metrofile

Annual Report 2010

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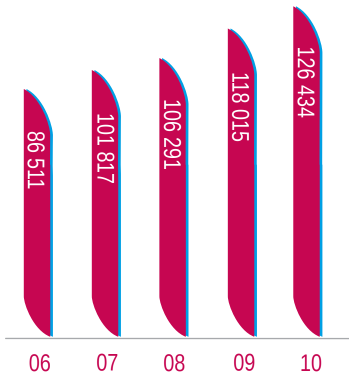
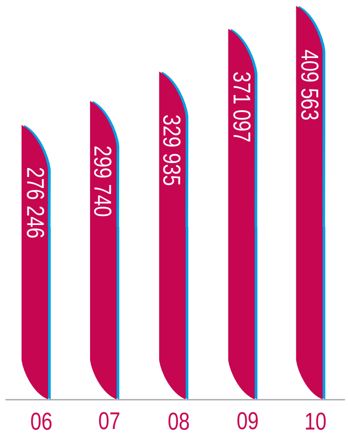
EBITDA R'000



Revenue R'000



Performance highlights

Revenue up

10,4% ↑

EBITDA up

7,1% ↑

PBT up

29,2% ↑

A solid foundation to expand locally and throughout Africa

Our company

Established in 1983, Metrofile is the information and records management market leader in Africa and is represented in all the major provinces of South Africa. Metrofile operates from 23 facilities covering more than 68 000sqm of warehousing space and manages more than 18 billion records on behalf of its customers.

Metrofile remains the only company in Africa capable of supporting all its customers' information and records management requirements. Services offered include both in and outsourced solutions designed to help business and government to increase their operating efficiency and customer service, as well as to meet their legislative and corporate governance requirements. These services include file plan development, training in all aspects of records management, the supply of files, active file management (on and off-site), archival of records (on and off-site), image processing, data protection, backup management, paper management and confidential records destruction. Metrofile also supplies and maintains a wide range of business equipment including scanners, library security systems, mailing and packaging machines.

Metrofile has been listed on the JSE since 1995 and its ordinary shares are quoted in the Support Services sector of the JSE. Its largest shareholder is its empowerment partner, Mineworkers Investment Company (Pty) Limited which owns 32,4% of Metrofile's equity.

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Our vision

To be our customers' trusted information and records management partner.

Our mission

To enable organisations and their people to manage their records and information securely, rapidly, intelligently and cost effectively.

Our values

Metrofile is built on four promises

- **Commitment** – we are dedicated to servicing our customers
- **Integrity** – we act in the best interests of our stakeholders
- **Reliability** – we deliver on our promise
- **Resourceful** – we find ways to work smarter

Africa's leading provider of outsourced information and records management services

metrofile

Working to internationally recognised standards and best practices, Metrofile offers a truly national footprint, modern purpose built facilities and scalable capacity capable of dealing with all requirements. The integrated solutions offered by Metrofile cover all elements relating to the storage and management of both active and inactive records as well as the protection of data.

Data Protection

Data Safe

A unique 24/7 service offering which is integral in supporting customers' business continuity plans and disaster recovery processes. This highly dependable scheduled rotation service caters for storage of backup tapes, hard drives and other media in secure and environmentally controlled facilities. There are several tailored offerings available to meet all customers' needs regardless of size or complexity.

Our services

Active Records Management

Metrofiler

A sophisticated software suite that facilitates access to the storage and management of both imaged and physical records. Solutions offered include file planning and training as well as both on and off-site active filing utilising proprietary software with modules being: enterprise manager, document manager, warehouse manager, eRecords and image manager, all of which are structured with rich client or web client access.

Imaging

A legally compliant digitising solution that aids operating efficiency and customer service through the conversion of paper and analogue records into searchable, digital images. Solutions offered include on and off-site conversion of paper records (all shapes and sizes including A0), the digitisation of analogue records (Microfiche, film, OCR, ICR and OMR) and the hosting of image repositories.

Backup Pro

A full data protection solution effective in minimising the risks and losses associated with hardware and software failure, data theft and leakage. Solutions offered include automated intelligent backup software (laptop/desktop and server applications). Customers, irrespective of size and complexity, are able to utilise one of the many tailored offerings available.

