value of money is not considered to be material, the expenditure expected to be required to settle the obligation is not present valued as the carrying amount approximates the present valued amount.

The rate applied to present value the expenditure would be a market related pre-tax rate that incorporates the risk associated with the 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 seperate asset. The amount recognised for the reimbursement shall not exceed the amount nof the provision.

Provisions are not recognised for future operating losses.

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

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

1.15 Revenue

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

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

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

Interest is recognised, in profit or loss, using the effective interest rate method. Dividends are recognised, in profit or loss, when the Company's right to receive payment has been established.

1.16 Borrowing costs

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

1.17 Cost of services

The related cost of providing services recognised as revenue are recognised in cost of sales when incurred.

1.18 Translation of foreign currencies

Foreign currency transactions

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

At each reporting date:

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

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

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

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

2. Property, plant and equipment

Group	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	2 200 000	-	2 200 000	2 200 000	-	2 200 000
Buildings	10 572 974	(892 041)	9 680 933	10 506 133	(847 617)	9 658 516
Plant and machinery	228 436	(214 863)	13 573	228 436	(208 706)	19 730
Furniture and fixtures	821 459	(569 978)	251 481	821 459	(451 629)	369 830
Motor vehicles	1 656 369	(917 286)	739 083	1 656 369	(601 498)	1 054 871
Office equipment	932 143	(599 580)	332 563	916 568	(454 443)	462 125
IT equipment	10 104 201	(8 158 942)	1 945 259	9 305 542	(6 094 005)	3 211 537
Leasehold improvements	1 057 199	(326 279)	730 920	1 057 199	(273 419)	783 780
Total	**27 572 781**	**(11 678 969)**	**15 893 812**	**26 691 706**	**(8 931 317)**	**17 760 389**

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Depreciation	Total
Land	2 200 000	-	-	2 200 000
Buildings	9 658 516	66 841	(44 424)	9 680 933
Plant and machinery	19 730	-	(6 157)	13 573
Furniture and fixtures	369 830	-	(118 349)	251 481
Motor vehicles	1 054 871	-	(315 788)	739 083
Office equipment	462 125	15 575	(145 137)	332 563
IT equipment	3 211 537	807 984	(2 074 262)	1 945 259
Leasehold improvements	783 780	-	(52 860)	730 920
	17 760 389	**890 400**	**(2 756 977)**	**15 893 812**

Reconciliation of property, plant and equipment - Group - 2012

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

2. Property, plant and equipment (continued)

	Group		Company	
Figures in Rand	**2013**	**2012**	**2013**	**2012**
Details of properties (at cost)				
Erf 1636 Ferndale, Randburg				
Terms and conditions				
- Land at cost	2 200 000	2 200 000	-	-
- Buildings at cost	7 479 575	7 479 575	-	-
- Improvements to building	3 093 399	3 026 558	-	-
	12 772 974	**12 706 133**	**-**	**-**

Land and buildings comprises 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 R11 880 933 (2012: R9,681,430) are mortgaged as stated in note 11.

Certain plant and equipment with a carrying amount of R739 083 (2012: R1,317,052) have been encumbered as per note 11.

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

3. Intangible assets

Group	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Fax2Email Platform - Africa	2 383 605	(278 087)	2 105 518	2 383 605	-	2 383 605
Stockbroker Identification Management System	276 369	(170 428)	105 941	276 369	(115 154)	161 215
Email2Fax and Fax2Email System	5 554 839	(317 702)	5 237 137	1 732 920	-	1 732 920
Identity access management software	2 086 591	(1 669 273)	417 318	2 086 591	(1 251 975)	834 616
Computer software	1 823 484	(1 530 425)	293 059	1 688 377	(1 191 275)	497 102
CarbonWorx cards	932 812	(559 687)	373 125	932 812	(373 125)	559 687
Virtual business centre	437 984	(350 387)	87 597	437 984	(262 791)	175 193
Gateway verification system	138 974	(60 222)	78 752	138 974	(32 427)	106 547
Fax2Email non-premium Rated System	265 897	(141 812)	124 085	265 897	(88 612)	177 285
Total	**13 900 555**	**(5 078 023)**	**8 822 532**	**9 943 529**	**(3 315 359)**	**6 628 170**

3. **Intangible assets (continued)**

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

Description - Group - 2013	Carrying amount	Remaining amortisation period
Email2Fax and Fax2Email system This system was engineered to ensure that the Group's inbound and outbound faxing system adheres to all modern telecommunication protocols and standards. The system includes an end user interface that is now providing significantly more functionality than ever before.	5 237 137	4,5 years
Fax2Email platform - Africa This platform was developed for deployment of Fax2Email and Web2Fax services that can function independently from the South African operation and can be deployed within any country that has basic communication infrastructure. It can be managed remotely, provides for customer care via Voice Over IP ("VOIP"), has additional business continuity features and can adapt easily to accommodate any unique business model.	2 105 517	4 years
CarbonWorx Software This software consists of various modules including the end user interface, webpage and the database management system that keeps record of all points earned through the program and all trees planted.	373 125	2 years
Identity Access Management Software This product was developed as a mechanism to meet the requirements of various forms of legislation, such as FICA, RICA and the Consumer Protection Act and is aimed at Corporate and Governmental users.	417 318	1 years
	8 133 097	

