

Annual Report **2005**



# Vision

To successfully reduce group debt to normal levels and to restore value and growth potential for shareholders

# Mission

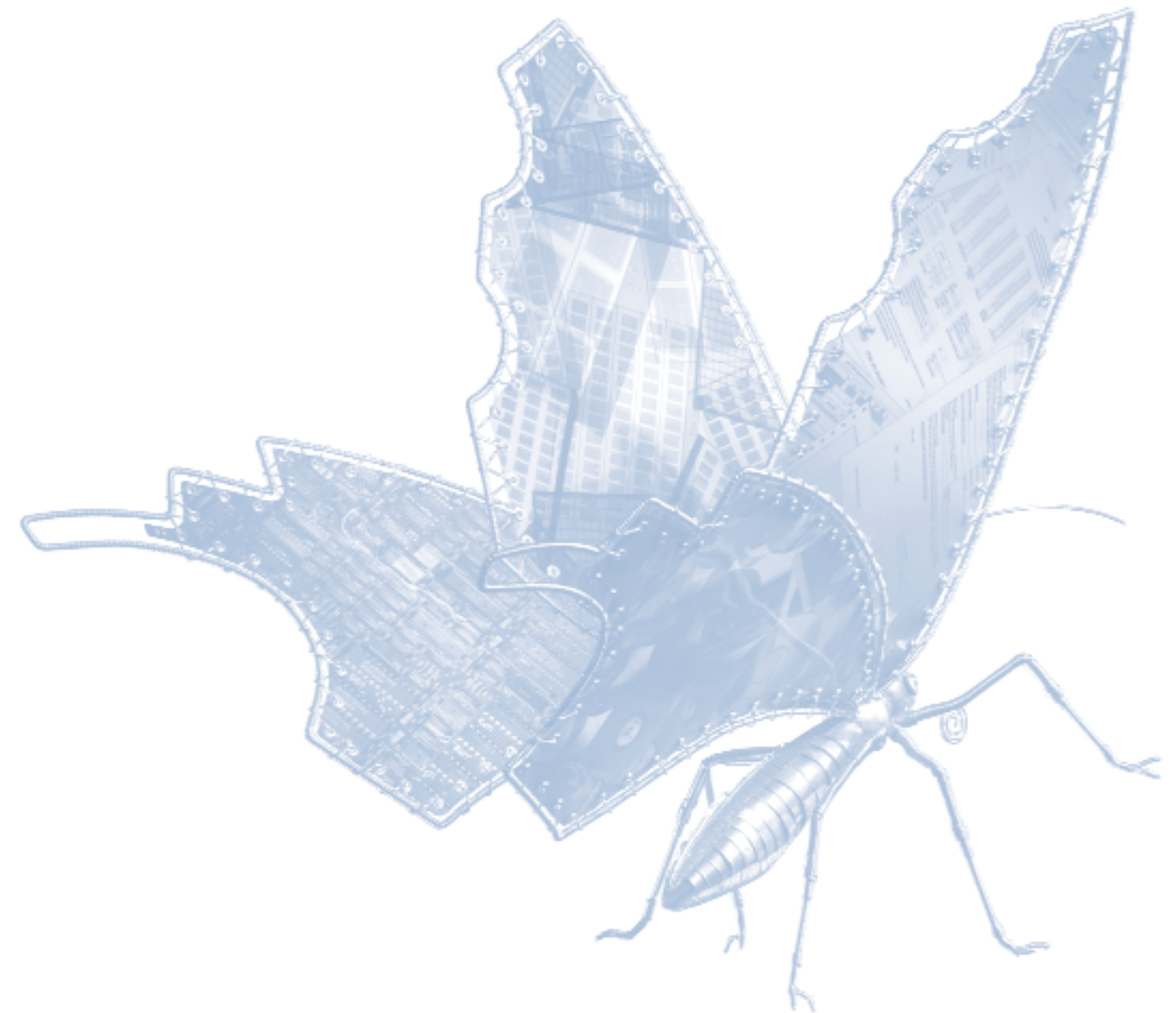
To facilitate the growth and cash generation of Metrofile (Pty) Limited as the market leader and most trusted service provider in South Africa for managing paper and electronic business records in all sectors of the economy



# Contents

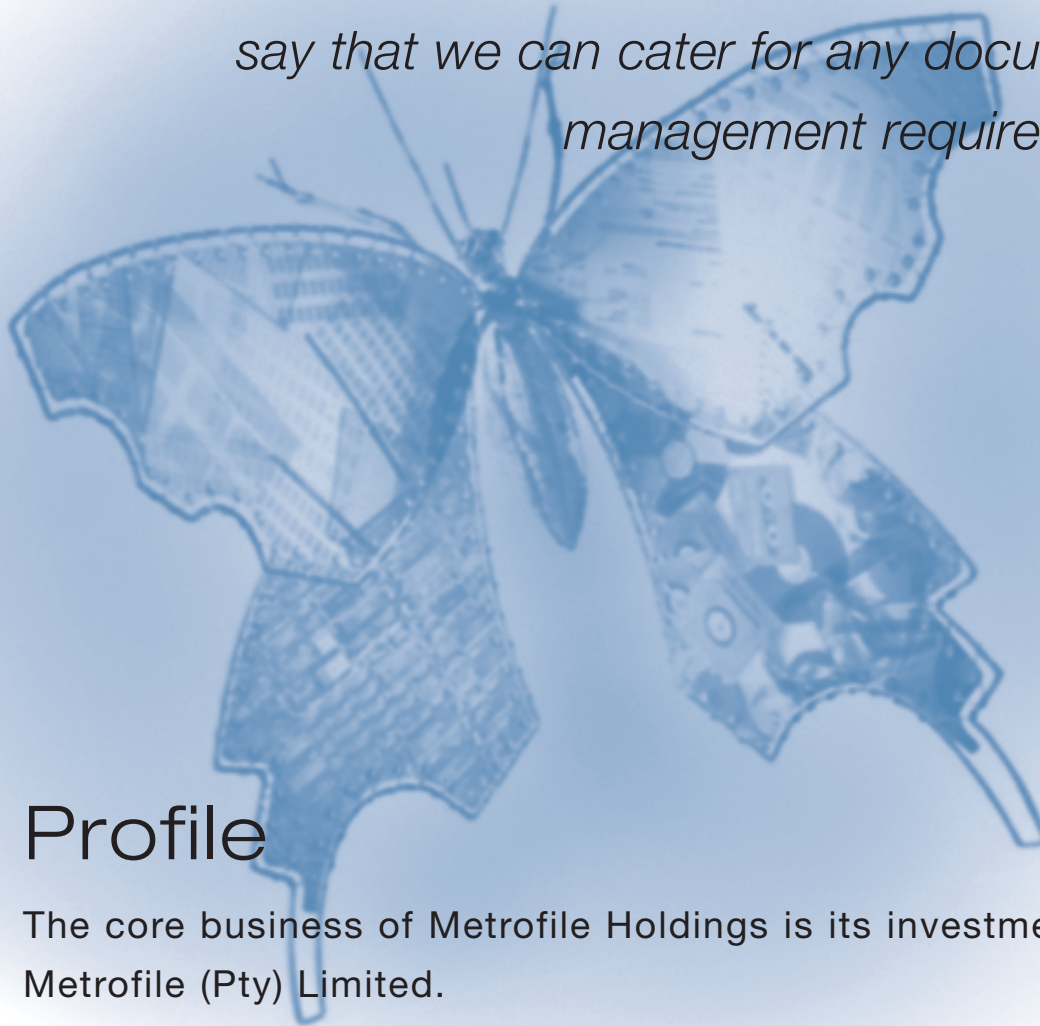
[www.metrofileholdings.com](http://www.metrofileholdings.com)

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*With over 3 500 customers, we can confidently  
say that we can cater for any document  
management requirement*



## Profile

The core business of Metrofile Holdings is its investment in Metrofile (Pty) Limited.

Metrofile (Pty) Limited is the South African market leader in the management of business records through its 16 storage centres and locations throughout South Africa.

It provides full life cycle paper and electronic records management on or offsite, that satisfy legislation and corporate governance requirements.

# Financial statistics

	2005	2004	2003	2002	2001	2000
<b>Income statement</b>						
Revenue	254 437	473 803	1 251 051	1 487 078	885 066	459 048
Operating income/(loss)	62 475	11 790	(61 340)	185 393	119 585	73 018
Net finance (cost)/income	(52 515)	(68 972)	(78 687)	(45 842)	(14 262)	11 860
Income/(loss) before taxation and capital items	9 960	(57 182)	(140 027)	139 551	105 323	84 878
Taxation	5 169	(23 506)	(115 629)	(33 804)	(33 067)	(19 895)
Income/(loss) after taxation	15 129	(80 688)	(255 656)	105 747	72 256	64 983
Share of associate's income	-	-	-	2 020	15 069	4 107
Outside shareholders' share of (losses)/profits	-	(826)	1 657	6 184	(684)	(946)
Attributable income/(loss) before exceptional items and goodwill amortisation	15 129	(81 514)	(253 999)	113 951	86 641	68 144
Exceptional items net of outside shareholders' interest	4 033	16 492	(47 343)	(22 701)	(37 583)	-
Goodwill amortisation and impairment	-	(22 188)	(400 734)	(82 895)	(18 854)	-
Attributable income/(loss)	19 162	(87 210)	(702 076)	8 355	30 204	68 144
<b>Balance sheet</b>						
<b>Assets</b>						
Property, plant and equipment	134 400	141 264	333 291	319 537	235 367	166 853
Intangibles	-	-	85 085	419 488	358 883	-
Financial assets	-	-	16 700	49 517	51 748	39 884
Current assets excluding cash	57 733	88 975	275 600	443 115	396 366	194 023
Long-term receivables	1 126	-	146	10 516	3 206	-
Cash resources	9 371	12 272	84 231	60 078	95 665	150 579
Total assets	202 630	242 511	795 053	1 302 251	1 141 235	551 339
Ordinary shareholders' interest	(308 730)	(327 801)	(240 691)	473 766	456 287	268 706
Outside shareholders' interest	-	441	3 401	8 358	851	2 984
Outside shareholders' preference shares in subsidiary	-	-	28 433	28 433	-	-
Net deferred taxation liability/(asset)	3 298	2 134	(2 193)	(69 244)	(60 008)	(17 062)
<b>Non-interest-bearing liabilities</b>						
Long term	36 899	47 867	-	27 674	1 200	18 000
Short term	54 829	64 949	408 757	369 632	401 057	162 928
<b>Interest-bearing borrowings</b>						
Long term repayable	205 337	251 134	169 075	136 631	117 621	74 967
Long term repayable or compulsorily convertible	190 682	167 155	-	-	-	-
Short term	20 315	36 632	428 271	327 001	224 227	40 816
Total equity and liabilities	202 630	242 511	795 053	1 302 251	1 141 235	551 339
Ordinary shares in issue (thousands)	74 077	74 077	74 077	74 077	74 077	47 122
Weighted average ordinary shares in issue (thousands)	67 200	67 200	66 598	66 563	53 924	46 262
Treasury shares (thousands)	6 877	6 877	6 877	6 840	7 362	-
Headline earnings/(loss) per ordinary share (cents)	29,6	(132,3)	(383,8)	145,3	138,9	147,3
<b>Financial ratios</b>						
Current	0,9	1,0	0,4	0,7	0,8	1,7
Liquidity	0,8	0,9	0,4	0,6	0,7	1,5
Interest cover (times)	1,2	0,2	(0,8)	4,0	8,4	*
<b>Profitability</b>						
Operating income to revenue (%)	24,6	2,5	(4,9)	12,5	13,5	15,9
Operating income to average gross assets employed (%)	28,1	2,3	(5,7)	14,4	13,5	15,5
Number of employees	1 070	1 179	2 445	2 696	2 754	1 973

\* Not applicable

## Ratio definitions

Current	Current assets to current liabilities
Liquidity	Current assets (excluding inventories) to current liabilities
Interest cover	Operating income to net finance costs

# Report to shareholders



*Metrofile storage centres currently hold over 12 billion customer paper records*

## **Metrofile Holdings' profile**

Metrofile Holdings is quoted in the "Support Services – Business Support Services" sector of the JSE Limited ("JSE"). The company was previously quoted in the "Information Technology – Software and Computer Services – Software sector".

## **The period in retrospect**

The business of Metrofile Holdings is its investment of 65% in Metrofile (Pty) Limited. The balance of 35% was sold during the period as approved by shareholders at a general meeting held on 27 January 2005 as follows:

- 25% MIC Industrial Investments (Pty) Limited (a subsidiary of Mineworkers Investment Company (Pty) Limited);
- 5% Metrofile Employees' Share Incentive Trust; and
- 5% Sabvest Investments (Pty) Limited.

## **Financial performance**

The results for the period reflect a substantial improvement on the prior year and were ahead of budget. An EBITDA of R76,9 million was achieved and the prior year's headline loss of 132,3 cents per share improved to headline earnings of 29,6 cents per share. Fully diluted HEPS improved to 7,9 cents. However, it should be noted that the prior year's figures are not strictly comparable as they contain figures from businesses and assets sold or discontinued. In addition,

provisions reversed improved EBITDA and reduced taxation payable by the equivalent of 17,9 cents per share.

Revenue was ahead of budget due to improved market penetration and the securing of new government business now that the group has a highly rated broad-based empowerment partner in Mineworkers Investment Company (Pty) Limited.

Cash flows were stronger than budgeted. The group is ahead of schedule in its payments to SARS. Payments on the A and B loans in Metrofile (Pty) Limited are also ahead of schedule. The A loans have been reduced to the target of R80 million and repayment of the B loans commenced before the year-end. Working capital management has improved and the group's working capital facilities remain largely unutilised.

## **Going concern**

The consolidated balance sheet reflects an excess of liabilities over assets. It should, however, be noted that the assets on the consolidated balance sheet are reflected at historical cost. The board regards the group as a going concern for the following reasons:

- The total of the compulsory convertible subordinated loans, the provisions that may become subordinated loans and the estimated value of goodwill and trademarks in Metrofile not

# Report to shareholders continued

reflected in the consolidated balance sheets, are together sufficient to restore commercial solvency.

- The group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the group's current and projected cash flows and the group has unutilised working capital facilities.
- Payments to SARS and all trade creditors are up to date.
- Balance sheet assets have been tested for impairment and none is overvalued.
- The group is trading in line with budgets.
- Key management is in place with appropriate incentives.

## Profile of Metrofile (Pty) Limited

Metrofile (Pty) Limited is the South African market leader in the management of business records through its 16 storage centres and locations throughout South Africa. It provides full life cycle paper and electronic records management on or offsite, including collation, scanning, digital conversions, physical or electronic preservation and destruction services that satisfy legislation and corporate governance requirements.

## Loan notes in Metrofile Holdings and Metrofile (Pty) Limited

Shareholders and claim creditors are referred to the circular dated 17 December 2003, the scheme of arrangement and definitions contained therein and the announcements of 4 March 2005 and 29 June 2005.

Metrofile (Pty) Limited has the following loan obligations:

- R80,0 million of A loan obligations bearing interest at prime – 1% per annum payable monthly in arrears due on 4 March 2009.
- R132,7 million of B loan obligations bearing interest at prime capitalised quarterly in arrears. Capital and interest are now being paid monthly and the full amount is required to be paid on or before 4 March 2009. If not paid by this date, the holders may elect to convert the obligations to shares in Metrofile (Pty) Limited.
- R115,0 million of C loan obligations bearing interest at prime +2% compounded quarterly in arrears and due for payment by 4 March 2009. The loans are subordinated to other creditors and if not repaid by Metrofile (Pty) Limited, are compulsorily convertible into ordinary shares in Metrofile (Pty) Limited.

In the event that either or both of the B or C loans convert to shares, Metrofile Holdings will cease to be a shareholder in Metrofile (Pty) Limited and the Metrofile Holdings loan notes referred to below will convert to shares in Metrofile Holdings simultaneously.

Metrofile Holdings has the following creditors or potential creditors:

- R75,7 million in Metrofile Holdings loan notes (reflected in the consolidated and company balance sheets of Metrofile Holdings) which are subordinated and compulsorily convertible into Metrofile Holdings shares if not repaid

before 4 March 2009. They bear interest at prime +3% compounded quarterly in arrears.

- R261,1 million of subordinated Metrofile Holdings loan notes issued to subsidiaries of Metrofile Holdings for inter-company claims (reflected only in the company balance sheet of Metrofile Holdings). They bear interest at prime +3% compounded quarterly in arrears. These loan notes are ceded as security to third party creditors of Metrofile (Pty) Limited and of Metrofile Holdings and which may become creditors in the consolidated accounts of Metrofile Holdings if the security is exercised or if creditors in subsidiaries become owners of the notes. If this occurs, and subject to the provisions of the Companies Act, these loan notes will convert to ordinary shares of Metrofile Holdings if they are not repaid by 4 March 2009.
- R36,9 million in provisions for creditors in subsidiaries (reflected in the consolidated balance sheet) who may have residual claims against the loan notes referred to in the second bullet above.

If any of the Metrofile Holdings loan notes referred to above convert to ordinary shares, existing ordinary shareholders will be diluted accordingly.

## Change of name

The company changed its name from MGX Holdings Limited to Metrofile Holdings Limited during the financial year. This was done to align the company with its current focus, being its investment in Metrofile.