Archive Storage and Management

A total records management solution that ensures your records are efficiently and cost-effectively managed off-site using reliable proprietary systems allowing for integration of active records management and web enabled access. The solutions offered include file plan development and implementation, packing and upliftment, off-site storage, project management as well as a full range of archival boxes and filing stationery. Access to customer records is controlled through pre-identified, authorised users and can be requested through a number of channels. Deliveries and collections are effected through an extensive fleet of vehicles which are tracked and monitored via satellite.

CSX is a specialist third party sales and service business that has been in existence since 1969. CSX specialises in the sale, installation and support of business solutions in various niche markets in Africa. Products sold and serviced cover a broad spectrum of business equipment which includes high speed Scanners, Library Security Systems, Packaging equipment, Microfilm equipment, specialised Optical Mark Reading equipment, certain medical equipment as well as Mailing and Forms equipment. The service division provides service of the highest quality assuring a combination of thorough preventative maintenance, plus timely and efficient remedial maintenance whilst the technical staff are highly mobile and travel throughout Africa.

An environmentally conscious paper collection and destruction service that ensures that paper is gathered and sorted into different grades in order to promote recycling of paper for use in large paper mills; these mills in turn manufacture recycled paper products.

Cleardata is South Africa's first nationwide provider of secure, on-site document destruction solutions for the corporate environment. Clients are provided with secure consoles around their offices, the contents of which are then emptied and shredded on the clients' premises using custom built shredding vehicles.

Established in 2007 and in response to customer demand, the Academy was set up as an Enterprise Development initiative with the former head of the Limpopo Department of Health and Social Development's records management service. The Academy assists customers with the development of strategy, file plans, policies and procedures, training in basic and advanced records management, training in the management of personnel, financial and patient records as well as information security.

Adding value and efficiencies to our customers' businesses and organisations

Metrofile


Guy Kimble

Business positioning

The undisputed market leader in the supply of on-site and off-site information and records management services, working to internationally recognised standards and using tried and tested methods.

Services

- Active records management
- Data protection
- Archive storage and management

Metrofile Training Academy


Selelepoo Sebaka

Business positioning

Helping companies and organisations to develop effective information and records management strategies

Services

- File plans
- Training on records management
- Policies and procedures

CSX Customer Services


Mario Martins

Business positioning

Sales and services centre that provides exceptional service and high quality products with its complete range of imaging, bulk mail handling, packaging and security equipment.

Services

- Equipment supply and maintenance
  Scanners
  Optical mark readers
  3M products
  Bulk and desk top mailing systems

Rainbow Paper Management


Dorota Boltman

Business positioning

Specialises in the efficient collection, sorting and the selling of high grade paper waste to the manufacturers of recycled paper.

Services

- Paper collection
- Paper recycling

Cleardata


Gianmarco Lorenzi

Business positioning

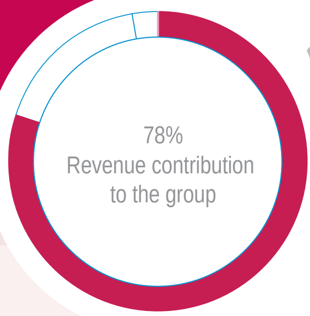
The only national operator providing on-site confidential record destruction