3. **Intangible assets (continued)**

Reconciliation of intangible assets - Group - 2013

Figures in Rand	Opening balance	Additions	Amortisation	Total
Fax2Email Platform - Africa	2 383 605	-	(278 087)	2 105 518
Stockbroker Identification Management System	161 215	-	(55 274)	105 941
Email2Fax and Fax2Email System	1 732 920	3 821 919	(317 702)	5 237 137
Identity access management software	834 616	-	(417 298)	417 318
Computer software	497 102	135 108	(339 151)	293 059
CarbonWorx software	559 687	-	(186 562)	373 125
Virtual business centre software	175 193	-	(87 596)	87 597
Gateway Verification System	106 547	-	(27 795)	78 752
Fax2Email Non Premium Rated System	177 285	-	(53 200)	124 085
	6 628 170	**3 957 027**	**(1 762 665)**	**8 822 532**

Reconciliation of intangible assets - Group - 2012

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

Impairment of intangible assets

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

4. Financial assets by category

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

	Loans and receivables	Fair value through profit or loss - held for trading	Non financial assets investments	Held to maturity	Available for sale	Total
Group - 2013						
Trade and other receivables	24 523 292	-	720 946	-	-	25 244 238
Cash and cash equivalents	109 334 359	-	-	-	-	109 334 359
	133 857 657	**-**	**720 946**	**-**	**-**	**134 578 597**
Group - 2012						
Trade and other receivables	16 270 877	-	868 176	-	-	17 139 053
Cash and cash equivalents	98 322 319	-	-	-	-	98 322 319
	114 593 196	**-**	**868 176**	**-**	**-**	**115 461 372**
Company - 2013						
Loans to group companies	9 495 693	-	-	-	-	9 495 693
Trade and other receivables	104 630	-	125 325	-	-	229 955
Cash and cash equivalents	25 988 096	-	-	-	-	25 988 096
	35 588 419	**-**	**125 325**	**-**	**-**	**35 713 744**
Company - 2012						
Loans to group companies	12 173 241	-	-	-	-	12 173 241
Trade and other receivables	424 475	-	14 780	-	-	439 255
Cash and cash equivalents	24 152 365	-	-	-	-	24 152 365
	36 750 081	**-**	**14 780**	**-**	**-**	**36 764 861**

5. Deferred tax asset (liability)

	Group		Company	
Figures in Rand	**2013**	**2012**	**2013**	**2012**
Reconciliation of deferred tax asset (liability)				
At beginning of the year	118 414	(744 784)	-	-
Property, plant and equipment	(301 020)	(7 163)	-	-
Intangible assets	(671 834)	(255 000)	-	-
Provisions	199 384	1 103 235	-	-
Revenue accrual	6 650	(17 162)	-	-
Prepaid expenses	-	(7 389)	-	-
Tax losses available for set off against future taxable income	313 488	46 677	-	-
	(334 918)	**118 414**	**-**	**-**
Categories of temporary differences				
Property, plant and equipment	(330 941)	(29 921)	-	-
Intangible assets	(2 389 211)	(1 717 377)	-	-
Provisions	1 764 949	1 565 565	-	-
Revenue accrual	99 507	92 857	-	-
Prepaid expenses	(14 000)	(14 000)	-	-
Taxable losses available for set off against future taxable income	534 778	221 290	-	-
	(334 918)	**118 414**	**-**	**-**

6. Inventories

Finished goods	1 086 210	1 060 653	-	-
	1 086 210	1 060 653	-	-
Provision for obsolete stock	(738 257)	(503 360)	-	-
	347 953	**557 293**	**-**	**-**

Inventory amounting to R19 950 (2012: R250,881) is carried at net realisable value. Inventory is used in rendering the services that results in revenue.

7. Trade and other receivables

Trade receivables	22 654 905	15 954 936	104 630	424 475
VAT	125 325	14 780	125 325	14 780
Other receivables	1 868 387	301 162	-	-
Prepayments	595 621	868 175	-	-
	25 244 238	**17 139 053**	**229 955**	**439 255**

7. Trade and other receivables (continued)

The Directors consider that the carrying amount of trade and other receivables approximates their fair values. The majority of the receivables disclosed have already been collected at the disclosed value at the time of preparing the Annual Financial Statements.

The total trade receivables (net of allowances) held by the Group as at 30 June 2013 amounted to R22 654 905 (2012 - R15 954 936)

Included in the Company's trade receivables balance are debtors with a carrying amount of R474 506 (2012 - R67 412), which are past due at the reporting date for which the Company has not provided, as there has not been significant changes in the credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The credit terms of the past due trade receivables have not been renegotiated.