## Metrofile Holdings Limited board

Eduardo Gutierrez-Garcia was not re-elected to the board at the annual general meeting on 27 January 2005. The board expresses its sincere appreciation to Mr Gutierrez-Garcia for his contribution to the board and unfailing assistance, particularly during the period of the restructure of the group. Keshan Pillay was appointed as a non-executive director and as a member of the audit and risk committee on 7 October 2005. Metrofile Holdings Limited itself has no Chief Executive Officer. The Chief Executive Officer's functions are performed by the Chief Financial Officer of Metrofile Holdings Limited, assisted by the Chairman of Metrofile Holdings Limited.

## Corporate governance

Notwithstanding the fact that the board only comprised four members during the year, the board has made every effort to ensure sound corporate governance. With the board's appointment of Keshan Pillay, the board now comprises five directors, three of whom are non-executive. Audit, risk and governance, and remuneration and nominations committees are in place and the board and each committee have written charters.



## Dividends

No dividends have been declared for the current period and it is not the intention that any dividends will be declared or paid in the foreseeable future.

## Prospects

The group expects improved revenue and operating results from Metrofile (Pty) Limited in the year ahead. Metrofile Holdings expects to resolve most outstanding legacy issues from the MGX period over the next 12 months. However, the SRP/EC-Hold matter is likely to continue for a number of years. Actions have been initiated, which may lead to resolution or final quantification of the claims of creditors currently reflected by Metrofile Holdings as provisions for liabilities. Discussions have commenced, which may lead to the refinancing of Metrofile (Pty) Limited to reduce or eliminate the risk of Metrofile Holdings losing its investment in Metrofile (Pty) Limited if any of its loan obligations become compulsory convertible to shares.

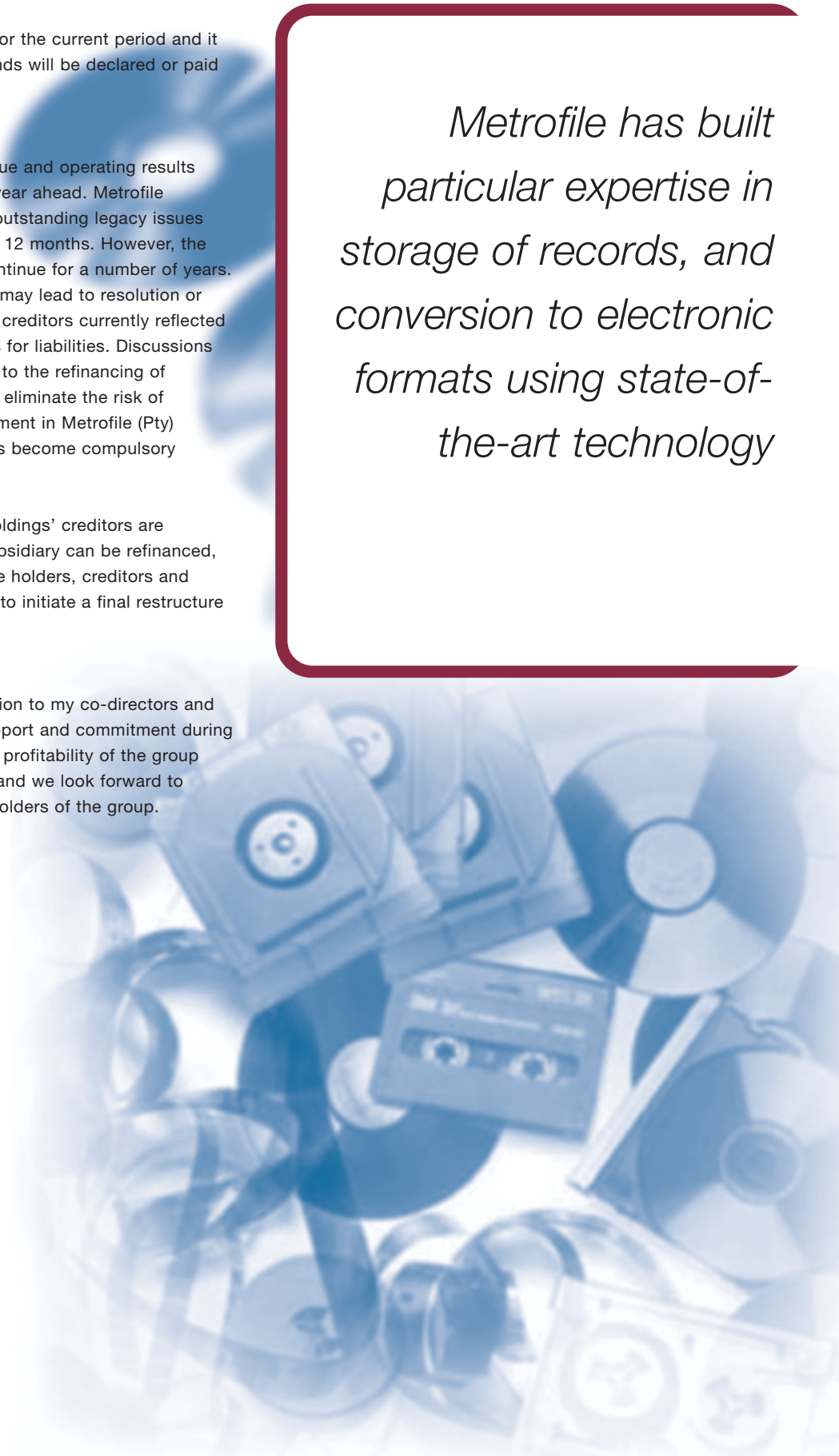
If the discussions with Metrofile Holdings' creditors are successfully concluded and the subsidiary can be refinanced, proposals may be made to the note holders, creditors and shareholders of Metrofile Holdings to initiate a final restructure of the group.

## Appreciation

I would like to record my appreciation to my co-directors and Metrofile management for their support and commitment during the year. The financial stability and profitability of the group improved beyond all expectations and we look forward to restoring further value to all stakeholders of the group.

**Christopher Seabrooke**  
Chairman

31 October 2005  
Johannesburg



*Metrofile has built particular expertise in storage of records, and conversion to electronic formats using state-of-the-art technology*

# Board of directors' profiles

## **Danisa Eileen Baloyi (49)**

BA, HDL, MA, MEd, DEd

Independent Non-executive Director

Danisa is the Executive Director for the National Black Business Caucus. She is the Chairperson of the following: Advertising Standards Authority and the monitoring committee for the Marketing and Communications Industry; Diabo 2% Share Trust for Telkom Employees (and Trustee for the Business Trust); South African Women Investment Holdings (SAWIH) and the Deputy Chair of South African Tourism and Southern African Enterprise Development Fund (SAEDF). She also sits on the following boards: Absa, MediKredit, Set Point Holdings, Enterprise Risk Management, and South African Business Council on HIV/Aids. Danisa was awarded "Businesswoman of the Year" by Top 300 companies for the year 2003/2004.

## **Stephen Roy Midlane (39)**

BCom, BAcc, CA(SA)

Executive Director: Chief Financial Officer

Roy is a director of certain of the Metrofile group companies.

## **Christopher Stefan Seabrooke (52)**

BCom, BAcc, MBA, FCMA

Independent Non-executive Chairman

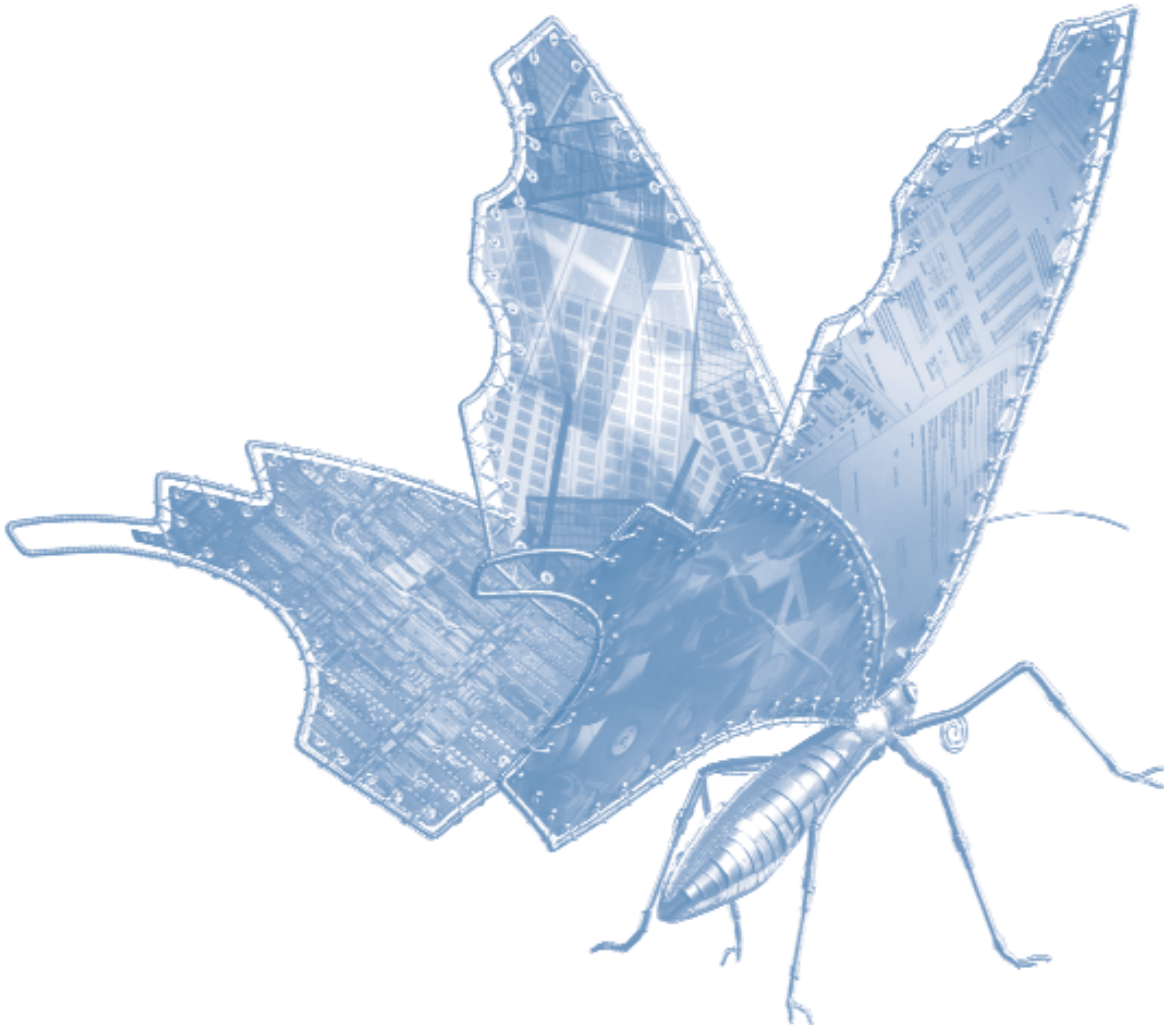
Chris has, over the years, been on the boards of over 20 JSE-listed companies. He is currently Chief Executive Officer of Sabvest Limited, Chairman of Massmart Holdings Limited and Setpoint Technology Holdings Limited and a director of Datatec Limited and Primedia Limited. He is also a director of Net1 UEPS Technologies Inc listed on Nasdaq in the United States of America. In addition he sits on the boards of a number of unlisted companies in Europe and South Africa.

## **Graham Dunbar Wackrill (51)**

BCompt

Executive Director

Graham is the Chief Executive Officer of Metrofile (Pty) Limited as well as a director of all the Metrofile (Pty) Limited group companies. Graham is one of the original founders of Record Storage and Management, started in Crown Mines, Johannesburg in 1983. The business was merged with Metrofile in October 1997 and was then sold to Metrofile Holdings in November 1997.





# Corporate governance

Metrofile Holdings Limited and its subsidiaries (“the group”) confirm their commitment to the principles of openness, integrity and accountability as advocated in the King Code on Corporate Governance. The group is committed to ongoing compliance with these recommendations. During the past year, further steps were taken to improve compliance with the King II Report as highlighted below.

## Internal financial control

The board of directors are responsible for the group’s system of internal control. Internal controls comprise methods and procedures adopted by management to contribute towards the achievement of the objectives of safeguarding assets, preventing and detecting error and fraud and ensuring the accuracy and completeness of accounting records and the reliability of the financial statements. There is no internal audit function, although the board is currently reviewing this situation.

The directors are of the opinion that, based on the information and explanations given by management and the external auditors, the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

It must be recognised that systems of internal control can provide only reasonable, and not absolute assurance. In that context, none of the reviews conducted indicated that the system of internal control was not appropriate or satisfactory.

## Chairman and board of directors

The board of directors of the group is chaired by an independent non-executive director, Mr CS Seabrooke. Mr Seabrooke is also CEO of the Sabvest Group which owns certain of the loan debt of Metrofile (Pty) Limited and has received incentive shares in Metrofile (Pty) Limited in terms of the schemes proposed to shareholders at the beginning of 2005. Notwithstanding this and in the context of Sabvest’s operations, the board is satisfied that Mr Seabrooke’s independence has not been compromised.

The board currently comprises two non-executive directors (both of whom are independent) and two executive directors. All director appointments are formal and transparent.

The board meets at least three times per annum and is responsible for group strategy, policy and performance as well as the management, control, compliance and ethical behaviour of the group companies under its direction. The executive directors, being involved with the day-to-day business activities of the group, are responsible for ensuring that decisions, strategies and views of the board are implemented.

To fulfil their responsibilities, board members have full and unrestricted access to relevant information and have access to the services and advice of the Company Secretary. Directors may also obtain independent professional advice at the expense of the company.

The board met formally on three different occasions during the year.

## Board meeting attendance

Directors	Date appointed	Date resigned	Attend/ meeting
DE Baloyi	23/04/97		3/3
E Garcia	09/05/01	27/01/05	1/1
SR Midlane	26/11/02		3/3
CS Seabrooke	28/01/03		3/3
GD Wackrill	29/01/04		3/3

## Audit committee

The group’s audit committee comprises two non-executive directors, one of whom is responsible for chairing the committee. The external auditors have unrestricted access to the audit committee, which meets at least twice a year.

These meetings are also attended by the appropriate members of financial management. The main functions of the audit committee, which they have adhered to, are:

- to ensure and report on the integrity, reliability and accuracy of the group’s accounting and financial reporting systems;
- to promote the overall effectiveness of corporate governance in the group;
- to review the findings and reports of the external auditors;
- to consider and recommend the annual and interim financial statements for approval by the full board of directors; and
- to consider the independence of and recommend the reappointment of the external auditors.

The audit committee met four times during the past year.

## Audit committee meeting attendance

Directors	Date appointed	Date resigned	Attend/ meeting
DE Baloyi	01/02/04		2/4
E Garcia	09/05/01	27/01/05	2/2
CS Seabrooke	28/01/03		4/4

## Remuneration committee

The group has a remuneration committee consisting of two non-executive directors, one of whom is responsible

# Corporate governance continued

for chairing the committee. The committee meets at least twice a year, and is responsible for formulating a remuneration strategy for senior executives in the group. This strategy includes the determination of incentive pay structures for directors and senior executives in both the short and long term, and the positioning of these levels in accordance with competitive practice locally and internationally.

The committee's main objective is to provide the board with an assurance that the directors and senior executives of the group are fairly rewarded for their individual contributions to the group's performance. Existing and proposed share incentives are reviewed by the committee. A formal and transparent procedure for determining executive and director remuneration has been created.

It is the group's aim to have a remuneration policy that enables it to recruit, retain and motivate executive talent in its main business unit, Metrofile (Pty) Limited, and in its head office. In the past year the group revised its short-term and long-term incentive plans.

Non-executive directors receive fees for their roles as directors, their roles on board subcommittees and for functions performed by them in their capacities as directors but outside of board and committee forums.

The remuneration committee met twice last year.

## Remuneration committee meeting attendance

Directors	Date appointed	Date resigned	Attend/ meeting
DE Baloyi	01/02/04		2/2
E Garcia	09/05/01	27/01/05	1/1
CS Seabrooke	01/02/04		2/2

## Group executive committee

The group executive committee includes the Chief Financial Officer of Metrofile Holdings Limited and the Chief Executive Officer of Metrofile (Pty) Limited. External advisors are invited to attend on an ad hoc basis. The committee meets regularly and on an ad hoc basis for urgent matters of business.

The function of the group executive committee is to develop the group's strategy, its business plan and corporate policies for board approval, and to implement and monitor these in accordance with the board's directives.

## Risk management

The appropriate emphasis placed by the King II Report on strategic, operational, financial, information technology and fraud risk management, including whistle blowing, is fully supported by the board of directors. Comprehensive risk management assessments of the group's remaining operations will be introduced during the coming year. Management is in the process of engaging an external facilitator to assist with this process.

## Disclosure and transparency

The group subscribes to a philosophy of providing meaningful, transparent, timely and accurate communications to its stakeholders.

## Business conduct

The group's business philosophy requires that the directors and employees conduct themselves with honesty and integrity in all business practices to achieve the highest standards of ethical behaviour.

# Corporate social investment

Metrofile depends heavily on the positive transformation and upliftment of their staff and the community in which the company works and conducts its business. The directors and managers of Metrofile have a strong social, moral and ethical obligation on the company's shareholders to reinvest a portion of its profits into its community to improve working conditions, living standards, social infrastructure and provide a caring and beneficial facet to its business environment.

The corporate social investment programme is employee driven with strong and visible support from the company's senior management. A formal, well structured and sustainable programme is articulated throughout the company and is developed with full employee participation and guidance.

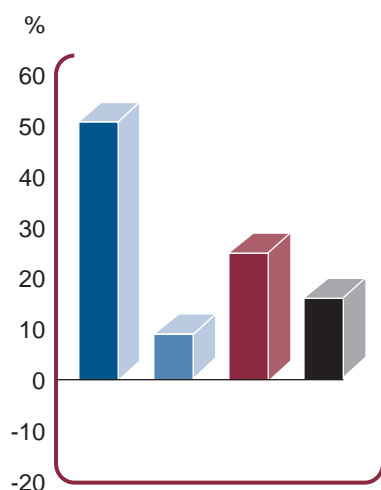
At Metrofile we realise that HIV/Aids is going to impact business negatively and have therefore committed ourselves to fight for life, and as part of our Corporate Social Investment Programme we have been donating an annual amount to an HIV/Aids shelter. The shelter is a 24-hour counselling support service for those diagnosed with HIV/Aids and for their families, as well as physical care for those patients in the terminal stages of the disease.



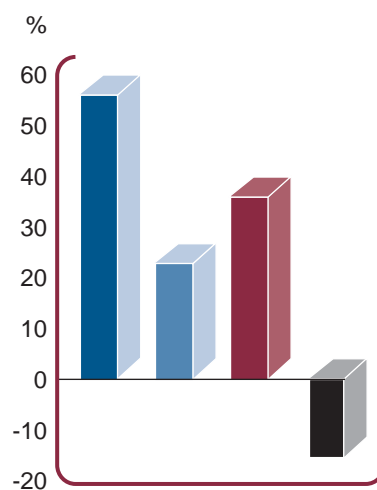
# Value added statement

	Group			
	2005		2004	
	R'000	%	R'000	%
<b>Total wealth created</b>				
Revenue	254 437		473 803	
Paid to suppliers for materials and services	38 911		271 184	
Value added	215 526		202 619	
Finance income	1 267		5 500	
<b>Total wealth created</b>	<b>214 259</b>	<b>100</b>	208 119	100
<b>Distributed as follows</b>				
<b>Employees</b>				
Remuneration and service benefits	107 917	50	115 973	56
<b>Government</b>				
	18 943	9	48 465	23
Income tax	(5 169)		23 506	
RSC levies and other taxes	24 112		24 959	
<b>Providers of capital</b>	<b>53 782</b>	<b>25</b>	75 298	36
Finance charges	53 782		74 472	
Minority shareholders	-		826	
<b>Reinvested in/(consumed by) group</b>	<b>33 617</b>	<b>16</b>	(31 617)	(15)
Depreciation	14 455		33 405	
Goodwill amortisation and impairment	-		22 188	
Attributable earnings	19 162		(87 210)	
<b>Total wealth distributed</b>	<b>214 259</b>	<b>100</b>	208 119	100

Distribution of wealth 2005



Distribution of wealth 2004



■ Employees   
 ■ Government   
 ■ Providers of capital   
 ■ Reinvested in group/consumed by group



# *Annual financial statements*

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# Report of the independent auditors

## To the members of Metrofile Holdings Limited

We have audited the annual financial statements and group annual financial statements set out on pages 14 to 48 for the year ended 30 June 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

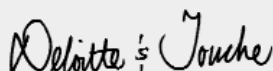
We believe that our audit provides a reasonable basis for our opinion.

### Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

### Going concern

Without qualifying our opinion, we draw attention to the balance sheet which indicates that the company and group are technically insolvent at 30 June 2005. As of that date, the company's total liabilities exceeded its total assets by R343 321 000 (2004: R602 371 000) and the group's total liabilities exceeded its total assets by R308 730 000 (2004: R327 360 000). This condition indicates the existence of a material uncertainty which may cast significant doubt about the company and group's ability to continue as going concerns. Users are referred to the directors' report for details of directors' plans to deal with the uncertainty.



Deloitte & Touche  
Registered Accountants and Auditors  
Chartered Accountants (SA)

31 October 2005  
Johannesburg

## Certification by company secretary

I certify, in accordance with section 268G(d) of the Companies Act, 1973, as amended, that the company, Metrofile Holdings Limited, has, during the period 1 July 2004 to 30 June 2005, lodged with the Registrar all such returns as are required by a public company in terms of the Act and that all such returns are true, correct and up to date.

CD du Plessis  
Company Secretary

31 October 2005  
Johannesburg



# Statement of responsibility by the board of directors

The board of directors of Metrofile Holdings Limited present their report on the activities of the company and the group.

The directors accept responsibility for the integrity, objectivity and reliability of the financial statements of Metrofile Holdings Limited and its subsidiaries. The directors support the principle of transparent reporting and delegated the responsibility for the preparation and presentation of the financial statements to management. The comments on the internal financial controls on page 7 are also relevant.

The financial statements have been audited by the independent accounting firm Deloitte & Touche, which was given unrestricted access to all financial records and related data, including the minutes of all shareholders' meetings, board of directors' meetings and meetings of subcommittees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The audit report is presented on page 12.

The Common Terms Agreement ("CTA") which was signed on 20 November 2003 with the group's capital providers to provide adequate funding facilities, uses group assets as security. Included in the restructure was a section 311 scheme of arrangement with creditors. Accordingly, these annual financial statements have again been prepared on a going-concern basis, which presumes that assets will be realised and liabilities settled in the normal course of business. No adjustments have been processed to the classification or valuation of assets or liabilities, which may be necessary if the group or any company within the group is not able to continue as a going concern.

The consolidated balance sheet reflects an excess of liabilities over assets. Notwithstanding this, the board is of the opinion that the group is a going concern for the following reasons:

- The total of the compulsory convertible subordinated loans, the provisions that may become subordinated loans and the estimated value of goodwill and trademarks in Metrofile not reflected on the balance sheet, are together sufficient to restore commercial solvency.
- The group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the group's current and projected cash flows, and the group has unutilised working capital facilities.
- All payments to SARS and all trade creditors are up to date.
- Balance sheet assets have been carefully tested for impairment and none is overvalued.
- The group is trading in line with budget.
- Key management is in place with appropriate annual incentives. A longer-term incentive scheme was proposed and approved by shareholders.

The directors are satisfied that the financial statements fairly present the financial position and results of operations and cash flows of the group and the company for the year ended 30 June 2005 in accordance with the appropriate accounting policies based on South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

The financial statements which appear on pages 14 to 48 were approved by the board on 31 October 2005 and are signed on their behalf by:

**Christopher Seabrooke**  
*Non-executive Chairman*

**Roy Midlane**  
*Chief Financial Officer*

31 October 2005  
Johannesburg

# Report of the directors

## To the members of Metrofile Holdings Limited (previously MGX Holdings Limited)

Your directors submit their report together with the audited annual financial statements of Metrofile Holdings Limited (“the company”) and its subsidiaries (“the group”) for the year ended 30 June 2005.

### Name change

The company changed its name from “MGX Holdings Limited” to “Metrofile Holdings Limited” as the business of Metrofile (Pty) Limited is the sole remaining trading operation of the group. The rationale behind the name change is to fairly represent and market Metrofile’s operations going forward.

### Nature of business

Metrofile Holdings Limited holds an investment of 65% in Metrofile (Pty) Limited. The group is a specialist in information management and a leading supplier of products and services for the conversion, storage, retrieval and distribution of documents and information.

Metrofile (Pty) Limited focuses on all aspects of enterprise document and records management, including paper, analogue and electronic “content”. The service offerings include:

- Archiving and retrieval of paper, electronic and analogue documents in national storage centres.
- Conversion of paper to analogue or digital format through conversion centres.
- Professional services covering consulting, architecture and implementation of solutions.

### Directors and Company Secretary

The names of the directors and Company Secretary are set out on page 52.

GD Wackrill (executive) was appointed as an executive director on 1 July 2004. The reappointment of E Gutierrez-Garcia (non-executive) for a further term of office was not approved at the annual general meeting held on 27 January 2005.

At 30 June 2005, interests of the directors in the shares of the company were as follows:

Directors	Beneficial		Non-beneficial		Total shares %
	Direct	Indirect	Direct	Indirect	
Danisa Eileen Baloyi		8 000			0,01
Graham Dunbar Wackrill	67 296				0,09

There have been no other material changes to the shareholding of the directors between the financial year-end and the date of this report.

### Directors’ interests in transactions

None of the directors, except where indicated below or in note 19 to the annual financial statements, has any interest in any transactions that were entered into by the group during the current or immediately preceding financial year, or during an earlier financial year, which remain in any respect outstanding.

### Financial results

The income statements, set out on page 18, reflect the results of the operations of the company and of the group for the year ended 30 June 2005.

### Balance sheet

In order to present a balance sheet that fairly reflects the financial position, the asset values have been reassessed. Investments and loans are recorded at fair market or realisable values. Working capital has been assessed to ensure a fair carrying value for inventory and the recoverability of accounts receivable. Buildings have been recorded at their carrying value, and have been tested for impairment by obtaining an independent market valuation.

### Lease commitments

At the reporting date, future committed leasing charges for premises, equipment and motor vehicles amounted to R9,8 million, of which R7,3 million is payable within one year (30 June 2004: R15,3 million, R5,5 million).

### Significant contracts

Save for those agreements that have been disclosed to shareholders in terms of the Listings Requirements of the JSE Limited, the group has not entered into any material contracts, otherwise than in the ordinary course of business, during the two years prior to the date of this report.

### Litigation

Other than those claims referred to in note 15 (contingent liabilities) to the annual financial statements, the group is not involved in any legal or arbitration proceedings, nor are the directors aware of any such proceedings which may be pending or threatened, which may have, or which have had, in the 12-month period preceding the date of issue of this annual report, a material effect on the group's financial position.

### Accounting policies

The accounting policies and methods of computation are in compliance with the South African Statements of Generally Accepted Accounting Practice, and except for the treatment of goodwill in terms of AC140 (refer to notes in annual financial statements) are the same as those used for 30 June 2004 annual financial statements.

### Dividends

No dividends have been declared for the current year or prior year and it is not the intention that any dividends will be declared or paid in the foreseeable future. Cash generated will be used to service debt and be reinvested in Metrofile (Pty) Limited.

### Subsidiaries

Details of the company's material operating subsidiaries at 30 June 2005 are set out on page 48.

### Associated companies

The company held the following investment in associates at 30 June 2005:

Associate	Nature of business	% holding
Computer Configurations Holdings Limited	Cash shell	29,1

### Share capital

Details of changes in share capital can be found in note 12 to the annual financial statements.

### Review of operations

The recovery plan to return Metrofile Holdings Limited to profitability is ahead of expectations. The group debt has been reduced by the proceeds from the sale of the Midrand Property and central costs have been reduced to lower levels.

The Metrofile (Pty) Limited business has grown profitably over the past year. This entity made an EBITDA of R69,8 million for the year ended 30 June 2005.

The auditors of Metrofile (Pty) Limited have issued an unqualified and unmodified audit opinion. In their opinion, there are no events or conditions that came to their attention which may cast significant doubt upon the ability of this entity to continue as a going concern, even though Metrofile (Pty) Limited is technically insolvent.

### Debt structure

Metrofile (Pty) Limited paid down the Metrofile A loan facility to R80 million and began the repayment of the Metrofile B loan facility prior to 30 June 2005, due to favourable trading conditions and positive cash flow. It was previously estimated that the Metrofile A loan facility would only be paid down to R80 million by January 2006.



# Report of the directors continued

## **The Midrand Property disposal**

The disposal of the Midrand Property was concluded during the year ended 30 June 2004. Metrofile Holdings Limited entered into an agreement with C-Max Investments 151 (Pty) Limited ("C-Max") in which it sold the Midrand Property to C-Max for R35 million in cash (excluding commission). The proceeds were only received in the current financial year and reduced the group debt by approximately R34,1 million.

The transaction was approved and ratified by shareholders at a general meeting on 3 August 2004.

## **Black economic empowerment ("BEE")**

Metrofile Holdings Limited and Metrofile (Pty) Limited concluded a transaction with Mineworkers Investment Company (Pty) Limited ("MIC"). In terms of this agreement, MIC acquired from Metrofile Holdings Limited a 25% equity interest in Metrofile (Pty) Limited.

The board of Metrofile Holdings Limited believes that this transaction has placed Metrofile (Pty) Limited in a position to retain and grow its corporate business and compete more effectively for government and parastatal business. The transaction was structured to motivate MIC to assist Metrofile (Pty) Limited to repay the loans convertible into Metrofile (Pty) Limited equity (which would eliminate Metrofile Holdings Limited equity in Metrofile (Pty) Limited), as MIC's interest in Metrofile (Pty) Limited will automatically reduce from 25% to 10% if this takes place. MIC's assistance in achieving growth in Metrofile (Pty) Limited is accordingly essential to Metrofile Holdings Limited stakeholders and to Metrofile (Pty) Limited itself. The transaction was approved by the shareholders on 27 January 2005.

## **Disposal of shares in Metrofile for incentive purposes**

Metrofile Holdings Limited entered into an agreement with the Metrofile Employee Share Incentive Trust ("the trust"), in terms of which Metrofile Holdings Limited sold 5% of its shareholding in Metrofile (Pty) Limited to the trust. Metrofile Holdings Limited also entered into an agreement with Sabvest Investments (Pty) Limited ("Sabvest"), in terms of which Metrofile Holdings Limited sold 5% of its shareholding in Metrofile (Pty) Limited to Sabvest. Both proposed agreements were approved by shareholders on 27 January 2005. Chris Seabrooke ("Seabrooke") is Chief Executive Officer of Sabvest and the Seabrooke family trust has a voting interest of 67% and an economic interest of 32% in the shares of Sabvest.

Metrofile (Pty) Limited has a short-term incentive plan in place to motivate the performance of its management in each financial year. The group has also created a long-term incentive plan for present and future employees of Metrofile Holdings Limited and Metrofile (Pty) Limited. The board of directors of Metrofile Holdings Limited and Metrofile (Pty) Limited are both of the opinion that this staff transaction will boost employee commitment and encourage the continued growth of the group.

The board of directors of the group is of the view that Seabrooke has been instrumental in ensuring the continued existence of the group after it became apparent in January 2003 that the group was unable to service its interest-bearing debt. Seabrooke's contribution to Metrofile Holdings Limited over the last 30 months has been invaluable and his continued leadership is essential for the growth of the group.

## **EC-Hold**

Metrofile Holdings Limited was the controlling shareholder of EC-Hold and a major loan creditor in EC-Hold. EC-Hold at 30 June 2004, was technically insolvent. EC-Hold continued trading only due to the subordination of a portion of Metrofile Holdings Limited's loan claims against it, a waiver of interest on those claims and working capital support for the excess of costs over income in EC-Hold, which arose mostly from the expenses associated with its continued listing on the JSE Limited ("JSE").

EC-Hold approached the JSE for a waiver of certain compliance requirements in order to save costs, or alternatively, permission to delist. The JSE confirmed that it would permit EC-Hold to delist provided that it complied with all the relevant sections of the JSE regulations. Metrofile Holdings Limited indicated that it would make a nominal offer to shareholders to enable a delisting, and would fund the costs. EC-Hold shareholders would not be obliged to accept the offer and it would be pointed out to them that there remain the possibility of a substantially higher offer of up to 240 cents per share arising from the current legal action between the Securities Regulation Panel ("SRP") and Metrofile Holdings Limited.

The SRP acknowledged that the matter of the delisting was not within their jurisdiction but indicated that they would oppose any offer by Metrofile Holdings Limited or any related party unless it was at the level currently being adjudicated by the courts, notwithstanding that the offer would not be compulsory and that the alternative would be pointed out to shareholders.

Under those circumstances Metrofile Holdings Limited indicated to EC-Hold that it would not renew the subordination of its loan or continue the working capital support when the current arrangement expires.

The EC-Hold board accordingly resolved that the most expedient and cost-effective course of action would be to apply for a liquidation order to enable a liquidator to dispose of EC-Hold's remaining assets and pay a dividend to creditors. Metrofile Holdings Limited has indicated that subject to certain conditions, it will procure that all known trade creditors of EC-Hold (which are not expected to exceed R0,5 million), will be paid 100 cents in the rand. No surplus is expected for EC-Hold shareholders. The EC-Hold board applied for a provisional liquidation order for EC-Hold and the High Court issued the provisional liquidation order on 16 November 2004. The final liquidation was made on order of the court on 25 January 2005.

#### **JSE sector change**

Metrofile Holdings transferred its listing to the "Support Services – Business Support Services" sector of the JSE. The JSE was requested to reclassify the company as the "Support Services – Business Support Services" sector is more in line with the business of its subsidiary Metrofile (Pty) Limited.

#### **Going concern**

The consolidated balance sheet reflects an excess of liabilities over assets. The board nevertheless regards the group as a going concern for the following reasons:

- The total of the compulsory convertible subordinated loans, the provisions that may become subordinated loans and the estimated value of goodwill and trademarks in Metrofile not reflected in the balance sheet, are together sufficient to restore commercial solvency.
- The group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the group's current and projected cash flows and the group has unutilised working capital facilities.
- All payments to SARS and all trade creditors are up to date.
- Balance sheet assets have been carefully tested for impairment and none is overvalued.
- The group is trading in line with budget.

Key management is in place with appropriate annual incentives and longer-term incentives.