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

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

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

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

8. Cash and cash equivalents

	Group		Company	
Figures in Rand	**2013**	**2012**	**2013**	**2012**
Cash and cash equivalents consist of:				
Cash on hand	12 665	13 225	-	-
Bank balances	109 321 694	98 309 094	25 988 096	24 152 365
	109 334 359	**98 322 319**	**25 988 096**	**24 152 365**

9. Share capital and premium

Authorised				
250 000 000 Ordinary shares of R0,001 each	250 000	250 000	250 000	250 000
Issued				
136 002 041 (2011: 136 002 041) shares of R0.001 each	136 002	136 002	136 002	136 002
Share premium	52 488 734	36 373 027	52 488 734	36 373 027
	52 624 736	**36 509 029**	**52 624 736**	**36 509 029**

The 113 997 959 (2012 - 113 997 959) unissued shares are under the control of the Directors, subject to Section 36 of the Companies Act and the Listing Requirements of the JSE Limited, South Africa, in terms of a resolution passed at the Annual General Meeting in November 2012. The authority is valid until the forthcoming Annual General Meeting. Share Movements

On 13 September 2012 at a General Meeting of the shareholders of the Group approved the following share transactions:

- To acquire by way of a specific authority in terms of section 48 of the Companies Act and the Memorandum of Incorporation of the Company and the Listing Requirements, 40 800 612 ordinary shares of the capital of the Company at a price of 130.81 cents per ordinary share from the Industrial Development Corporation Limited ("IDC").
- The issue of 40 800 612 ordinary shares in the capital of FoneWorx Holdings Limited ("FoneWorx" or the "Company") to the Isaac Kirsch Family Trust No 2 ("Isaac Kirsch Trust") and the William Kirsch Family Trust ("William Kirsch Trust"), at a subscription price of 130.81 cents per share.

The effective date on which both these transactions occurred was 1 October 2012.

10. Share Premium

	Group		Company	
Figures in Rand	**2013**	**2012**	**2013**	**2012**
Balance at beginning of period	36 373 027	36 373 027	36 373 027	36 373 027
Share repurchased 1 October 2012	(36 373 027)	-	(36 373 027)	-
Share issue 1 October 2012	53 435 128	-	53 435 128	-
Cost ot issue shares	(946 394)	-	(946 394)	-
	52 488 734	**36 373 027**	**52 488 734**	**36 373 027**

11. Interest bearing liabilities

Minimum instalment payments due				
• within one year	1 841 367	1 793 794	-	-
• in second to fifth year inclusive	4 651 194	6 082 962	-	-
• later than five years	-	366 471	-	-
	6 492 561	8 243 227	-	-
less: future finance charges	(109 921)	(142 467)	-	-
Present value of minimum instalment payments	**6 382 640**	**8 100 760**	**-**	**-**
Present value of minimum instalment payments due				
• within one year	1 808 614	1 704 349	-	-
• in second to fifth year inclusive	4 574 026	6 029 940	-	-
• later than five years	-	366 471	-	-
	6 382 640	**8 100 760**	**-**	**-**
Non-current liabilities	4 574 026	6 396 411	-	-
Current liabilities	1 808 614	1 704 349	-	-
	6 382 640	**8 100 760**	**-**	**-**

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 R59 901 (2012: R62 430) inclusive of interest. The Group's obligations under instalment sale agreements are secured by certain equipment and motor vehicles with a carrying amount of R739 083 (2012 : R1 317 052). The current portion relating to the instalment sales agreements amounts to R669 323 and the non-current portion relating to the instalement sales agreements amounts to R150 307.

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 R131 717 (2012: R131 717). The carrying amount of property as reflected in the accounting records of the subsidiary is R9 703 847 (2012: R 9 681 430). The current portion relating to the long-term loan amounts to R1 172 044 and the non-current portion relating to the long-term loan amounts to R4 500 886.

12. Provisions

Reconciliation of provisions - Group - 2013

	Opening balance	Additions	Utilised during the year	Total
Leave pay	860 283	254 653	(201 587)	913 349
Performance bonus	4 731 020	5 160 000	(4 500 980)	5 390 040
	5 591 303	**5 414 653**	**(4 702 567)**	**6 303 389**

Reconciliation of provisions - Group - 2012

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

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

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

13. Trade and other payables

	Group		Company	
Figures in Rand	**2013**	**2012**	**2013**	**2012**
Trade payables	11 282 981	8 642 050	-	-
Amounts received in advance	2 211 700	2 918 528	-	-
VAT	1 139 165	385 042	-	-
Third party prize money	1 489 393	1 333 379	-	-
Accruals	3 896 928	1 537 324	1 010 527	183 953
	20 020 167	**14 816 323**	**1 010 527**	**183 953**

The Directors consider that the carrying amount of trade and other payables approximate their fair values. The majority of the payables disclosed have already been paid at the disclosed value at the time of preparing the Annual Financial Statements.

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

14. Financial liabilities by category

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

Group - 2013

	Financial liabilities at amortised cost	Non financial instruments	Total
Interest bearing liabilities	6 382 640	-	6 382 640
Trade and other payables	16 669 302	3 350 865	20 020 167
Unclaimed dividends	69 286	-	69 286
	23 121 228	**3 350 865**	**26 472 093**

14. Financial liabilities by category (continued)

	Financial liabilities at amortised cost	Non financial instruments	Total
Group - 2012			
Interest bearing liabilities	8 100 760	-	8 100 760
Trade and other payables	11 527 534	3 288 789	14 816 323
Unclaimed dividends	46 950	-	46 950
	19 675 244	**3 288 789**	**22 964 033**

	Financial liabilities at amortised cost	Total
Company - 2013		
Loan from group company	134 127	134 127
Trade and other payables	1 010 527	1 010 527
Unclaimed dividends	69 286	69 286
	1 213 940	**1 213 940**
Company - 2012		
Loan from group company	134 747	134 747
Trade and other payables	183 953	183 953
Unclaimed dividends	46 950	46 950
	365 650	**365 650**