#### **Post-balance sheet events**

##### **Interest rate swap**

Subsequent to the reporting date, Metrofile (Pty) Limited has entered into an interest rate swap agreement for R150 million on R150 million of its loan notes over four years to mitigate the risk of increased borrowing costs on its fluctuating rate loans during this period.

##### **Debt refinancing**

Negotiations regarding the refinancing of the Metrofile debt are in progress.

##### **Appointment of director**

Mr Keshan Pillay was appointed as non-executive director and as a member of the audit and risk committee on 7 October 2005.

##### **Motswedi claims**

A settlement agreement has been entered into with Motswedi Group of companies and related parties.

#### **Special resolution**

Shareholders were advised in the circular to shareholders on 17 December 2004 that the articles of association of the company are to be amended in terms of a special resolution so as to comply with the new JSE Listings Requirements. The special resolution was duly passed by the members at the general meeting of the company held on 27 January 2005.

# Income statements

for the year ended 30 June 2005

	Notes	Group		Company	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>Revenue</b>		<b>254 437</b>	473 803		
Cost of sales		<b>(86 760)</b>	(193 715)		
<b>Gross profit</b>		<b>167 677</b>	280 088		
Other income		<b>7 788</b>	4 593		335
<b>Gross profit before operating expenditure</b>		<b>175 465</b>	284 681		335
Foreign exchange gains/(losses)		<b>33</b>	226		(1 854)
Administrative and other operating costs		<b>(98 568)</b>	(239 712)	<b>(1 681)</b>	(2 686)
<b>Operating income/(loss) before depreciation, amortisation, exceptional items and net finance costs</b>		<b>76 930</b>	45 195	<b>(1 681)</b>	(4 205)
Depreciation		<b>(14 455)</b>	(33 405)		
Goodwill amortisation and impairment			(22 188)		
<b>Operating profit/(loss) before exceptional items and net finance costs</b>	3	<b>62 475</b>	(10 398)	<b>(1 681)</b>	(4 205)
Exceptional items	4	<b>4 033</b>	16 492	<b>17 969</b>	(397 313)
<b>Operating income/(loss) before net finance costs</b>		<b>66 508</b>	6 094	<b>16 288</b>	(401 518)
Finance costs	2	<b>(53 782)</b>	(74 472)	<b>(43 652)</b>	(45 870)
Finance income		<b>1 267</b>	5 500	<b>246</b>	2 005
Dividends received from subsidiaries				<b>292 168</b>	
<b>Profit/(loss) before taxation</b>		<b>13 993</b>	(62 878)	<b>265 050</b>	(445 383)
Taxation – normal	5	<b>5 169</b>	(23 506)	<b>(6 000)</b>	
<b>Profit/(loss) after taxation</b>		<b>19 162</b>	(86 384)	<b>259 050</b>	(445 383)
Outside shareholders' share of profits			(826)		
<b>Attributable profit/(loss)</b>		<b>19 162</b>	(87 210)	<b>259 050</b>	(445 383)
Number of ordinary shares in issue (thousands)		<b>74 077</b>	74 077		
Number of ordinary shares held in treasury (thousands)		<b>(6 877)</b>	(6 877)		
Number of ordinary shares in issue after deducting treasury and other excluded shares (thousands)		<b>67 200</b>	67 200		
Weighted average number of ordinary shares in issue (thousands)		<b>67 200</b>	67 200		
Headline earnings/(loss) per ordinary share (cents)	6	<b>29,6</b>	(132,3)		
Fully diluted headline earnings/(loss) per ordinary share (cents)	6	<b>7,9</b>			
Earnings/(loss) per ordinary share (cents)	6	<b>28,5</b>	(129,8)		
Fully diluted earnings/(loss) per ordinary share (cents)	6	<b>7,7</b>			



# Balance sheets

at 30 June 2005

	Notes	Group		Company	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>Assets</b>					
<b>Non-current assets</b>					
		<b>135 526</b>	141 321		1 136
Property, plant and equipment	8	<b>134 400</b>	141 264		
Financial assets	2 and 9				1 136
Deferred taxation asset	5		57		
Long-term receivables		<b>1 126</b>			
<b>Current assets</b>					
	11	<b>67 104</b>	101 247	<b>1 116</b>	2 410
Inventories	10	<b>8 029</b>	8 309		
Trade receivables	11	<b>38 912</b>	39 572		
Other receivables	11	<b>10 793</b>	40 375	<b>800</b>	2 230
Taxation			719		
Bank balances		<b>9 371</b>	12 272	<b>316</b>	180
<b>Total assets</b>		<b>202 630</b>	242 568	<b>1 116</b>	3 546
<b>Equity and liabilities</b>					
<b>Equity capital and deficits</b>					
		<b>(308 730)</b>	(327 360)	<b>(343 321)</b>	(602 371)
Ordinary share capital and share premium	12	<b>196 064</b>	196 064	<b>497 953</b>	497 953
Foreign currency translation reserve		<b>(2 918)</b>	(2 827)		
Accumulated losses		<b>(501 876)</b>	(521 038)	<b>(841 274)</b>	(1 100 324)
Ordinary shareholders' deficit		<b>(308 730)</b>	(327 801)	<b>(343 321)</b>	(602 371)
Outside shareholders' interest			441		
<b>Non-current liabilities</b>					
		<b>436 216</b>	468 347	<b>336 799</b>	604 905
Provisions	13.1	<b>36 899</b>	47 867		4 298
Interest-bearing liabilities	13.2	<b>205 337</b>	251 134		
Interest-bearing subordinated redeemable convertible loans	13.3	<b>190 682</b>	167 155	<b>75 694</b>	66 906
		<b>432 918</b>	466 156	<b>75 694</b>	71 204
Deferred taxation liability	5	<b>3 298</b>	2 191		
Amounts owing to subsidiaries – non-interest bearing				<b>11</b>	306 453
– interest bearing				<b>261 094</b>	227 248
<b>Current liabilities</b>					
		<b>75 144</b>	101 581	<b>7 638</b>	1 012
Trade payables		<b>7 056</b>	6 735		
Other payables		<b>24 503</b>	26 562	<b>1 638</b>	1 012
Provisions	20	<b>6 353</b>	10 469		
Deferred revenue		<b>3 317</b>	2 715		
Taxation		<b>13 600</b>	18 468	<b>6 000</b>	
Bank overdrafts – other	16		589		
Interest-bearing liabilities	13.4	<b>20 315</b>	36 043		
<b>Total equity and liabilities</b>		<b>202 630</b>	242 568	<b>1 116</b>	3 546
Net liability per ordinary share (cents)		<b>(459,4)</b>	(487,8)		
Tangible net liability per ordinary share (cents)		<b>(459,4)</b>	(487,8)		

# Statements of changes in equity

for the year ended 30 June 2005

	Note	Share capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Accumulated losses R'000	Total R'000
<b>Group</b>						
<b>Balance at 30 June 2003</b>		408	195 662	4 667	(441 428)	(240 691)
Attributable loss					(87 210)	(87 210)
Transfer of reserves				(7 600)	7 600	
Offset of treasury shares			(6)			(6)
Foreign currency translation reserve				106		106
<b>Balance at 30 June 2004</b>		408	195 656	(2 827)	(521 038)	(327 801)
Attributable profit					19 162	19 162
Offset of treasury shares		2	(2)			
Foreign currency translation reserve				(91)		(91)
<b>Balance at 30 June 2005</b>		<b>410</b>	<b>195 654</b>	<b>(2 918)</b>	<b>(501 876)</b>	<b>(308 730)</b>
<b>Company</b>						
<b>Balance at 30 June 2003</b>		452	497 501		(654 941)	(156 988)
Attributable loss – as previously reported					(265 881)	(265 881)
Attributable loss – prior year adjustment	2				(179 502)	(179 502)
<b>Balance at 30 June 2004 – as restated</b>		452	497 501		(1 100 324)	(602 371)
Attributable profit					259 050	259 050
<b>Balance at 30 June 2005</b>		<b>452</b>	<b>497 501</b>		<b>(841 274)</b>	<b>(343 321)</b>

# Cash flow statements

for the year ended 30 June 2005

	Notes	Group		Company	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>Cash flows from operating activities</b>					
Cash receipts from customers		255 052	612 700		
Cash paid to suppliers and employees		(171 842)	(551 299)	2 141	(10 818)
Cash generated from/(utilised in) operations	21.2	83 210	61 401	2 141	(10 818)
Net finance costs		(52 515)	(68 972)	(43 407)	(43 865)
Interest paid		(53 782)	(74 472)	(43 653)	(45 870)
Interest received		1 267	5 500	246	2 005
Taxation paid	21.3	(10 593)	(3 978)		
<b>Net cash inflow/(outflow) from operating activities</b>		<b>20 101</b>	<b>(11 549)</b>	<b>(41 266)</b>	<b>(54 683)</b>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment		(8 458)	(14 259)		
Replacement of property, plant and equipment		(3 179)	(14 653)		
Proceeds from disposal of property, plant and equipment		39 350	2 430		
Increase in other investments			(8)		
Decrease in loans due from group companies					7 846
Acquisitions of subsidiaries net of cash acquired	21.4		(7 500)		
Proceeds on disposal of financial assets		(35)	53 108		49 023
Dividends received from subsidiaries				292 168	
Long-term receivables raised		(1 126)			
Decrease in amount due from group company debtors				1 136	66 659
<b>Net cash inflow from investing activities</b>		<b>26 552</b>	<b>19 118</b>	<b>293 304</b>	<b>123 528</b>
<b>Cash flows from financing activities</b>					
Repayment of long-term liabilities		(72 511)	(332 811)		(252 380)
Advances (to)/from group companies				(260 690)	268 406
Increase in long-term liability		23 545	413 776	8 788	66 906
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(48 966)</b>	<b>80 965</b>	<b>(251 902)</b>	<b>82 932</b>
Net (decrease)/increase in cash and cash equivalents		(2 312)	88 534	136	151 777
Cash and cash equivalents at the beginning of the year		11 683	(76 851)	180	(151 597)
<b>Cash and cash equivalents at the end of the year</b>		<b>9 371</b>	<b>11 683</b>	<b>316</b>	<b>180</b>
Bank balances		9 371	12 272	316	180
Bank overdrafts – other			(589)		

# Notes to the annual financial statements

for the year ended 30 June 2005

## 1. Accounting policies

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments, and incorporate the following principal accounting policies which are consistent with those of the previous period, except for the treatment of goodwill. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

These policies comply in all material respects with South African Statements of Generally Accepted Accounting Practice.

### **Basis of consolidation**

#### *Subsidiaries*

The consolidated financial statements incorporate those of the company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal.

Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefit from its activities.

Differences between the consideration paid for subsidiaries acquired and the fair value of their net assets at dates of acquisition are expressed as goodwill on acquisition of subsidiaries.

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

#### *Joint ventures*

Joint ventures are those entities in which the group exercises joint control and holds a long-term equity interest but which are not subsidiaries.

Joint ventures are accounted for on the proportionate consolidation method. The group's share of assets, liabilities, income, expenses and cash flows of joint ventures are included on a line-by-line basis in the consolidated annual financial statements.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

Any differences between the cost of acquisition and the group's share of the net identifiable assets at acquisition, fairly valued, are expressed as goodwill on acquisition of the joint venture.

#### *Associates*

Associated companies are those entities which are not subsidiaries or joint ventures, in which the group exercises significant influence, through participation in the financial and operating policy decisions of the investee.

Associated companies are accounted for on the equity method using their most recently published financial statements. Equity accounted income which is included in the respective carrying values of the investments, represent the group's proportionate share of the associated companies' retained income after accounting for dividends payable by those associates.

Any differences between the cost of acquisition and the group's share of the net identifiable assets at acquisition, fairly valued, are expressed as goodwill on acquisition of associate and amortised in terms of the policy for goodwill.

#### *Translation of financial statements prepared in foreign currencies*

Balance sheets of consolidated foreign subsidiaries are translated into rand at rates of exchange on balance sheet date.

The related income and expenses items are translated at the average rate of exchange for the financial year.

Aggregated gains and losses on the translation of assets and liabilities are taken directly to non-distributable reserves and recognised as income or as expenses in the period in which the operation is disposed of.

Foreign currency gains and losses incurred by foreign subsidiaries are included in operating income.



In translating the financial statements of foreign subsidiaries, consideration is given to the impact of local inflation rates. None of the territories in which the group operates is presently regarded as hyperinflationary.

### **Property, plant and equipment**

Property, plant and equipment are valued at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis, at rates considered appropriate to write down assets to their estimated useful lives as follows:

	Years
Equipment	3 – 5
Furniture	10
Plant	5
Vehicles	4
Racking	15
Owner-occupied buildings (excluding land)	50

Where a permanent diminution in value or impairment of an asset is identified, the deficit is charged to the income statement.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales and proceeds and the carrying amount of the asset and is recognised in income.

### **Leased assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets acquired in terms of finance lease agreements are capitalised at fair value at the date of acquisition. The corresponding liability to the lessor, net of finance charges, is included in the balance sheet as a finance lease obligation.

Finance lease assets are depreciated on the same basis as owned assets (owned non-current assets).

Finance charges are charged to the income statement as they become due and payable. Rentals payable under operating leases are charged to the income statement over the term of the relevant lease.

### **Impairment of assets (excluding goodwill)**

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

### **Inventories**

Inventories, comprising merchandise, maintenance components and consumable stores, are valued at the lower of cost and net realisable value, determined on an average cost basis. Redundant and slow-moving inventory items are identified and written down to their estimated economic or realisable value.

### **Taxation**

The charge for current tax is the amount of income taxes payable in respect of the taxable profit (tax loss) for the current year. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the balance sheet liability method.

Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

# Notes to the annual financial statements continued

for the year ended 30 June 2005

## 1. Accounting policies continued

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities which affect neither the tax profit nor the accounting profit at the time of the transaction.

### Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits which can be reliably estimated.

### Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become a party to contractual provisions of the instruments.

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors and borrowings. These instruments are generally carried at their estimated fair value.

Trade receivables and payables are stated at their nominal value. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of the direct issue cost of the instruments to the extent that they are not settled in the period in which they arise.

Derivative financial instruments, principally forward foreign exchange contracts, are used by the group in its management of financial risks. The risks being hedged are exchange losses due to unfavourable movements between the rand and the foreign currency. Gains and losses arising from the cash flow hedges are recognised directly in equity, while gains and losses arising from fair value hedges are recognised in net profit or loss. Gains and losses arising from the remeasurement to fair value of financial assets held for trading are recognised in net profit or loss.

Gains and losses arising from changes in the fair value of available-for-sale financial assets that are measured at fair value subsequent to initial recognition are included in net profit or loss for the period.

### Revenue recognition

Revenue, which excludes value-added tax and transactions between group companies, is recognised as follows:

#### *Sale of goods*

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

#### *Maintenance contracts and services rendered*

Revenue from maintenance contracts and services rendered is recognised as the maintenance or service is performed.

#### *Rental income*

Revenue from rental income is recognised on a time basis in accordance with the agreement.

#### *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the asset's net carrying amount.

### Cost of sales

Cost of sales consists of the cost of inventories sold during the year including related overhead costs.

### Operating leases

Rentals payable under operating leases are charged to profit and loss over the term of the relevant lease.

**Exceptional items**

Exceptional items are material items of income and expense within operating income whose size, nature or incidence is relevant to explain the performance of the group for the year.

**Translation of foreign currencies**

All foreign currency transactions are translated at the rates ruling on the dates of the transactions. The related monetary assets and liabilities at the year-end are translated at the rates ruling at the balance sheet date.

Where forward exchange contracts have been entered into to reduce the group's risk to foreign exchange fluctuations, contracts are revalued to market forward exchange rates ruling at the balance sheet date.

**Earnings per share**

The calculation of earnings per share is based on earnings attributable to ordinary shareholders after all exceptional items and the weighted average number of ordinary shares in issue during the financial year.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years. Actuarial gains and losses which exceed 10% of the greater of the present value of the group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

**Cash flows**

For the purposes of the cash flow statement, cash includes cash on hand, deposits held on call with banks, investments in money market instruments and bank overdrafts.

**Business and geographical segments***Business segments*

For management purposes, the group is organised into six business units. The six business units are enterprise solutions, business continuity, content management, storage solutions, software development and central services et al. These business units are the basis on which the group reports its primary segment information.

*Geographical segments*

The geographical segment distinguishes between services and capital that is managed in economic environments, which have similar specific risks and regulations. The group's operations were based in South Africa and the United Kingdom. These economic environments are the basis on which the group reports its geographical segment information.

Management is considering amending the segmental analysis in the next financial period, as Metrofile (Pty) Limited is the only entity left in the group.

**Goodwill**

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment on an annual basis.