15. Revenue

	Group		Company	
Figures in Rand	**2013**	**2012**	**2013**	**2012**
Rendering of services	107 367 235	98 617 135	-	-

16. Operating profit (loss)

Operating profit (loss) for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Contractual amounts	26 310	94 641	-	-
Equipment				
• Contractual amounts	-	25 208	-	-
	26 310	**119 849**	**-**	**-**

16. Operating profit (loss) (continued)

Figures in Rand	Group 2013	Group 2012	Company 2013	Company 2012
Profit on sale of fixed assets	-	(36 596)	-	-
Depreciation and amortisation	4 519 642	4 252 935	-	-
Employee costs	19 101 804	20 583 686	-	-
Amount expensed in respect of defined contribution plan	19 263	164 834	-	-
Insurance	385 217	487 876	-	-
Reversal of impairments on intercompany loans	-	-	(132 481)	(106 122)
Fees relating to listing on JSE	358 976	285 565	-	-
Legal Fees relating to share transactions	1 390 617	-	1 387 617	-
Telecommunication charges	4 252 732	4 769 330	-	-

17. Auditors' remuneration

	Group 2013	Group 2012	Company 2013	Company 2012
Fees	454 140	502 338	122 400	132 400

18. Directors' emoluments

	Emoluments	Provident Fund	Leave pay	Bonus	Total 2013	Total 2012
R Graver	961 371	14 829	165 415	900 000	2 041 615	1 178 750
G Groenewaldt	1 216 600	-	-	680 000	1 896 600	1 104 200
R Russell	-	-	-	-	-	816 296
M A Smith	2 151 780	9 000	-	1 400 000	3 560 780	1 841 660
P A Scholtz	1 260 960	-	-	900 000	2 160 960	1 128 400
D Zwarts	-	-	-	-	-	561 351
AG Mancha*	-	-	-	-	-	-
G Mooney	-	-	-	-	-	-
	5 590 711	**23 829**	**165 415**	**3 880 000**	**9 659 955**	**6 630 657**

* Independent Non-Executive Directors

The salaries are an expense of FoneWorx Proprietary Limited.

19. Retirement benefits

Company contributions charged to the Statement of Comprehensive Income are R19 263 (2012 - R164 834).

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. The fund was closed during the year under review.

20. Investment income

Figures in Rand	Group 2013	Group 2012	Company 2013	Company 2012
Dividend revenue				
Subsidiaries - Local	-	-	9 520 143	7 480 112
Interest received				
Bank	4 833 110	4 595 715	1 263 980	1 319 834
	4 833 110	**4 595 715**	**10 784 123**	**8 799 946**

21. Finance costs

	Group 2013	Group 2012	Company 2013	Company 2012
Bank	547 838	745 668	-	-
SARS	-	18 107	-	-
	547 838	**763 775**	**-**	**-**

22. Taxation

	Group 2013	Group 2012	Company 2013	Company 2012
Major components of the tax expense				
Current				
Local income tax - current period	10 250 845	10 084 926	330 460	320 274
STC	-	748 011	-	-
	10 250 845	**10 832 937**	**330 460**	**320 274**
Deferred				
Originating and reversing temporary differences	453 332	(863 198)	-	-
	10 704 177	**9 969 739**	**330 460**	**320 274**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	35 635 633	32 431 341	8 850 010	8 370 612
Tax at the applicable tax rate of 28% (2012 : 28%)	9 977 977	9 080 775	2 478 003	2 343 771
Tax effect of adjustments on taxable income				
Reversal of impairment of intercompany loans	-	-	(37 095)	(106 122)
Permanent differences	741 841	187 640	(2 110 448)	(1 917 375)
Tax losses available for set off against future taxable income	(15 641)	(46 677)	-	-
STC	-	748 001	-	-
	10 704 177	**9 969 739**	**330 460**	**320 274**

Gross estimated tax losses of certain subsidiaries at 30 June 2013, available for offset against future taxable income amounted to R 1,3 million (2012 - R 1,4 million). A deferred tax asset has not been raised in respect of these losses due to the uncertainty around those subsidiaries' ability to generate future taxable profits against which the deferred tax asset may be utilised. Had a deferred tax asset been raised it would have amounted to R360 000 (2012 - R396 000).

23. Cash generated from (used in) operations

Figures in Rand	Group 2013	Group 2012	Company 2013	Company 2012
Profit before taxation	35 635 633	32 431 341	8 850 010	8 370 612
Adjustments for:				
Depreciation and amortisation	4 519 642	4 252 935	-	-
Profit on sale of assets	-	(36 596)	-	-
Dividends received	-	-	(9 520 143)	(7 480 112)
Interest received	(4 833 110)	(4 595 715)	(1 263 980)	(1 319 834)
Finance costs	547 838	763 775	-	-
Movements in provisions	712 086	3 940 128	-	-
Reversal of intercompany loan impairments	-	-	(132 481)	(106 122)
Changes in working capital:				
Inventories	209 340	1 216 148	-	-
Trade and other receivables	(8 105 186)	745 975	209 300	(27 190)
Trade and other payables	5 203 847	(3 210 174)	826 575	38 033
	33 890 090	**35 507 817**	**(1 030 719)**	**(524 613)**