# Notes to the annual financial statements continued

for the year ended 30 June 2005

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>2. Prior year adjustment</b>				
Attributable loss as previously reported				(265 881)
Adjusted with:				
Impairment of investment in subsidiary				(169 500)
Interest accrued on Metrofile Holdings inter-company loan notes				(10 002)
Attributable loss after adjustments				(445 383)
<b>3. Operating profit/(loss) before exceptional items and finance costs</b>				
Operating profit/(loss) before exceptional items and finance costs is stated after accounting for the following:				
Auditors' remuneration	1 932	4 670	362	400
– Current year – audit fee	1 238	2 547	362	400
– other services	494	1 647		
– Prior year underprovision	201	476		
Directors' emoluments paid by subsidiaries	4 692	7 362		
Executive directors	3 773	5 473		
Non-executive directors	919	1 889		
Profit on sale of shares in Metrofile (Pty) Limited	(35)			
Foreign exchange (gains)/losses	(33)	1 787		1 854
Depreciation	14 455	33 405		
Profit on disposal of plant and equipment	(2 015)	(302)		
Managerial, secretarial and technical fees	563	17 020	452	586
Operating lease charges	5 531	21 649		
Plant, furniture and equipment	1 764	11 280		
Premises	3 766	10 369		
Retirement benefit expenses	8 189	10 190		
Research and development costs		75		
Number of employees at the year-end was 1 070 (2004: 1 179)				
<b>4. Exceptional items</b>				
(Loss)/profit on disposal/liquidation of investments	(3 195)	27 779	(31)	(25 403)
Impairment of property, plant and equipment	(88)	(1 718)		
Impairment of investments		(1 700)		(244 337)
Impairment of loans receivable		(154)		
Reversal of impairment/(impairment) of inter-group loans receivable			12 901	(124 775)
Profit on disposal of fixed property	521			
Net reversal/(raising) of claims	6 795	(7 715)	5 099	(3 218)
Reversal of prior year management fee				420
	4 033	16 492	17 969	(397 313)



	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>5. Taxation</b>				
<b>5.1 South African normal taxation</b>	<b>(8 746)</b>	20 227	<b>6 000</b>	
Current year	<b>3 573</b>	9 996		
Prior year	<b>(12 319)</b>	10 231	<b>6 000</b>	
<b>5.1.1 Deferred taxation</b>	<b>1 107</b>	3 279		
Current year	<b>1 185</b>	(48)		
Rate change	<b>(73)</b>			
Prior year	<b>(5)</b>	3 327		
<b>5.1.2 Other taxation</b>	<b>2 470</b>			
Secondary tax on companies	<b>420</b>			
Capital gains tax	<b>2 050</b>			
	<b>(5 169)</b>	23 506	<b>6 000</b>	
<b>5.2 Taxation reconciliation</b>				
Profit/(loss) before taxation	<b>13 993</b>	(62 878)	<b>265 050</b>	(445 383)
Taxation at statutory taxation rate of 29% (2004: 30%)	<b>4 058</b>	(18 864)	<b>76 865</b>	(133 615)
Net capital items/exempt income	<b>101</b>	(25 475)	<b>(92 603)</b>	(616)
Non-deductible expenditure	<b>3 603</b>	57 270	<b>15 403</b>	129 303
Goodwill amortisation and impairment		6 578		
Prior year taxation	<b>(12 324)</b>	13 558	<b>6 000</b>	
Assessed loss utilised	<b>(3 212)</b>	(4 349)		
Rate change adjustment	<b>(73)</b>			
Secondary tax on companies	<b>420</b>			
Capital gains tax	<b>2 050</b>			
Foreign tax		(994)		
Temporary differences not recognised	<b>208</b>	(4 218)	<b>335</b>	4 928
Actual taxation charged	<b>(5 169)</b>	23 506	<b>6 000</b>	
	%	%	%	%
<b>Taxation rate reconciliation</b>				
Statutory taxation rate	<b>29,0</b>	(30,0)	<b>29,0</b>	(30,0)
Net capital items/exempt income	<b>0,7</b>	(40,5)	<b>(34,9)</b>	(0,1)
Non-deductible expenditure	<b>25,8</b>	91,1	<b>5,8</b>	29,0
Goodwill amortisation and impairment		10,5		
Prior year taxation	<b>(88,1)</b>	21,5	<b>2,3</b>	
Assessed loss utilised	<b>(23,0)</b>	(6,9)		
Rate change adjustment	<b>(0,5)</b>			
Secondary tax on companies	<b>3,0</b>			
Capital gains tax	<b>14,7</b>			
Foreign tax		(1,6)		
Temporary differences not recognised	<b>1,5</b>	(6,7)	<b>0,1</b>	1,1
Effective taxation rate	<b>(36,9)</b>	37,4	<b>2,3</b>	

# Notes to the annual financial statements continued

for the year ended 30 June 2005

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>5. Taxation continued</b>				
<b>5.3 Deferred taxation</b>				
Property, plant and equipment	(5 844)	(5 256)		
Prepayments	(367)	(64)		
Provisions	1 548	1 325		
Other	1 366	729		
Assessed losses		1 132		
<b>Total</b>	<b>(3 298)</b>	<b>(2 134)</b>		
<b>Net deferred taxation liability</b>				
Opening balance	(2 134)	2 193		
Income statement movement				
– deferred tax reversal/impairment	(1 107)	(3 279)		
Other	(57)	(1 048)		
<b>Closing balance</b>	<b>(3 298)</b>	<b>(2 134)</b>		
Deferred taxation asset		57		
Deferred taxation liability	(3 298)	(2 191)		
<b>5.4 Taxation losses</b>				
Estimated taxation losses claimable but not yet assessed, available for offset against future taxable income amount to:	<b>61 598</b>	104 976	<b>32 287</b>	31 132

## 6. Earnings per ordinary share

### 6.1 Basis for calculation

The calculation of headline earnings per ordinary share is based on headline earnings of R19,9 million (2004: headline loss of R88,9 million) and a weighted average number of 67,2 million (2004: 67,2 million) ordinary shares in issue during the year.

The calculation of earnings per ordinary share is based on earnings of R19,2 million (2004: loss of R87,2 million) and a weighted average number of 67,2 million (2004: 67,2 million) ordinary shares in issue during the year.

Both headline earnings/(loss) per share and earnings/(loss) per share exclude 6,9 million (2004: 6,9 million) treasury shares.

The calculation of fully diluted headline earnings per ordinary share is based on earnings of R29,5 million and on 374,4 million ordinary shares in issue throughout the year.

The calculation of fully diluted earnings per ordinary share is based on earnings of R28,7 million and on 374,4 million ordinary shares in issue throughout the year.

The adjustment to determine the diluted headline earnings per share and diluted earnings per share is directly attributable to an interest saving of R9,6 million should the Metrofile Holdings loan notes convert into ordinary shares. The increase in number of ordinary shares in issue is calculated by dividing the outstanding capital amount (excluding any accrued interest) of the Metrofile Holdings loan notes held by third parties (includes notes held by third parties and excludes any inter-company loan notes, share options and any other payables) by the average market price per share during the period and then adding the calculated increase in shares to the existing weighted average number of ordinary shares in issue. Prior year diluted earnings per share and headline earnings per share are nil as it was antidilutive.

Group

2005  
R'000

2004  
R'000

**6. Earnings per ordinary share continued**

**6.2 Reconciliation of headline earnings/(loss)**

Attributable profit/(loss)	19 162	(87 210)
Adjusted for after tax:		
Profit on disposal of property, plant and equipment	(2 536)	(302)
Capital loss/(profit) on disposal/liquidation of investments	3 195	(27 017)
Amortisation and impairment of goodwill		22 188
Impairment of property, plant and equipment	88	1 718
Impairment of associate		1 700
<b>Headline earnings/(loss)</b>	<b>19 909</b>	<b>(88 923)</b>

**Cents**

Cents

**6.3 Reconciliation of headline earnings/(loss) per share**

Attributable profit/(loss) per ordinary share	28,5	(129,8)
Adjusted for after tax:		
Profit on disposal of property, plant and equipment	(3,8)	(0,4)
Capital loss/(profit) on disposal/liquidation of investments	4,8	(40,2)
Amortisation and impairment of goodwill		33,0
Impairment of property, plant and equipment	0,1	2,6
Impairment of investments		2,5
<b>Headline earnings/(loss) per ordinary share</b>	<b>29,6</b>	<b>(132,3)</b>

**7. Directors' service contracts, emoluments and interests in transactions with the group**

No long-term service contracts are in existence for executive directors. The following emoluments were paid to directors during the year to 30 June 2005:

**Directors' remuneration**

Figures quoted in rand	Directors' fees	Salary	Bonuses	Pension contribution	Other benefits	Loss of office	Total
<b>2005</b>							
DE Baloyi*	260 732				4 710		265 442
E Gutierrez-Garcia**†	145 833						145 833
SR Midlane		734 849	740 000	85 600	160 685		1 721 134
CS Seabrooke* <sup>Δ</sup>	500 000				8 516		508 516
GD Wackrill		906 342	834 514	162 000	148 681		2 051 537
	906 565	1 641 191	1 574 514	247 600	322 592		4 692 462

\* Non-executive director

• Paid to Brait South Africa Limited

† E Gutierrez-Garcia was not re-elected as non-executive at the annual general meeting on 27 January 2005

Δ An amount of R0,5 million (2004: R0,7 million) was also paid to Sabvest Financial Services (Pty) Limited of which Mr Seabrooke is a director

# Notes to the annual financial statements continued

for the year ended 30 June 2005

## 7. Directors' service contracts, emoluments and interests in transactions with the group continued

### Directors remuneration continued

Figures quoted in rand	Directors' fees	Salary	Bonuses	Pension contribution	Other benefits	Loss of office	Total
<b>2004</b>							
DE Baloyi*	139 268						139 268
AC Ball*	116 671						116 671
E Gutierrez-Garcia**†	133 329						133 329
SR Midlane		1 306 141	1 000 000	57 000	175 063		2 538 204
RS Price						900 000	900 000
NJ Webster		1 132 072	749 855	152 568			2 034 495
CS Seabrooke*	500 000		1 000 000				1 500 000
	889 268	2 438 213	2 749 855	209 568	175 063	900 000	7 361 967

\* Non-executive director

• Paid to Brait South Africa Limited

† NJ Webster resigned as executive on 29 February 2004 and remained on board as non-executive until 30 June 2004

During the year, Metrofile Holdings Limited (previously known as "MGX Holdings Limited") entered into a transaction with Sabvest Investments (Pty) Limited ("Sabvest"), in terms of which Metrofile Holdings Limited sold 5% of its shareholding in Metrofile (Pty) Limited to Sabvest. Chris Seabrooke ("Seabrooke"), Non-executive Chairman of Metrofile, is the Chief Executive Officer of Sabvest. The Seabrooke family trust has a voting interest of 67% and an economic interest of 32% in the shares of Sabvest. The transaction was approved by the shareholders of Metrofile Holdings Limited on 27 January 2005. Refer to page 43 for further information.

## 8. Property, plant and equipment

	Land and buildings R'000	Plant and machinery R'000	Computer equipment owned R'000	Computer equipment leased R'000	Motor vehicles R'000	Office furniture and equipment R'000	Capitalised develop- ment costs R'000	Total R'000
<b>Group</b>								
<i>Cost</i>								
At 1 July 2004	100 093	60 404	31 122	656	8 382	7 720		208 377
Additions	2 094	4 385	3 714		1 048	396		11 637
Disposals	(3 133)	(1 866)	(743)		(817)	(230)		(6 789)
Subsidiaries disposed			(317)	(366)	(409)	(38)		(1 130)
Reclassification	244			(244)				
Impairment of assets			(959)			(1 460)		(2 419)
<b>At 30 June 2005</b>	<b>99 298</b>	<b>62 923</b>	<b>32 817</b>	<b>46</b>	<b>8 204</b>	<b>6 388</b>		<b>209 676</b>
<i>Accumulated depreciation</i>								
At 1 July 2004	6 954	26 627	22 318	589	5 340	5 285		67 113
Depreciation	2 009	4 695	5 621	5	1 127	998		14 455
Disposals	(585)	(1 022)	(713)		(817)	(227)		(3 364)
Subsidiaries disposed			(258)	(315)	(9)	(15)		(597)
Reclassification	237			(237)				
Impairment of assets			(959)			(1 372)		(2 331)
<b>At 30 June 2005</b>	<b>8 615</b>	<b>30 300</b>	<b>26 009</b>	<b>42</b>	<b>5 641</b>	<b>4 669</b>		<b>75 276</b>
<i>Net book value</i>								
<b>At 30 June 2005</b>	<b>90 683</b>	<b>32 623</b>	<b>6 808</b>	<b>4</b>	<b>2 563</b>	<b>1 719</b>		<b>134 400</b>

## 8. Property, plant and equipment continued

	Land and buildings R'000	Plant and machinery R'000	Computer equipment owned R'000	Computer equipment leased R'000	Motor vehicles R'000	Office furniture and equipment R'000	Capitalised develop- ment costs R'000	Total R'000
<b>Group continued</b>								
<i>Cost</i>								
At 1 July 2003	214 731	123 843	85 040	717	12 541	32 817	25 812	495 501
Additions	6 390	9 487	5 296	54	2 650	604	72	24 553
Subsidiaries acquired								
Disposals	(40 964)	(3 646)	(43 372)	(13)	(2 260)	(4 941)		(95 196)
Subsidiaries disposed	(78 564)	(69 280)	(15 707)	(102)	(4 549)	(20 587)	(25 884)	(214 673)
Reclassification/ translation difference			(135)			(173)		(308)
Impairment of assets	(1 500)							(1 500)
<b>At 30 June 2004</b>	<b>100 093</b>	<b>60 404</b>	<b>31 122</b>	<b>656</b>	<b>8 382</b>	<b>7 720</b>		<b>208 377</b>
<i>Accumulated depreciation</i>								
At 1 July 2003	14 218	65 600	49 492	555	8 808	18 073	5 464	162 210
Depreciation	3 790	9 892	10 269	128	1 611	2 026	5 689	33 405
Subsidiaries acquired								
Disposals	(4 600)	(2 723)	(26 903)	(13)	(1 815)	(3 657)		(39 711)
Subsidiaries disposed	(6 454)	(46 142)	(10 446)	(81)	(3 264)	(10 947)	(7 079)	(84 413)
Reclassification/ translation difference			(94)			(210)	(4 074)	(4 378)
Impairment of assets								
<b>At 30 June 2004</b>	<b>6 954</b>	<b>26 627</b>	<b>22 318</b>	<b>589</b>	<b>5 340</b>	<b>5 285</b>		<b>67 113</b>
<i>Net book value</i>								
<b>At 30 June 2004</b>	<b>93 139</b>	<b>33 777</b>	<b>8 804</b>	<b>67</b>	<b>3 042</b>	<b>2 435</b>		<b>141 264</b>

A register of land and buildings is available for inspection at the registered office of the company.

All the assets have been pledged as security against certain loans as detailed in note 13.



# Notes to the annual financial statements continued

for the year ended 30 June 2005

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>9. Financial assets</b>				
<b>9.1 Subsidiaries</b>				
Shares at carrying value <sup>Δ</sup>				
Amounts owing by subsidiaries <sup>Δ</sup>				1 136
				1 136
<b>9.2 Joint venture</b>				
50% (2004: 50%) of Digital Initiatives (Pty) Limited				
Directors' valuation is nil (2004: nil)				
<b>9.3 Other investments</b>				
0% (2004: 1%) of Correlate (Pty) Limited				
Unlisted shares at cost		22 004		
Impairment adjustment		(22 004)		
25% (2004: 25%) of Exsol Europe BV				
Unlisted shares at cost	615	615	615	615
Impairment adjustment	(615)	(615)	(615)	(615)
0% (2004: 9%) of Connect One Limited (Israel)				
Unlisted shares at cost		7 189		
Impairment adjustment		(7 189)		
29,1% (2004: 29,1%) of Computer Configurations Holdings Limited				
Unlisted shares at cost	1 700	1 700	1 700	1 700
Impairment adjustment	(1 700)	(1 700)	(1 700)	(1 700)
Computer Configurations Holdings Limited is in the process of being liquidated, dormant and consequently equity accounting has not been applied				
Directors' valuation is nil (2004: nil)				
<b>9.4 Investment loans</b>				
Motswedi investment loan				
Unsecured loan	9 200	9 200	9 200	9 200
Impairment adjustment	(9 200)	(9 200)	(9 200)	(9 200)
Total financial assets				1 136
<b>9.5 Summarised financial information of joint venture</b>				
The group's proportional interest in the joint venture (refer note 9.2) has been incorporated in the group's assets, liabilities and results as follows:				
Property, plant, equipment and investments	1 620	2 465		
Working capital	(803)	(807)		
Revenue	2 730	2 247		
Profit/(loss) before tax	286	(204)		

<sup>Δ</sup> At 30 June 2005, Metrofile had ceded and pledged its interests in all its financial assets as security to the capital providers. For further details on security and other information refer to page 48.

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>10. Inventories</b>				
Maintenance spares	11 694	11 175		
Finished goods	1 132	2 733		
Consumables	1 565	168		
Total inventory	14 390	14 076		
Less: Provisions	(6 361)	(5 767)		
Net inventory	8 029	8 309		
Inventories have been ceded as security to the capital providers in terms of the restructure				
<b>11. Trade and other receivables</b>				
At 30 June 2005, Metrofile had ceded and pledged its trade receivables as security to its capital providers. Included in other receivables is R5,5 million for an outstanding insurance claim. In 2004, included in other receivables is an amount of R35 million for the proceeds from the disposal of the Midrand property				
	10 793	40 375	800	2 230
<b>12. Ordinary share capital and share premium</b>				
<b>12.1 Share capital</b>				
Authorised				
100 000 000 ordinary shares of 0,6146 cents each	615	615	615	615
Issued				
74 077 413 ordinary shares of 0,6146 cents each	456	456	456	456
Less: Treasury shares offset	(42)	(44)	(4)	(4)
Impairment of share incentive shares	(4)	(4)	(4)	(4)
	410	408	452	452
As a consequence of the group's holding in, and the subsequent acquisition of Computer Configurations Holdings Limited, a subsidiary of Metrofile Holdings (previously known as "MGX Holdings") owned 6,9 million (2004: 6,9 million) ordinary shares in Metrofile Holdings Limited. During the previous year these shares were transferred to MGX Management Services (Pty) Limited and held as treasury shares. In terms of AC104 these treasury shares have been excluded from any earnings/(loss) per share and headline earnings/(loss) per share calculations				
<b>12.2 Share premium</b>	195 654	195 656	497 501	497 501
Total share capital and share premium	196 064	196 064	497 953	497 953

# Notes to the annual financial statements continued

for the year ended 30 June 2005

## 12. Ordinary share capital and share premium continued

### 12.3 Share incentive schemes

The original MGX share incentive scheme was approved in terms of an ordinary resolution passed at a general meeting of shareholders on 22 June 1995.

An updated scheme was adopted to ensure that more appropriate incentives were granted to Metrofile employees. The scheme was approved at a general meeting on 21 February 2001, subject to the condition that both schemes cumulatively will not exceed 15% of the total issued share capital.

Share options lapse within ten years after having been granted, if the option has not been taken up or if the employee leaves the employ of the group.

#### 12.3.1 Share options

As at 30 June 2005, the following share options are still in place:

Offer price R	Number of participants	Number of share options granted
2,25	2	26 250
3,60	1	20 000
5,50	2	7 500
6,65	1	12 500
9,00	27	910 800
12,50	2	37 500
	35	1 014 550

Participants that remain in the employ of the company have between two and six years to exercise these options. The option prices range between R2,25 and R12,50 and it is unlikely that any options will be taken up in the foreseeable future.

#### 12.3.2 MGX Management Incentive Trust

The MGX Management Incentive Trust purchased shares in Metrofile Holdings (previously known as "MGX Holdings"). These shares were paid for by the participants and will be delivered to these participating individuals on completion of documentation required by the scheme. A decision was taken to legally terminate the incentive scheme but not to deregister the trust.

#### 12.3.3 Metrofile Employees Share Incentive Trust

The Metrofile Employees Share Incentive Trust purchased 5% of the ordinary shares in Metrofile (Pty) Limited. These shares were paid for and delivered to the participating individuals.

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>13. Long-term liabilities</b>				
<b>13.1 Non-interest-bearing liabilities</b>				
<i>Provisions</i>	<b>36 899</b>	47 867		4 298
The provisions raised for creditors in subsidiaries who may have residual claims against the Metrofile Holdings loan notes which were issued for certain inter-group claims referred to on page 48.	<b>36 899</b>	47 867		4 298
Total non-interest-bearing liabilities	<b>36 899</b>	47 867		4 298
<b>13.2 Interest-bearing liabilities</b>				
<i>Metrofile A facility</i>	<b>80 000</b>	114 096		
Being a five year senior loan facility, accruing interest at the prime rate minus 1% on a nominal annual compounded quarterly ("NACQ") basis and to be paid down to R80 million with fixed monthly repayments. The Metrofile A facility lenders have the first right of recourse to the security, together with the providers of the Working Capital facility	<b>80 000</b>	121 972		
<i>Less: Amounts payable within one year reflected under current liabilities</i>		(7 876)		
<i>Metrofile B and B1 facilities</i>	<b>114 205</b>	121 278		
Being a five year loan, accruing interest at the prime rate which interest will be capitalised on a NACQ basis, repayable from excess cash flows after the Working Capital facility has been repaid and the Metrofile A facility has been reduced to R80 million and secured by a second right of access to the security. The balance of the Metrofile B and B1 facilities, inclusive of accrued and capitalised interest, outstanding on the happening of certain default events or the final date for repayment of the Metrofile B and B1 facilities, will be convertible, at the election of the lenders of the Metrofile B and B1 facilities, into Metrofile (Pty) Limited ordinary shares	<b>132 698</b>	121 278		
<i>Less: Amounts payable within one year reflected under current liabilities</i>	<b>(18 493)</b>			

# Notes to the annual financial statements continued

for the year ended 30 June 2005

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>13. Long-term liabilities continued</b>				
<b>13.2 Interest-bearing liabilities continued</b>				
<i>Bonds</i>	<b>11 132</b>	12 070		
Secured by first mortgage bond over properties with estimated net book values of R25,8 million (2004: R60 million). The loans bear interest at prime less 1,25% and are repayable in equal monthly instalments. Although the mortgage bond does not form part of the restructured debt, it was agreed that only the interest should be paid for a two-year period, commencing on 4 March 2004. The last payment is due on 31 May 2013	<b>11 132</b>	37 681		
<i>Less: Amounts payable within one year reflected under current liabilities</i>		(25 611)		
<i>Finance leases</i>		3 690		
Secured over assets held under finance leases having a book value of R3,2 million (2004: R8,3 million). A total of R1,8 million (2004: R2,6 million) is repayable within one year	<b>1 822</b>	6 246		
<i>Less: Amounts payable within one year reflected under current liabilities</i>	<b>(1 822)</b>	(2 556)		
<b>Total interest-bearing liabilities</b>	<b>205 337</b>	251 134		
<b>13.3 Interest-bearing subordinated redeemable convertible loans</b>				
<i>Metrofile C facility</i>	<b>114 988</b>	100 249		
Being a five-year loan, accruing interest at the prime rate plus 2% capitalised on a NACQ basis, repayable from excess cash flows after the settlement of the capital and interest of the Metrofile B and B1 facilities, secured by a third right of access to the security. The balance of the Metrofile C facility outstanding, inclusive of accrued and capitalised interest will automatically convert into Metrofile (Pty) Limited ordinary shares, on the final repayment date of the Metrofile C facility or, if the Metrofile B and B1 facilities convert at any time. In addition, on the happening of certain default events, the Metrofile C facility will be convertible into ordinary shares even if the Metrofile B and B1 facilities do not convert into shares				



	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>13. Long-term liabilities continued</b>				
<b>13.3 Interest-bearing subordinated redeemable convertible loans continued</b>				
<i>Metrofile Holdings loan notes</i>	<b>75 694</b>	66 906	<b>75 694</b>	66 906
<p>The notes accrue interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, be repayable from the excess cash flows from Metrofile once the capital and interest on the Metrofile C facility has been repaid, have a fourth right of recourse to the security and are compulsorily convertible into Metrofile Holdings shares if the Metrofile C facility converts into Metrofile (Pty) Limited ordinary shares at any time or in the event that the notes have not been redeemed for cash within five years of the date of the debt refinancing. Redemption is in terms of a predetermined formula and no voluntary conversion of the notes into Metrofile Holdings shares is provided for</p> <p>Both the Metrofile C Facility and the Metrofile Holdings loan notes have been subordinated by the capital providers in favour of any third party creditor (not being any finance party or shareholder) to the extent that such third party creditor's claim will rank in priority to the capital providers pro rata to their outstanding debt</p>				
Total interest-bearing convertible loans	<b>190 682</b>	167 155	<b>75 694</b>	66 906
Total non-current liabilities	<b>432 918</b>	466 156	<b>75 694</b>	71 204
<b>13.4 Current liabilities</b>				
Interest-bearing liabilities	<b>20 315</b>	36 043		
Short-term portion of long-term liabilities	<b>20 315</b>	36 043		
– Metrofile A facility		7 876		
– Metrofile B facility	<b>18 493</b>			
– Bonds		25 611		
– Finance leases	<b>1 822</b>	2 556		
Total current liabilities	<b>20 315</b>	36 043		

Security for the Metrofile facilities and the Metrofile Holdings loan notes (previously known as the “MGX loan notes”), is provided by Micawber 305 (Pty) Limited (“the Guarantor”), a special purpose vehicle created to facilitate a security mechanism for the Capital Providers, in the form of guarantees issued to the Capital Providers and to the holders of the notes (“the security”). The Guarantor holds the underlying assets of Metrofile Holdings and Metrofile (Pty) Limited as security for its obligations under the guarantees provided by it to the Capital Providers.

# Notes to the annual financial statements continued

for the year ended 30 June 2005

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>14. Commitments</b>				
<b>14.1 Authorised capital expenditure</b>				
Metrofile (Pty) Limited has an expected capital expansion and replacement programme of R26,3 million in 2005/2006. R4,7 million of this will be funded from the proceeds of an insurance claim				
<b>14.2 Operating leases</b>				
Future leasing charges for plant, furniture and equipment				
Payable within one year	<b>7 287</b>	5 485		
Payable within two to five years	<b>2 531</b>	9 840		
	<b>9 818</b>	15 325		

## 15. Contingent liabilities

### 15.1 Securities Regulation Panel/Metrofile Holdings/EC-Hold

In March 2002, the Securities Regulation Panel ("SRP") ruled that the company and the Trustees of The Mandy Rebecca Price Trust ("the Trustees") had acted in concert in an affected transaction and ordered them to make an unconditional offer of 240 cents per share to all EC-Hold shareholders at 11 October 1999. The company and the Trustees disagreed and, together with other parties, are presently defending a court action brought by the SRP to require them to comply with the ruling. The company has taken steps to procure that the costs of defending this matter and any adverse court decision or commercial settlement will be funded and settled by third parties. However, it remains a contingent liability of the company until settled.

### 15.2 Motswedi

In February 2002, Motswedi Technology Group (Pty) Limited ("Motswedi") initiated a claim for damages against the company through arbitration proceedings. Group companies in turn initiated actions against Motswedi which were ruled in favour of Metrofile Holdings Limited by SITA. A court action is currently in progress. The company's legal advisors do not expect the company to incur any liability in these matters. In addition the company has taken steps to procure that costs and any adverse rulings will be settled by third parties. However, a contingent liability remains until these matters are concluded.

### 15.3 MGX/Eureka Pension Fund

The company continues to have a contingent liability of up to R9,1 million which will fall away once the approval of the Financial Services Board ("FSB") has been received for the transfer of the Fund's assets to another retirement fund. The company anticipates positive confirmation from the FSB shortly.

## 16. Borrowing powers

In terms of its articles of association the company's borrowing powers are unlimited.

In terms of the restructure agreement, known as the "Common Terms Agreement", borrowing powers of the remaining group companies are limited to the "Metrofile Working Capital Facility". The short-term facility is limited to R10 million, being a revolving working capital facility, accruing interest at the prime rate minus 1% on a NACQ basis, to be repaid in full on the earlier of 12 months after the date on which advanced or on the date upon which the Metrofile A facility reaches a level of R80 million and ranking pari passu with the Metrofile A facility as regards access to the security. The facility has been extended for an indefinite period and management is in the process of regularising the working capital facility.

Security for the Metrofile facilities and the Metrofile Holdings loan notes (previously known as "MGX notes"), is provided by Micawber 305 (Pty) Limited ("the Guarantor"), a special purpose vehicle created to facilitate a security mechanism for the Capital Providers, in the form of guarantees issued to the Capital Providers and to the holders of the notes ("the security"). The Guarantor holds the underlying assets of Metrofile Holdings and Metrofile (Pty) Limited as security for its obligations under the guarantees provided by it to the Capital Providers.

## 17. Financial risk management

### 17.1 Foreign currency exposure

In the normal course of business, the group enters into transactions denominated in a variety of foreign currencies. As a result the group is subject to transactions and translation exposures resulting from fluctuations in currency exchange rates. The group uses forward exchange contracts, foreign currency borrowings and natural hedges to minimise the foreign currency exchange exposures associated with its foreign currency transactions. Exposure to the group companies is generally controlled at a subsidiary level. It is not the group's policy to take speculative positions in foreign currencies. Existing forward exchange contracts cover existing and future trade commitments as well as other liabilities.

As at 30 June 2005 the group's foreign currency exposure was as follows:

	Currency	Amount in foreign currency	Exchange rate used	Reported value 2005 R'000	Reported value 2004 R'000
Uncovered foreign denominated liabilities					
included in trade payables	US\$'000	4,7	6,58	<b>31</b>	
	GBP'000	1	11,99	<b>11</b>	
	Euro'000	13	8,82	<b>115</b>	45
Uncovered foreign denominated assets					
	US\$'000	1	7,84	<b>10</b>	
	GBP'000	2	11,67	<b>8</b>	
	Euro'000	1	11,66	<b>1</b>	
Existing foreign currency forward exchange contracts covering balance sheet items included at fair value in trade payables are:					
Buy contracts	US\$'000	55	6,68	<b>367</b>	305
	GBP'000	8	11,99	<b>99</b>	

### 17.2 Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash, bank overdrafts and medium and long-term liabilities. The interest rates applicable to these financial instruments are comparable with those currently available in the market. Certain interest rate swap agreements were entered into post-balance sheet date to eliminate interest rate fluctuations on a portion of the debt over a four-year period.

### 17.3 Credit risk

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. This is implemented and controlled at an operating subsidiary level.

Credit risk evaluations are performed on all customers requiring credit. This is implemented and controlled at an operating subsidiary level.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

### 17.4 Fair values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

### 17.5 Financial instruments

During the year, Metrofile Holdings sold 25% of its Metrofile shares in a BEE transaction to the Mineworkers Investment Company ("MIC"). In the event that the Metrofile B and/or C facilities are not repaid or refinanced by 4 March 2009 and either or both of the series of notes are converted to equity in Metrofile, MIC's effective shareholding will reduce from 25% to 10% of the total increased share capital of Metrofile. Certain terms and conditions included in the sale agreement give rise to a derivative.

These terms and conditions of the agreement provides for, *inter alia*, the following:

- Subject to Metrofile Holdings Limited holding sufficient shares in Metrofile (Pty) Limited in the event that Metrofile B and/or C facilities convert into Metrofile (Pty) Limited ordinary shares, Metrofile Holdings Limited grant MIC the right to acquire the lesser of 15% or such number of ordinary shares to constitute MIC the holder of 25% of the ordinary shares in Metrofile (Pty) Limited.

# Notes to the annual financial statements continued

for the year ended 30 June 2005

## 17. Financial risk management continued

### 17.5 Financial instruments continued

- MIC may not dispose of the BEE sale shares to any third party, other than Metrofile Holdings Limited or Metrofile (Pty) Limited, at any time prior to the date on which any and all obligations of Metrofile to the capital providers have been settled finally and in full and thereafter, only to an historically disadvantaged South African ("HDSA") approved by the board of directors of Metrofile.
- In the event of the occurrence of a material adverse event, which includes a change of control in MIC or, if MIC no longer qualifies as an HDSA, MIC will have irrevocably granted to Metrofile Holdings Limited the right to acquire at Metrofile Holdings Limited's sole discretion, all of the ordinary shares in Metrofile (Pty) Limited held by MIC. This call option shall be exercisable within 120 days after Metrofile Holdings Limited becomes aware of such an event. Provided that, in certain circumstances, including if MIC no longer qualifies as an HDSA, the purchase price per share payable to MIC shall be 80% of the fair market value of such ordinary shares.

The fair value of this derivative, based on the likelihood of the conversion conditions occurring is insignificant since the triggering events are not likely to occur, and no fair value adjustment has been made in the financial statements.

Metrofile Holdings sold 5% of its Metrofile shares to Sabvest Investments (Pty) Limited ("Sabvest"). A call and put option exist over these shares. Amongst others, this option includes the dilution of Sabvest's shareholding from 5% to 2,5% of the total increased issued share capital of Metrofile should the Metrofile B and C facilities convert into Metrofile shares. These conversion features (call and put option) included in the sale agreement also give rise to derivatives.

Terms and conditions of the call and put options are:

#### *Metrofile call option*

Sabvest has irrevocably granted to Metrofile Holdings Limited or any company nominated by Metrofile Holdings Limited, including Metrofile Holdings Limited, the right to acquire all of the ordinary shares of Metrofile (Pty) Limited held by Sabvest, which right shall be exercisable by Metrofile Holdings Limited within three months after the occurrence of any of the following events:

- (i) The sale by Metrofile Holdings Limited of all of the remaining shares held by it in the issued share capital of Metrofile (Pty) Limited (other than as a result of the conversion of the Metrofile (Pty) Limited B a Holdings Limited notes), or the sale by the Company of all or substantially all of its business to a third party.
- (ii) The termination of Seabrooke's employment by Metrofile Holdings Limited as Non-Executive Chairman due to the death or disability of Seabrooke or the lawful retrenchment of Seabrooke by Metrofile Holdings Limited.
- (iii) The lawful termination of Seabrooke's employment as Non-Executive Chairman of Metrofile Holdings Limited by Metrofile Holdings Limited in circumstances that do not fall within any of the events described in ii above.
- (iv) The resignation by Seabrooke as Non-Executive Chairman of Metrofile Holdings Limited, except in the case set out in (ii) above.

Notwithstanding the above, the Metrofile Holdings Limited call option will not be deemed to be exercised if Seabrooke ceases to be the Non-Executive Chairman of Metrofile Holdings Limited but continues as a director of Metrofile Holdings Limited or Metrofile (Pty) Limited and continues to perform substantially the same responsibilities as he currently does.