24. Tax paid

Balance at beginning of the year	136 417	890 374	(129 296)	(180 531)
Current tax for the year recognised in profit or loss	(10 250 845)	(10 832 937)	(330 460)	(320 274)
Balance at end of the year	(39 145)	(136 417)	176 776	129 296
	(10 153 573)	**(10 078 980)**	**(282 980)**	**(371 509)**

25. Dividends paid

Balance at beginning of the year	(46 950)	(27 688)	(46 950)	(27 688)
Dividends	(9 520 143)	(7 480 112)	(9 520 143)	(7 480 112)
Balance at end of the year	69 286	46 950	69 286	46 950
	(9 497 807)	**(7 460 850)**	**(9 497 807)**	**(7 460 850)**

26. Borrowing powers

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

27. Related parties

Related parties are those that control or have significant influence over the Group and Company, including major investors and key management personnel and parties that are controlled or significantly influenced by the Group or Company. Related-party relationships where control exists are:

Related party	Nature of relationship
Companies	
FoneWorx (Proprietary) Limited	Subsidiary
Four Rivers Trading 123 (Proprietary) Limited	Subsidiary
Interconnective Solutions Management Services (Proprietary) Limited	Subsidiary
Retail Card Club (Proprietary) Limited Subsidiary	
SurveyOnLine (Proprietary) Limited	Subsidiary
Valutronics (Proprietary) Limited	Subsidiary
CarbonWorx (Proprietary) Limited	Subsidiary
VM Advertising (Proprietary) Limited	Subsidiary

27. Related parties (continued)

FoneWorx Kenya Limited	Subsidiary
FoneWorx Global Communications Limited	Subsidiary
FoneWorx Zambia Limited	Subsidiary
FoneWorx Namibia (Proprietary) Limited	Subsidiary

Directors of FoneWorx Holdings Limited

Mark Allan Smith	Pieter Albertus Scholtz
Ronald Graver (deceased)	Graham Groenewaldt
Ashvin Mancha	Gaurang Mooney
Paul M Jenkins	Marc du Plessis
Piet G Greyling	Roger Pitt

Related party balances and transactions

Directors

Directors' emoluments are set out in note 18.
There are no other key management personnel.

Investments and loans

Related party investments and loans of the holding company are reflected in note 27.

Dividends

Dividends was received from FoneWorx Proprietary Limited amounting to R9 520 143 (2012: R7 480 112).

Revenue and debtors

Transactional revenue received from Afrifocus Securities Proprietary Limited amounting to R401 352 (2012: R487 030). Trade receivables balances at year end R34 059 (2012: Nil).

28. Earnings per share

Figures in Rand	Company 2013	Company 2012
The calculation of earnings per share is based on profits of R24 931 456 attributable to equity holders of the parent 2012: R22 461 602) and a weighted average of 136 002 041 (2012: 136 002 041) ordinary shares in issue during the year	18.33 cents	16.52 cents
The calculation of headline earnings per share is based on profits of R24 931 456 attributable to equity holders of the parent (2012: R 22 461 602 adjusted to R 22 435 253) and a weighted average of 136 002 041 (2012:136 002 041) ordinary shares in issue during the year	18.33 cents	16.52 cents
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders of parent	24 931 456	22 461 602
Profit on disposal of property, plant and equipment:	-	(36 596)
Tax effect of the disposal of property, plant and equipment	-	10 247
Headline earnings	24 931 456	22 435 253
The calculation of diluted earnings per share is based on profits of R24 931 456 (2012: R 22 461 602) and a weighted average of 136 002 041 (2012: 136 002 041) ordinary shares issued during the year	18.33 cents	16.52 cents
Reconciliation between earnings and diluted earnings per share:		
Weighted average number of shares used in the calculation of earnings per share	136 002 041	136 002 041

There were no instruments issued during the current year that have a dilutive impact.

29. Dividends per share

Figures in Rand	Company 2013	Company 2012
The calculation of dividends per share is based on dividends of R9 520 143 attributable to equityholders of the parent (2012: R7 480 112) and a weighted average of 136 002 041 (2012: 136 002 041) ordinary shares in issue during the year	7 cents	5.50 Cents

30. Risk management

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

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and premium, reserves and retained income as disclosed in notes 9 and 10, respectively.

Currently the Group's cash and cash equivalents of R109.3 million (2012: R98.3 million) exceeds its interest bearing debt of R6.4 million (2012: R8.1 million) as set out in note 11 by 17.08 times (2012: 12.14 times).

Fair values

Figures in R'000	2013 Fair value	2013 Carrying amount	2012 Fair value	2012 Carrying amount
Group				
Trade and other receivables	24 649	24 649	16 270	16 270
Cash and cash equivalents	109 334	109 334	98 322	98 322
Trade and other payables	16 669	16 669	11 527	11 527
Unclaimed dividends	69	69	47	47
Interest bearing liabilities	6 383	6 383	8 101	8 101
Company				
Trade and other receivables	104	104	424	424
Loans to/from group companies	9 362	9 362	12 039	12 039
Cash and cash equivalents	25 988	25 988	24 152	24 152
Trade and other payables	1 011	1 011	184	184
Unclaimed dividends	69	69	47	47

Due to the short term nature of these instruments their fair value approximates their undiscounted carrying values as the impact of discounting is not considered to be material. The fair value of the interest bearing liabilities approximates the carrying value, the carrying value is calculated as the present value of the future cash flows discounted at a market related rate.