#### *Purchase price in terms of the Metrofile Holdings Limited call option*

If the Metrofile Holdings Limited call option is exercised, the purchase consideration payable by Metrofile Holdings Limited (or any company nominated by Metrofile Holdings Limited) to Sabvest for the relevant Metrofile (Pty) Limited shares will be determined by the nature of the event that triggers the exercising of the Metrofile Holdings Limited call option as indicated below:

- (a) If the Metrofile Holdings Limited call option is exercised following an event listed in (i) above, the purchase consideration for the Sabvest sale shares will be the higher of:
  - That portion of the purchase consideration received by either Metrofile Holdings Limited (in the event of a sale of Metrofile (Pty) Limited's shares) or Metrofile (Pty) Limited (in the event of a sale of Metrofile (Pty) Limited's business) attributable to the Sabvest sale shares; or
  - If the event occurs at any time prior to the fourth anniversary of the calculation date, R3 million;
  - If the event occurs at any time after the fourth anniversary of the calculation date, R4 million; and
  - If the event occurs at any time after the fifth anniversary of the calculation date (but before the expiry of the Metrofile Holdings Limited call option), R5 million.
- (b) Following an event listed in (ii) and (iii) above, the purchase consideration for the Sabvest sale shares will be R1 million for each full year which Seabrooke was employed as Chairman of Metrofile Holdings Limited after the completion date, up to a maximum amount of R5 million.

## 17. Financial risk management continued

### 17.5 Financial instruments continued

- (c) Following an event listed in (iv) above, the purchase price for the Sabvest sale shares will be:
- If the event occurs at any time prior to the third anniversary of the completion date, R5 000;
  - If the event occurs at any time after the third anniversary of the completion date but prior to the fourth anniversary of the completion date, R3 million;
  - If the event occurs at any time after the fourth anniversary of the completion date but prior to the fifth anniversary of the completion date, R4 million; and
  - If the event occurs at any time after the fifth anniversary of the completion date but before the expiry of the Metrofile Holdings Limited call option, R5 million.

#### *Sabvest put option*

Metrofile Holdings Limited has granted to Sabvest the right to require Metrofile Holdings Limited to purchase from Sabvest all of the Metrofile (Pty) Limited shares held by Sabvest at that time, which will be exercisable by Sabvest within three months after the occurrence of any of the following events:

- (i) The sale by Metrofile Holdings Limited of all of the remaining shares held by it in the share capital of Metrofile Holdings Limited;
- (ii) The sale by Metrofile Holdings Limited of all or substantially all of its business to a third party;
- (iii) The conversion by the relevant holders of Metrofile Holdings Limited C notes into Metrofile Holdings Limited ordinary shares; and
- (iv) The termination of Seabrooke's employment by Metrofile Holdings Limited as Non-Executive Chairman due to the death or disability of Seabrooke or the lawful retrenchment of Seabrooke by Metrofile Holdings Limited. If the Sabvest put option is exercised, the purchase consideration payable by Metrofile Holdings Limited (or any company nominated by Metrofile Holdings Limited) to Sabvest for the relevant Metrofile (Pty) Limited shares will be determined by the nature of the event that causes the Sabvest put option to be exercised.

#### *Purchase price in terms of the Sabvest put option:*

- (a) If the Sabvest put option is exercised following an event listed in (i) and (ii) of above, the purchase consideration for the Sabvest put shares will be the higher of:
  - That portion of the purchase consideration received by either Metrofile Holdings Limited (in the event of a sale of Metrofile (Pty) Limited shares) or Metrofile (Pty) Limited (in the event of a sale of Metrofile (Pty) Limited's business) attributable to the Sabvest put shares; or
  - If the event occurs at any time prior to the fourth anniversary of the Sabvest completion date, R3 million;
  - If the event occurs at any time after the fourth anniversary of the Sabvest completion date but before the fifth anniversary of the Sabvest completion date, R4 million; and
  - If the event occurs at any time after the fifth anniversary of the Sabvest completion date but before the expiry of the Sabvest put option, R5 million.
- (b) Following an event listed in (iii) above, the purchase consideration for the Sabvest sale shares will be:
  - If the event occurs at any time prior to the fourth anniversary of the Sabvest completion date, R3 million;
  - If the event occurs at any time after the fourth anniversary of the Sabvest completion date, but prior to the fifth anniversary of the Sabvest completion date, R4 million; and
  - If the event occurs at any time after the fifth anniversary of the Sabvest completion date, R5 million.
- (c) Following an event listed in (iv) above, the purchase price for the Sabvest sale shares will be R1 million for each full year which Seabrooke was employed as Chairman of Metrofile Holdings Limited after the Sabvest completion date, up to a maximum amount of R5 million.

Sabvest has undertaken not to sell, dispose or encumber any of the Sabvest sale shares, other than in terms of the Sabvest sale agreement, at any time prior to three months after the fifth anniversary of the Sabvest effective date, without the prior written consents of Metrofile Holdings Limited and Metrofile (Pty) Limited.

The fair value of these derivatives, based on the likelihood of the conversion conditions occurring are insignificant since the triggering events are not likely to occur and no fair value adjustments have been made in the financial statements.



# Notes to the annual financial statements continued

for the year ended 30 June 2005

## 18. Retirement benefit plans

All the retirement benefit plans operated by group companies domiciled in the Republic of South Africa are governed by the Pension Funds Act, 1956 (Act No 24 of 1956) ("the Act").

### Defined contribution plans

Of the group's employees, some are members of two defined contribution retirement plans administered by Pioneer Employee Benefits (Pty) Limited and Sanlam Life Assurance Limited. Both the group and the employees are required to contribute to the defined contribution plans to fund the benefits.

The only obligation of the group with respect to the defined contribution plans is to make the specified contributions. The total cost charged to income of R8,2 million (2004: R10,2 million) represents contributions paid to the schemes.

### Defined benefit plan

A total of 536 of the group's employees participated in the MGX/Eureka Pension Fund ("the Fund"). This fund is a multi-employer defined benefit fund, governed by the Pension Funds Act (Act No 24 of 1956), and was established with effect from 1 March 1988.

A statutory valuation of the Fund was made as at 1 July 2004. The full amount of the assets was required to meet the obligations to members in terms of the section 14 submissions to the Registrar in terms of which all assets and liabilities will be transferred to other funds. At that time the Fund will have no assets or liabilities and an application will be submitted to cancel the registration of the Fund. In terms of these arrangements there are no outstanding obligations on the employer. While the transfers had as at the valuation date still to be approved, it is understood that all material requirements have been met. There is some uncertainty as to the Registrar's remaining requirements. Nonetheless, it is considered that there can be no legal obligation on the employers to make any payments to the Fund. The outstanding issues appear to be purely matters relating to documents still to be submitted. The results of the valuation after allowance for the full disbursement of all moneys to members appear below.

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
The amount included in the balance sheet arising from the group's obligation in respect of the defined benefit retirement fund is as follows:				
Present value of the obligation	(31 592)	(35 165)		
Fair value of plan assets	31 592	37 250		
Unrecognised actuarial gains		2 085 1 800		
Calculated net surplus		3 885		
Asset not recognised		(3 885)		
Asset recognised in balance sheet				
<b>Principal actuarial assumptions used</b>				
Discount rate (%)	11,0	11,0		
Expected return on plan assets (%)	10,0	10,0		
Future salary increases (%)	11,0	11,0		
Future pension increases (%)	6,9	6,9		
Consumer price index (%)	6,9	6,9		

## 19. Related party transactions

Related parties are entities with common direct or indirect shareholders and/or directors. The group and its subsidiaries in the ordinary course of business, enter into various transactions with entities in which the group has an interest. These transactions are entered into on an arm's length basis. Significant related party transactions are detailed below.

### Inter-company trading and group management fees

There was no inter-company revenue between subsidiaries during the year (2004: R5,0 million).

During the year, management fees in the amount of R9,6 million (2004: R9,6 million) were charged to subsidiaries.

### Loans

Inter-company loans are repayable on demand. Interest is not charged. A loan related to leased assets also exists between MGX Management Services (Pty) Limited and Digital Initiatives (Pty) Limited, a joint venture investment. The portion of the loan related to the third party is accounted for under short and long-term receivables.

Certain inter-company loans have been settled with Metrofile Holdings loan notes. Please refer to page 48 for terms and conditions of these loan notes.

### Directors, management and shareholders

During the financial year Sabvest Financial Services (Pty) Limited ("Sabvest") performed certain managerial services to the value of R0,5 million for the Metrofile Group. Chris Seabrooke ("Seabrooke"), Non-executive Chairman of Metrofile, is also Chief Executive Officer of Sabvest. The Seabrooke family trust has a voting interest of 67% and an economic interest of 32% in the shares of Sabvest. During the year, Sabvest Investments (Pty) Limited acquired 5% of the shareholding in Metrofile (Pty) Limited. Details of the acquisition was tabled in a circular to all shareholders on 17 December 2004 and the transaction was subsequently approved by the shareholders on 27 January 2005. Sabvest Finance & Guarantee Corporation Limited also acquired 3,1% of the Metrofile B loan and 23,4% of the Metrofile C loan during the year. Mr Seabrooke also serves on the board of Mineworkers Investment Company ("MIC") as an independent non-executive director. MIC acquired 25% shares of Metrofile (Pty) Limited during the year. During the year Mr Seabrooke disposed of all the Metrofile Holdings Limited shares he directly and/or indirectly owned. Notwithstanding these transactions, the board is still satisfied that the extent of Sabvest's interest is not material enough to compromise Mr Seabrooke's independence.

Metrofile Holdings sold 5% of its shareholding in Metrofile (Pty) Limited to the Metrofile Employees Share Incentive Trust. The transaction was tabled in the circular to all shareholders on 17 December 2004 and subsequently approved by the shareholders on 27 January 2005. The shares were allocated and sold to senior management as part of a management share incentive scheme. Ownership of the shares is subject to the rules and regulations of the Metrofile Employees Share Incentive Trust. Messrs GD Wackrill (2,5%) and SR Midlane (0,2%), executive directors of Metrofile Holdings Limited and RM Buttle (0,7%), Financial Director of Metrofile (Pty) Limited also acquired shares through the share incentive scheme. They also acquired 1,1%, 0,5% and 0,6% interest in the Metrofile C facility respectively. Messrs GD Wackrill and R Buttle also hold small quantities of shares in Metrofile Holdings Limited. In both instances, these shares were acquired on the open market a number of years ago as part of their private share portfolios.

The Metrofile C facility accrued interest at a rate of prime plus 2% during the year.

Mr Rowan Gordon is acting in an advisory capacity to the board of directors. Mineworkers Investment Company ("MIC"), a minority shareholder in Metrofile (Pty) Limited owns 25% of the share capital of Credit Management Services ("CMS"), a company in which Mr Gordon owns share capital and is a director. During the year, CMS also acquired 3,1% and 23,4% interest in the Metrofile B and C loan obligations respectively.

In addition to being the Company Secretary, Mr Charl du Plessis also performed certain legal services for the group during the year. Mr du Plessis will assist with the winding up of the dormant companies at an agreed fee.

Mr Leon Thompson, Group Financial Manager, acquired a number of the dormant subsidiary companies at a nominal value as part of the process to clean up the group and will assist in winding up all these dormant companies at an agreed fee. The board of directors approved the transaction.

Ronald Sidney Price ("Price") and his associates are the beneficial shareholders of a material interest in Metrofile Holdings Limited (refer to page 49). Eurevest Leasing (Pty) Limited ("Eurevest"), a company in which Mr Price exercises significant influence, is also a member of the consortium of capital providers that financed the restructure of the group. Interest was paid and/or accrued to Mr Price and Eurevest during the year as financiers of the group.

# Notes to the annual financial statements continued

for the year ended 30 June 2005

	Group	
	2005 R'000	2004 R'000
<b>20. Provisions</b>		
Included in provisions are the following:		
Opening balance on 1 July 2004	10 469	10 336
Provision for labour dispute	5 781	
Provision for onerous contract		10 216
Provision for leave pay	4 069	
Provision for PAYE dispute	553	
Provision for RSC levy dispute	19	
Provision for legal costs	47	120
Provisions raised/(decreased)	(4 116)	133
Provision for labour dispute	(5 781)	5 781
Provision for leave pay	79	4 069
Provision for PAYE dispute	874	553
Provision for RSC levy dispute	(19)	19
Provision for insurance claim	250	
Provision for licences	43	
Provision for loan impairment	451	
Provision for onerous contract		(10 216)
Provision for legal costs	(13)	(73)
Closing balance on 30 June 2005	6 353	10 469
Provision for labour dispute		5 781
Provision for leave pay	4 148	4 069
Provision for PAYE dispute	1 427	553
Provision for RSC levy dispute		19
Provision for insurance claim	250	
Provision for licences	43	
Provision for loan impairment	451	
Provision for legal costs	34	47

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>21. Cash flow statement</b>				
<b>21.1 Convention</b>				
The following convention applies to figures other than adjustments. Outflows of cash are represented by figures in brackets. Inflows of cash are represented by figures without brackets.				
<b>21.2 Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations</b>				
Profit/(loss) before taxation	13 993	(62 878)	265 050	(445 383)
Adjusted by:	78 761	112 517	(260 667)	437 863
Profit on disposal of property, plant and equipment	(2 536)	(301)		
Depreciation and trademark amortisation	14 455	33 405		
Goodwill amortisation and impairment		22 188		
Net finance cost	52 515	68 972	43 407	43 865
Loss/(profit) on disposal of investments	3 127	(24 576)		36 947
Impairment of investments		1 700		244 337
Impairment of loans receivable		671	(11 906)	124 775
Dividends received from subsidiaries			(292 168)	
Other non-cash flow items	11 200	10 458		(12 061)
Operating profit/(loss) before working capital changes	92 754	49 639	4 383	(7 520)
Changes in working capital	(9 545)	11 762	(2 242)	(3 298)
(Increase)/decrease in inventories	(578)	5 812		
(Increase)/decrease in receivables	(4 310)	10 924	1 430	(1 331)
Decrease in payables	(4 656)	(4 974)	(3 672)	(1 967)
<b>Cash generated from/(utilised in) operations</b>	<b>83 210</b>	<b>61 401</b>	<b>2 141</b>	<b>(10 818)</b>
<b>21.3 Taxation paid</b>				
Taxation balance at the beginning of the year	(17 749)	(50 549)		
Current tax expense for the year	6 276	(20 227)		
Disposal of subsidiaries	(719)	10 623		
Amounts reversed/transferred to long-term provisions	(12 000)	38 426		
Taxation balance at the end of the year	13 600	17 749		
<b>Total taxation paid</b>	<b>(10 592)</b>	<b>(3 978)</b>		
<b>21.4 Acquisition of subsidiaries net of cash acquired</b>				
During the previous year Metrofile Holdings Limited (previously known as "MGX Holdings Limited") acquired further shares in EC-Hold Limited. The fair value of the assets acquired and liabilities assumed were as follows:				
Goodwill		(7 500)		
<b>Purchase consideration</b>		<b>(7 500)</b>		

# Notes to the annual financial statements continued

for the year ended 30 June 2005

	Continuing operations		Discontinued operations		2005 R'000	2004 R'000	2005 %	2004 %
	2005	2004	2005	2004				
	R'000	R'000	R'000	R'000				
<b>22. Segmental analysis</b>								
<b>Revenue</b>	<b>252 159</b>	234 742	<b>2 278</b>	239 061	<b>254 437</b>	473 803	<b>100</b>	100
Enterprise solutions				9 560		9 560		2
Business continuity				33 150		33 150		7
Content management	<b>252 159</b>	234 742		139 661	<b>252 159</b>	374 403	<b>99</b>	79
Storage solutions				11 373		11 373		2
Software development			<b>2 278</b>	45 317	<b>2 278</b>	45 317	<b>1</b>	10
Central Services <i>et al</i>								
<b>EBITDA</b>	<b>74 311</b>	37 885	<b>2 619</b>	7 310	<b>76 930</b>	45 195	<b>100</b>	100
Enterprise solutions				(3 408)		(3 408)		(8)
Business continuity				6 324		6 324		14
Content management	<b>69 849</b>	60 751		20 216	<b>69 849</b>	80 967	<b>91</b>	179
Storage solutions				(3 598)		(3 598)		(8)
Software development			<b>336</b>	(6 320)	<b>336</b>	(6 320)		(14)
Central Services <i>et al</i>	<b>4 462</b>	(22 866)	<b>2 283</b>	(5 904)	<b>6 745</b>	(28 770)	<b>9</b>	(64)
<b>Assets</b>	<b>202 400</b>	199 731	<b>230</b>	42 837	<b>202 630</b>	242 568	<b>100</b>	100
Enterprise solutions								
Business continuity								
Content management	<b>384 038</b>	385 956			<b>384 038</b>	385 956	<b>190</b>	159
Storage solutions								
Software development				3 924		3 924		2
Central Services <i>et al</i>	<b>(181 638)</b>	(186 225)	<b>230</b>	38 913	<b>(181 408)</b>	(147 312)	<b>(90)</b>	(61)
<b>Liabilities</b>	<b>499 288</b>	472 762	<b>12 072</b>	97 607	<b>511 360</b>	570 369	<b>100</b>	100
Enterprise solutions				18 017		18 017		3
Business continuity				286		286		
Content management	<b>388 108</b>	408 379			<b>388 108</b>	408 379	<b>76</b>	72
Storage solutions				10 583		10 583		2
Software development				16 344		16 344		3
Central Services <i>et al</i>	<b>111 180</b>	64 383	<b>12 072</b>	52 377	<b>123 252</b>	116 760	<b>24</b>	20
<b>Net liabilities</b>	<b>(296 887)</b>	(273 031)	<b>(11 843)</b>	(54 770)	<b>(308 730)</b>	(327 801)		