Concentration of risk

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

Foreign currency risk

In the past and in the normal course of business, the Group has entered into transactions denominated in foreign currencies. The Group currently does not hedge its exposure to foreign currency exchange rates. However, all sales during the current year have been denominated 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.

30. Risk management (continued)

Interest rate risk

Fluctuating interest rates impact on the value of short-term cash investments as well as short-term and long-term 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 R109.3 million (2012: R98.3 million) and financial liabilities are R6.4 million (2012: R8.1 million).

Interest rate sensitivity analysis

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

If interest rates have been 100 basis points higher and all other variables were held constant, the group's profit for the year under review would have increased by R835 547 (2012: R719 254). If interest rate had been 100 basis points lower and all other variables were held constant, the Group's profit for the year under review would decrease by R835 547 (2012: R719 254). The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in cash and cash equivalents.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. Even though 90% of the Groups revenue is concentrated at the cellular and fixed line networks these networks are well regulated and established companies with excellent credit rating. Management regularly monitors these networks and an adequate level of provision is maintained The directors believe that these companies are all able to finance their debt adequately.

The total loans to Group Companies amounts to R9 495 693 (2012: R12 173 241). These amounts are intercompany and the directors believe these will be recoverable. Included in the Company's trade receivables balance are debtors with a carrying amount of R474 506 (2012 - R67 412), 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.

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

Figures in Rand	Group 2013	Group 2012	Company 2013	Company 2012
Financial instrument				
Loans to group companies	-	-	9 495 693	12 173 241
Trade and other receivables	24 523 292	16 270 877	104 630	424 475
Cash and cash equivalents	109 334 359	98 322 319	25 988 096	24 152 365

Liquidity risk

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

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

30. Risk management (continued)

	Carrying amount	Contractual payments	Less than 1 year	Between 2 and 5 years	Over 5 years
Group					
At 30 June 2013					
Interest bearing liabilities	6 382 640	6 492 561	1 841 367	4 651 194	-
Unclaimed dividends	69 286	69 286	69 286	-	-
Trade and other payables	16 669 304	16 669 304	16 669 304	-	-
At 30 June 2012					
Interest bearing liabilities	8 100 760	8 243 227	1 793 794	6 082 962	366 471
Unclaimed dividends	46 950	46 950	46 950	-	-
Trade and other payables	11 527 534	11 527 534	11 527 534	-	-
Company					
At 30 June 2013					
Loans from group companies	134 127	134 127	134 127	-	-
Unclaimed dividends	69 286	69 286	69 286	-	-
Trade and other payables	1 010 527	1 010 527	1 010 527	-	-
At 30 June 2012					
Loans from group companies	134 747	134 747	134 747	-	-
Unclaimed dividends	46 950	46 950	46 950	-	-
Trade and other payables	183 953	183 953	183 953	-	-

31. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decisionmakers. These chief operating decision-makes ("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 38 African countries ("Africa sales"). Within the period under review 7.5% (2012: 7.2%) 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 30.9% and 14.37% (2012: 24.5% and 16.4%) of its revenue through two customers respectively. BizWorx generated 96.% (2012: 96%) through one single customer. The reconciliation of gross profit to profit before taxation is provided in the Statement of Comprehensive Income. The CODM reviews these income and expense items on a Group basis and not per individual segment

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

31. Segment reporting (continued)

Figures in Rand	2013	2012
Revenue		
BizWorx	64 922 306	62 764 706
MediaWorx	42 444 929	35 852 429
	107 367 235	**98 617 135**
Cost of sale		
BizWorx	(15 596 846)	(16 422 082)
MediaWorx	(25 583 089)	(18 604 092)
	(41 179 935)	**(35 026 174)**
Gross Profit		
BizWorx	49 325 460	46 342 624
MediaWorx	16 861 840	17 248 337
	66 187 300	**63 590 961**

32. Subsidiaries - Investments and loans

	Issued share capital R	Group effective interest %	Cost of investment R	Indebtedness by subsidiary R	Provision for doubtful loans R
2013					
The holding Company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	3 897 560	-
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2 310 100	439 194	-
Interconnective Solutions Management Services (Proprietary) Limited	100	100%	100	(134 127)	-
Retail Card Club (Proprietary) Limited*	100	100%	100	618 385	(618 385)
SuveyOnLine (Proprietary) Limited*	100	100%	100	1 092 417	(1 092 417)
Valutronics (Proprietary) Limited*	100	100%	100	102 444	(102 444)
CarbonWorx (Proprietary) Limited	100	100%	100	2 247 030	-
VM Advertising (Proprietary) Limited*	100	100%	100	823 984	(823 984)
FoneWorx Kenya Limited***	5,000,000	60%	100	1 082 211	-
FoneWorx Global Communications Limited (Nigeria)***	10,000,000	70%	100	1 761 956	-
FoneWorx Zambia Limited***	5,000,000	60%	100	59 108	-
FoneWorx Namibia (Proprietary) Limited***	100	100%	100	8 634	-
			2 311 200	**11 998 796**	**(2 637 230)**

32. Subsidiaries - Investments and loans (continued)

	Issued share capital R	Group effective interest %	Cost of investment R	Indebtedness by subsidiary R	Provision for doubtful loans R
2012					
The holding company's investment in subsidiaries is as follows:					
FoneWorx (Proprietary) Limited	100	100%	100	8 543 558	-
Four Rivers Trading 123 (Proprietary) Limited	100	100%	2 310 100	306 158	-
Interconnective Solutions Management Services (Proprietary) Limited*	100	100%	100	(134 647)	-
Retail Card Club (Proprietary) Limited*	100	100%	100	617 364	(617 364)
SuveyOnLine (Proprietary) Limited*	100	100%	100	1 226 439	(1 226 439)
Valutronics (Proprietary) Limited*	100	100%	100	101 924	(101 924)
CarbonWorx (Proprietary) Limited	100	100%	100	1 159 075	-
VM Advertising (Proprietary) Limited*	100	100%	100	823 984	(823 984)
FoneWorx Kenya Limited***	5,000,000	60%	100	688 804	-
FoneWorx Global Communications Limited***	10,000,000	70%	100	1 412 215	-
FoneWorx Zambia Limited***	5,000,000	60%	100	59 108	-
FoneWorx Namibia (Proprietary) Limited***	100	100%	100	4 723	-
			2 311 200	**14 808 705**	**(2 769 711)**

All the above entities are private companies and incorporated in South Africa. The loans are recorded in South African Rands as this is the currency in which the transactions are concluded. All of the above loans are unsecured, interest free and have no fixed repayment terms.

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

The reversal of impairment recognised in the current period relating to the provision against the loan amounts to R132 482 (2012: R106 122 expense). The holding Company's interest in the aggregate after tax profits (losses) of the subsidiaries are:

33. Securities and guarantees

The Group's banking facilities are secured as follows:

- Suretyship limited to R5 000 000 issued by FoneWorx Holdings Limited in favour of BOE Private Bank as security for the facility granted to Four Rivers Trading 123 (Proprietary) Limited.
- First Rand Bank has issued the following guarantees on behalf of the group:
- Virtual Payment Solutions Proprietary Limited - R50 000 (2012: 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" or "the Group")

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 15th Annual General Meeting ("Annual General Meeting") of shareholders of FoneWorx will be held at 10:00 on Thursday, 21 November 2013 at FoneWorx House, Corner Bram Fischer Drive and Will Scarlet Road, Ferndale Randburg (entrance on Will Scarlet Road), Ferndale, Randburg, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The Board of Directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), as amended, the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 15 November 2013. Accordingly, the last day to trade FoneWorx shares in order to be recorded in the Register to be entitled to vote will be Friday, 8 November 2013.

1. To receive, consider and adopt the annual financial statements of the Company and the Group for the financial year ended 30 June 2013, including the reports of the auditors, directors and the Audit and Risk Committee.
2. To re-elect, Ashvin Mancha who, in terms of article 25 of the Company's Memorandum of Incorporation, retires by rotation at the Annual General Meeting but, being eligible to do so, offers himself for re-election.
3. To re-elect, Gaurang Mooney who, in terms of article 25 of the Company's Memorandum of Incorporation, retires by rotation at the Annual General Meeting but, being eligible to do so, offers himself for re-election.
4. To confirm the appointment of Graham Groenewaldt as a director of the Company, in terms of article 25 of the Company's Memorandum of Incorporation.
5. To confirm the appointment of Roger Pitt as a director of the Company, in terms of article 25 of the Company's Memorandum of Incorporation.
6. To confirm the appointment of Paul Jenkins as a director of the Company, in terms of article 25 of the Company's Memorandum of Incorporation.
7. To confirm the appointment of Piet Greyling as a director of the Company, in terms of article 25 of the Company's Memorandum of Incorporation.
8. To confirm the appointment of Marc du Plessis as a director of the Company, in terms of article 25 of the Company's Memorandum of Incorporation.

   An abbreviated curriculum vitae in respect of each director offering himself for re-election appears on pages 7 to 9 of the annual report to which this notice is attached.
9. To appoint, Roger Pitt as a member and chairman of the Company's Audit and Risk Committee.
10. To appoint, Gaurang Mooney as a member of the Company's Audit and Risk Committee.
11. To appoint, Ashvin Govan Mancha as a member of the Company's Audit and Risk Committee.

    An abbreviated curriculum vitae in respect of each member of the Audit and Risk Committee appears on pages 7 to 9 of the annual report to which this notice is attached.
12. To confirm the re-appointment of Grant Thornton (Jhb) Inc. as independent auditors of the Company with Mr Ben Frey being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year and to authorise the Directors to determine the auditors' remuneration.

The minimum percentage of voting rights required for each of the resolutions set out in item numbers 1 to 12 above to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the Annual General Meeting.

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

13. ORDINARY RESOLUTION NUMBER 1

Approval of remuneration policy

"Resolved that the remuneration policy of the directors of FoneWorx Holdings Limited ("the Company"), as set out on page 38 of the annual report to which this notice is attached to, be and is hereby approved as a non-binding advisory vote of shareholders of the Company in terms of the King III Report on Corporate Governance."

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

14. ORDINARY RESOLUTION NUMBER 2

Control of authorised but unissued ordinary shares

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

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

15. ORDINARY RESOLUTION NUMBER 3

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

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

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company, for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE Listings Requirements") from time to time.

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

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

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

16. SPECIAL RESOLUTION NUMBER 1

General approval to acquire shares

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

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

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

Explanatory note

The purpose of this special resolution number 1 is to obtain an authority for, and to authorise, the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

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

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

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

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

- directors and management – pages 7 to 9 and page 39;
- major shareholders of the Company – page 40;
- directors' interests in securities – page 40;
- share capital of the Company – page 39; and
- litigation statement – page 42.