	Continuing operations		Discontinued operations		2005 R'000	2004 R'000	2005 %	2004 %
	2005 R'000	2004 R'000	2005 R'000	2004 R'000				
<b>22. Segmental analysis</b>								
<b>continued</b>								
<b>Depreciation and goodwill impairment and amortisation</b>	<b>14 361</b>	20 216	<b>94</b>	35 377	<b>14 455</b>	55 593	<b>100</b>	100
Enterprise solutions				690		690		1
Business continuity				6 656		6 656		12
Content management	<b>14 218</b>	21 975		17 515	<b>14 218</b>	39 490	<b>116</b>	71
Storage solutions				371		371		1
Software development				8 583		8 583		15
Central Services <i>et al</i>	<b>143</b>	(1 759)	<b>94</b>	1 562	<b>237</b>	(197)	<b>(16)</b>	
<b>Capital expenditure</b>	<b>11 637</b>	19 596		4 957	<b>11 637</b>	24 553	<b>100</b>	100
Enterprise solutions								
Business continuity				563		563		2
Content management	<b>11 637</b>	19 039		4 259	<b>11 637</b>	23 298	<b>100</b>	95
Storage solutions				69		69		
Software development		557		66		623		3
Central Services <i>et al</i>								
<b>Trademark amortisation</b>								
Enterprise solutions								
Business continuity								
Content management	<b>2 622</b>	874			<b>2 622</b>	874	<b>100</b>	100
Storage solutions								
Software development								
Central Services <i>et al</i>	<b>(2 622)</b>	(874)			<b>(2 622)</b>	(874)	<b>(100)</b>	(100)
<b>23. Geographical analysis</b>								
<b>Revenue</b>	<b>252 159</b>	234 742	<b>2 278</b>	239 061	<b>254 437</b>	473 803	<b>100</b>	100
South Africa	<b>252 159</b>	234 742	<b>2 278</b>	99 400	<b>254 437</b>	334 142	<b>100</b>	71
United Kingdom				139 661		139 661		29
<b>EBITDA</b>	<b>74 311</b>	37 885	<b>2 619</b>	7 310	<b>76 930</b>	45 195	<b>100</b>	100
South Africa	<b>74 311</b>	37 885	<b>2 641</b>	(12 906)	<b>76 952</b>	24 979	<b>100</b>	55
United Kingdom			<b>(22)</b>	20 216	<b>(22)</b>	20 216		45

# Subsidiaries

Subsidiary	Nature of business	Percentage holding		Cost of investment		Net indebtedness	
		2005 %	2004 %	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Digital Storage Solutions (Pty) Ltd Document and Data Management (Africa) (Pty) Ltd	Sold Liquidated		100				(15 371) (783)
EC-Hold Limited	Liquidated		69		28 192		14 771
Infracom (Pty) Ltd <sup>A*</sup>	Dormant	100	100	169 500	169 500	(203 698)	(177 303)
Mail Processing Systems (Pty) Ltd <sup>A*</sup>	Dormant	100	100	10	10	(10)	(7 673)
Metrofile (Pty) Ltd <sup>A*</sup>	Off-site document and data storage	100	100				(13 850)
Boxdorm One (Pty) Ltd (previously "Metrofile (Pty) Ltd") <sup>A*</sup>	Dormant	100	100	584	584	(1)	(163 754)
MGX Business Continuity Solutions (Pty) Ltd	Sold		100		4 790		52 251
Boxdorm Six (Pty) Ltd (previously "MGX Customer Services (Pty) Ltd") <sup>A*</sup>	Dormant	100	100				(70 289)
MGX Enterprise Solutions (Pty) Ltd <sup>A*</sup>	Dormant	100	100			(36 138)	(31 455)
MGX Holdings UK Ltd	Investment holding company	100	100	1	1	16 836	19 426
MGX Management Services (Pty) Ltd <sup>A*</sup>	Management services	100	100			211 610	213 921
MGX Outsourcing (Pty) Ltd <sup>A*</sup>	Sold		100				(50 091)
MGX Property (Pty) Ltd <sup>A*</sup>	Dormant	100	100	25 000	25 000	8 647	17 318
MGX Storage Solution One (Pty) Ltd <sup>A*</sup>	Dormant	100	100			(21 166)	
Vision One (Pty) Ltd	Sold		100		3 972		
				195 096	232 049	(23 920)	(212 883)
Provision for permanent diminution in value				(195 096)	(232 049)	(237 185)	(319 682)
						(261 105)	(532 565)
Reflected as:							
Amounts owing by subsidiaries							1 136
Amounts owing to subsidiaries – non-interest-bearing						(11)	(306 453)
Amounts owing to subsidiaries – interest-bearing*						(261 094)	(227 248)

<sup>A</sup> At 30 June 2005, Metrofile Holdings Limited (previously "MGX Holdings Limited") had ceded and pledged all material amounts owing to any member of the Metrofile group to the capital providers.

\* At 30 June 2005, Metrofile Holdings Limited (previously "MGX Holdings Limited") had ceded and pledged all its interests in the claims and shares of the subsidiaries to the capital providers.

It should be noted that throughout the group there are sureties provided to the capital providers in terms of the "Common Terms Agreement", as entered into with the restructure of the group.

• The inter-company loans have been settled with Metrofile Holdings loan notes. The notes accrue interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, be repayable from the excess cash flows from Metrofile Holdings once the capital and interest on the Metrofile C facility has been repaid, have a fourth right of recourse to the security and are compulsorily convertible into Metrofile Holdings shares if the Metrofile C facility converts into Metrofile (Pty) Limited ordinary shares at any time or in the event that the notes have not been redeemed for cash within five years of the date of the debt refinancing becoming unconditional. Redemption is in terms of a predetermined formula and no voluntary conversion of the notes into Metrofile Holdings shares is provided for.

## Share price performance

	2005	2004	2003	2002	2001	2000
Market prices (cents per share)						
Closing (30 June)	37	11	11	770	1 245	2 850
High	42	18	840	1 430	2 950	4 000
Low	4	3	11	685	645	1 550
Closing price/earnings ratio	1,25	*	*	5,9	9,0	19,3
Number of shares in issue						
– at year-end (thousands)	74 077	74 077	74 077	74 077	74 077	47 122
– weighted average (thousands)	67 200	67 200	66 589	66 563	53 924	46 262
– treasury shares (thousands)	6 877	6 877	6 877	6 840	7 362	
Volume of shares traded (thousands)*	34 798	479	24 947	27 778	38 678	26 138
Volume of shares traded to number in issue (%) (annualised)	46,9	0,7	33,7	37,5	52,2	55,5
Value of shares traded (R'000)*	7 868	24	72 686	280 927	468 678	736 716

\* Due to a loss incurred in the period, a price/earnings ratio cannot be calculated

\* Source: I-Net Bridge

## Analysis of shareholding

	2005				2004			
	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
<b>Portfolio size</b>								
1 – 10 000	2 703	90,6	2 567 821	3,5	3 117	92,5	2 804 526	3,8
10 001 – 50 000	161	5,4	4 039 035	5,5	145	4,3	3 614 264	4,9
50 001 – 100 000	49	1,6	3 758 014	5,1	48	1,4	3 652 034	4,9
100 001 – 250 000	38	1,3	6 090 810	8,2	24	0,7	3 746 690	5,0
250 001 and over	32	1,1	57 621 463	77,8	37	1,1	60 259 899	81,4
	<b>2 983</b>	<b>100,0</b>	<b>74 077 413</b>	<b>100,0</b>	<b>3 371</b>	<b>100,0</b>	<b>74 077 413</b>	<b>100,0</b>
<b>Shareholders</b>								
<b>Non-public shareholders</b>								
Directors	2	0,1	75 296	0,1	3	0,1	151 796	0,2
Share incentive trusts	2	0,1	382 297	0,5	2	0,1	382 297	0,5
Treasury stock	1	0,0	6 877 024	9,3	1	0,0	6 877 024	9,3
Strategic holdings (more than 10%)	2	0,1	27 161 154	36,7	2	0,1	24 403 621	32,9
<b>Public shareholders</b>	<b>2 976</b>	<b>99,7</b>	<b>39 581 642</b>	<b>53,4</b>	<b>3 363</b>	<b>99,7</b>	<b>42 262 675</b>	<b>57,1</b>
	<b>2 983</b>	<b>100,0</b>	<b>74 077 413</b>	<b>100,0</b>	<b>3 371</b>	<b>100,0</b>	<b>74 077 413</b>	<b>100,0</b>
Eureka Industries Limited (Price, RS)			18 278 539	24,7			15 532 512	20,9
Liberty Group			8 882 615	12,0			8 871 109	12,0
MGX Management Services (Pty) Limited			6 971 894	9,4			6 971 894	9,4
Capital Africa Limited			4 594 920	6,2			4 594 920	6,2
South African Private Equity Trust			4 045 589	5,5			4 045 589	5,5
Mohamed A			2 704 130	3,7				

Shareholder analysis provided by Computershare Investor Services 2004 (Pty) Limited

# Notice to shareholders of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Metrofile Limited (hereinafter "Metrofile") will be held at 09:30 on Monday 5 December 2005 at The Park Hyatt Johannesburg, 191 Oxford Road, Rosebank, for the purpose of considering and if deemed fit, passing with or without modification, the following resolutions and transacting the following business:

## **Ordinary resolution number 1**

"Resolved that the audited annual financial statements of the company and the group and the Directors' report for the financial year ended 30 June 2005 be and are hereby approved and confirmed."

## **Ordinary resolution number 2**

"Resolved that the appointment of Mr K Pillay in terms of Article 28.2 of the articles of association of the company, as a director of the company and for a further term of office be and it is hereby authorised and confirmed."

## **Ordinary resolution number 3**

"Resolved that the appointment of Mr CS Seabrooke in terms of article 32.1 of the Articles of Association of the company, as a director of the company and for a further term of office be and it is hereby authorised and confirmed."

## **Ordinary resolution number 4**

"Resolved that the appointment of Dr DE Baloyi in terms of Article 32.1 of the Articles of Association of the company, as a director of the company and for a further term of office be and it is hereby authorised and confirmed."

## **Ordinary resolution number 5**

"Resolved that the appointment of Mr SR Midlane in terms of Article 32.1 of the Articles of Association of the company, as a director of the company and for a further term of office be and it is hereby authorised and confirmed."

## **Ordinary resolution number 6**

"Resolved that the appointment of Mr GD Wackrill in terms of Article 32.1 of the Articles of Association of the company, as director of the company and for a further term of office be and it is hereby authorised and confirmed."

## **Ordinary resolution number 7**

"Resolved that Deloitte & Touche be reappointed as auditors of the company from the conclusion of this meeting to the conclusion of the next annual general meeting."

## Voting and proxies

### Instructions

Shareholders holding certificated Metrofile shares and shareholders who have already dematerialised their Metrofile shares and who have elected "own-name" registration in a subregister through a CSDP or broker (only shareholders who have dematerialised their Metrofile shares through Computershare Limited can qualify as having elected "own-name" registration), who are unable to attend the general meeting but wish to be represented thereat should complete and return the attached form of proxy, in accordance with the instructions contained therein, to the office of the transfer secretary, Computershare Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretary by no later than 09:30 on Thursday 1 December 2005, or if the general meeting is adjourned or postponed, by not later than 24 hours prior to the time of the adjourned or postponed general meeting.

Shareholders who have already dematerialised their Metrofile shares through a CSDP or broker and who have not elected "own name" registration in the subregister maintained by a CSDP (ie shareholders who have not dematerialised their shareholding through Computershare Limited can not qualify as having elected "own name" registration), and who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend, or, if they do not wish to attend the general meeting and wish to vote by way of proxy, they may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of Metrofile) to attend, speak and vote in place of that shareholder at the annual general meeting.

By order of the board

**METROFILE HOLDINGS LIMITED**

CD du Plessis

*Company Secretary*

31 October 2005

Cleveland

# Shareholders' diary

Announcement of audited results	28 September 2005
Publication of annual report	9 November 2005
Last day to lodge the form of proxy for the annual general meeting	Thursday 1 December 2005
Annual general meeting	Monday 5 December 2005
Results of the general meeting published on SENS on	Tuesday 6 December 2005
Results of the general meeting published in the press on	Wednesday 7 December 2005
Interim results announcement	March 2006
Financial year-end	30 June 2006

## Directorate and administration

### Directors

**Christopher Stefan Seabrooke** (52)<sup>\*†#</sup>

BCom, BAcc, MBA, FCMA

*Non-executive Chairman*

Appointed 28 January 2003

**Danisa Eileen Baloyi** (49)<sup>\*†#</sup>

BA, HDL, MA, MEd, DEd

*Non-executive Director*

Appointed 23 April 1997

**Stephen Roy Midlane** (39)

BCom, BAcc, CA(SA)

*Executive Director: Chief Financial Officer*

Appointed 26 November 2002

**Graham Dunbar Wackrill** (51)

BCompt

*Executive Director*

Appointed 29 January 2004

*\* Non-executive – Independent*

*† Audit committee member*

*# Remuneration committee member*

### Secretary and registered office

**CD du Plessis**

3 Gowie Road

The Gables

Cleveland, 2049

PO Box 40264, Cleveland, 2022

Telephone +27 11 677 3000

Facsimile+27 11 622 9085

### Company registration number

1983/012697/06

### Date of incorporation of Metrofile

18 November 1983

### Transfer secretaries

Computershare Limited

Ground Floor, 70 Marshall Street, Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

Telephone +27 11 370 5000

Facsimile +27 11 370 5487

### Auditors

Deloitte & Touche Chartered Accountants (SA)

The Woodlands, Woodlands Drive, Woodmead, Sandton, 2146

Private Bag X6, Gallo Manor, Sandton, 2052

### Principal bankers

Citibank, N.A., South Africa Branch

The Standard Bank of South Africa Limited

### Merchant bank and sponsor

The Standard Bank of South Africa Limited

5th Floor, 3 Simmonds Street, Johannesburg, 2001

PO Box 61344, Marshalltown, 2107

### Attorneys to Metrofile

**Webber Wentzel Bowens**

10 Fricker Road, Illovo Boulevard, Johannesburg, 2196

PO Box 61771, Marshalltown, 2107

**Charl du Plessis Attorneys**

Colliers Building, 36 Fricker Road

Illovo Boulevard, Johannesburg, 2196

PO Box 411546, Craighall, 2024

### Business unit telephone numbers

Metrofile Holdings Limited +27 11 677 3000

Metrofile (Pty) Limited +27 11 677 3000

### Websites

[www.metrofileholdings.com](http://www.metrofileholdings.com)

[www.metrofile.co.za](http://www.metrofile.co.za)



# Form of proxy

## METROFILE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)  
 (Registration number 1983/012697/06)  
 Share code: MFL – ISIN code: ZAE000010542  
 (“Metrofile” or “the company”)

For use only by Metrofile shareholders holding certificated shares, nominee companies of Central Securities Depository Participants (“CSDP”), brokers’ nominee companies and shareholders who have dematerialised their Metrofile shares and who have elected “own name” registration (only shareholders who have dematerialised their Metrofile shares through Computershare Limited can qualify as having elected “own-name” registration) at the annual general meeting of shareholders of Metrofile, to be held at 09:30 at The Park Hyatt Johannesburg, 191 Oxford Road, Rosebank on Monday 5 December 2005 or at any adjournment or postponement thereof.

I/We (BLOCK LETTERS please)

of

Telephone work

Telephone home

being the holder/s or custodians of  Metrofile shares, hereby appoint (see note 1 overleaf):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

the Chairman of the general meeting of shareholders, as my/our proxy to act for me/us at the general meeting of shareholders for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for or against such resolutions or abstain from voting in respect of the Metrofile ordinary shares registered in my/our name (see note 2 overleaf) as follows:

	For	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2: K Pillay			
Ordinary resolution number 3: CS Seabrooke			
Ordinary resolution number 4: DE Baloyi			
Ordinary resolution number 5: SR Midlane			
Ordinary resolution number 6: GD Wackrill			
Ordinary resolution number 7			

and generally to act as my/our proxy at the said general meeting of shareholders. (Tick whichever is applicable. If no directions are given, the proxy holder will be entitled to vote or to abstain from voting, as that proxy holder deems fit.)

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2005

Signature \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of Metrofile) to attend, speak and vote in place of that shareholder at the general meeting of shareholders.

**Please read the notes on the next page.**

# Notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the general meeting of shareholders", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. 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 box provided. So as to provide for voting on a show of hands or on a poll, as the case may be, shareholders are requested to complete the form of proxy by stating the number of shares held by them. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as he 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 shareholder 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 by the proxy.
3. The completion and lodging of this form of proxy by shareholders holding certificated shares, nominee companies of CSDPs or brokers and shareholders who have dematerialised their shares or who have elected "own name" registration (only shareholders who have dematerialised their Metrofile shares through Computershare Limited can qualify as having elected "own-name" registration) will not preclude the relevant shareholder from attending the general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares through a CSDP or broker and who have not elected "own name" registration in the subregister maintained by the CSDP, and who wish to attend the general meeting of shareholders, must instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the general meeting, must provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as a power of attorney, resolution or extract from the minutes of an authorised meeting or other written authority) must be attached to this form of proxy.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
6. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares they hold or represent, provided that a proxy shall, irrespective of the number of shareholders they represent, have only one vote.
7. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Metrofile share held by such shareholder.
8. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by the Chairman of the general meeting of shareholders or any person entitled to vote at such meeting.
9. If a poll is demanded, the resolutions put to the vote shall be decided on a poll.