16.2 Material change

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

16.3 Directors' responsibility statement

The Directors, whose names are given on pages 7 to 9 and page 39 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 1 that have been omitted which would make any statement in relation to special resolution number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 1 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 1.

16.4 Adequacy of working capital

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

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

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

17. SPECIAL RESOLUTION NUMBER 2

Financial assistance for subscription of securities

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

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

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

Explanatory note

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

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

18. SPECIAL RESOLUTION NUMBER 3

Loans or other financial assistance to directors

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

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

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

Explanatory note

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

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

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

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

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

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

19. SPECIAL RESOLUTION NUMBER 4

"Resolved that, in terms of the provisions of sections 66(9) of the Companies Act, 2008 (Act 71 of 2008), as amended, the annual remuneration payable to the non-executive directors of FoneWorx Holdings Limited ("the Company") for their services as Directors of the Company for the financial year ending 2014, be and is hereby approved as follows:

Type of fee	Proposed retainer fee per month in ZAR for the year ending 2014	Proposed per meeting fee in ZAR for the year ending 2014	Expected total fee in ZAR for the year ending 2014
Board Chairman	R5 000	R10 000	R100 000
Audit and Risk Committee Chairman	R5 000	R10 000	R100 000

Explanatory note

In terms of section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors for the ensuing financial year by means of a special resolution passed by shareholders of the Company within the previous two years.

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

20. ORDINARY RESOLUTION NUMBER 4

Signature of documents

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

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

21. OTHER BUSINESS

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

Voting and proxies

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

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

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

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

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and who wish to attend the Annual General Meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services Proprietary Limited, at least 48 hours excluding Saturdays, Sundays and public holidays, before the time of the meeting.

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

By order of the Board

Pieter Albertus Scholtz
Company Secretary

27 September 2013

Johannesburg

Financial year end	30 June 2013
Annual report and financial statements	27 September 2013
Annual general meeting	21 November 2013
Half-year report	February 2014

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
Graham Groenewaldt

Non-executive
Ashvin Govan Mancha*
(B Proc) – Chairman
Gaurang Mooney
(BA) (Botswana)
Piet Greyling
BCom, BCompt (Hons) (Appointed 18 September 2013)
Roger Pitt*
B.Com (Hons) (ACC), CA(SA) (Appointed 17 September 2013)
Paul Jenkins*
BCom, LLB (Appointed 17 September 2013)
Marc du Plessis
(Appointed 17 September 2013)
* 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
Grant Thornton (Jhb) Inc.

Attorneys
Martini-Patlansky Attorneys
Fluxmans Inc.

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

WOUNDEDBUFFALO
COMMUNICATIONS AGENCY

FORM OF PROXY

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

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 15th Annual General Meeting of shareholders of the Company to be held at the offices of the Company, FoneWorx House, Corner Bram Fischer Drive and Will Scarlet Road, Ferndale, Randburg, at 10:00 on Thursday, 21 November 2013 and any adjournment thereof.

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

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work ( ) Telephone home ( ) Cell:

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

1. or failing him / her,

2. or failing him / her,

3. the Chairperson of the meeting,

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

		Number of ordinary shares		
		For	Against	Abstain
1	To receive, consider and adopt the annual financial statements of the Company and Group for financial year ended 30 June 2013			
2	To approve the re-election of Ashvin Mancha to the Board of FoneWorx Holdings Limited			
3	To approve the re-election of Gaureng Mooney to the Board of FoneWorx Holdings Limited			
4	To appoint Graham Groenewaldt to the Board of FoneWorx Holdings Limited			
5	To appoint Roger Pitt to the Board of FoneWorx Holdings Limited			
6	To appoint Paul Jenkins to the Board of FoneWorx Holdings Limited			
7	To appoint Piet Greyling to the Board of FoneWorx Holdings Limited			
8	To appoint Marc du Plessis to the Board of FoneWorx Holdings Limited			
9	To appoint, Roger Pitt as a member and chairman of the Company's Audit and Risk Committee.			
10	To appoint, Gaurang Mooney as a member of the Company's Audit and Risk Committee.			
11	To appoint, Ashvin Govan Mancha as a member of the Company's Audit and Risk Committee.			
12	To confirm the re-appointment of Grant Thornton (Jhb) Inc. as auditors of the Company together with Mr Ben Frey for the ensuing financial year			
13	Ordinary resolution number 1 - Approval of the remuneration policy			
14	Ordinary resolution number 2 - Control of authorised but unissued ordinary shares			
15	Ordinary resolution number 3 - Approval to issue ordinary shares, and to sell treasury shares, for cash			
16	Special resolution number 1 - General approval to acquire shares			
17	Special resolution number 2 - Financial assistance for subscription of securities			
18	Special resolution number 3 - Loans or other financial assistance to Directors			
19	Special resolution number 4 - Non-executive Directors' remuneration			
20	Ordinary resolution number 4 - Signature of documents			

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

Signed at on 2013

Signature

Assisted by (if applicable)

Notes to proxy

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

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

to be received by no later than 10:00 on Tuesday, 19 November 2013 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

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

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

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

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

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

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

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

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

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