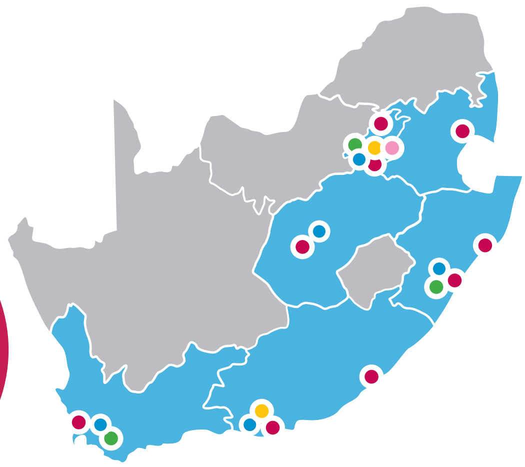
Services

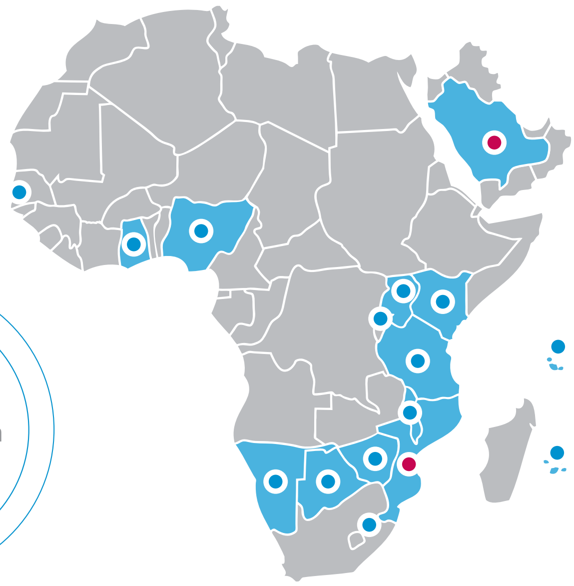
- Confidential record destruction
- Bulk shredding

Operational footprint

Johannesburg
Pretoria
Bloemfontein
Cape Town
Port Elizabeth
East London
Durban
Empangeni
Nelspruit
Mozambique
Licensees:
Saudi Arabia





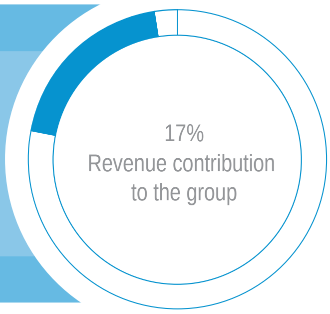


Operational footprint

Johannesburg

Operational footprint

Johannesburg
Bloemfontein
Cape Town
Port Elizabeth
Durban
Across Africa

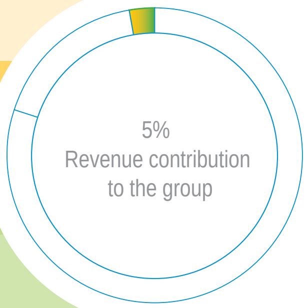


Metrofile branches

- Metrofile branches and licensees
- CSX branches and customers
- Rainbow paper management
- Cleardata
- Metrofile Training Academy

Operational footprint

Johannesburg
(servicing Johannesburg,
Pretoria, and surrounding areas)
Port Elizabeth



Operational footprint

Nationwide (SA) with offices in:
Cape Town
Johannesburg
Durban

Our market

Overview

Metrofile is focused on cementing its role as the only records and information management partner, thereby playing a crucial role in our clients' risk mitigation programmes. This makes Metrofile's offering far beyond the simple supply of document management services which traditionally was the industry focus. Metrofile's offerings not only create efficiency and cost savings for clients but also mitigate risks associated with the retention, confidentiality and destruction of business records whether in their physical or imaged form.

With the new acts, such as the Protection of Personal Information Act, being close to coming into effect as well as increased focus on governance and compliance, the requirement to properly manage records and data in both active and archive state is imperative.

The market place in which we operate has shown resilience during the economic downturn, fuelled in the main by an escalation in corporate governance requirements and a growing awareness of the need for more effective risk management.

Contributing to the stability of the market is the increasing reliance of businesses, organisations and consumers on information technology that has become more and more accessible. Contrary to predictions that this would lead to a paperless society, volumes of physical records have continued to grow although not at the rate currently experienced in the production of electronic information.

Advancements in and greater access to information technology have resulted in an increase in the risks that need to be managed, as it has to mounting demands from increasingly technically savvy users and consumers looking for instant access to records. These demands have led to a growing number of businesses and

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organisations reviewing the manner in which they make information available and how they manage their records.

Our future

The strategy adopted by Metrofile over the last five years has enabled the group to consolidate operations and to build the capacity and capability required to take advantage of current market trends and to grow our share of an increasingly competitive market. Therefore, we will by 2013:

1. have achieved five years of consistent growth despite economic challenges
2. have maintained our position as the acknowledged market leader in information and records management and the partner of choice
3. be a total solutions provider offering an integrated range of information and records management products and services
4. have continually created awareness of our brands and the services and solutions they have to offer
5. have developed exceptional sales and service personnel who are uniquely competent in their ability to assist customers in meeting their information and records management needs, challenges and risks
6. have further expanded the group's representation across Africa
7. following on from the recent opening in Nelspruit we will continue to explore opportunities for further expansion into South Africa's second tier cities

Contributing to the stability of the market is the increasing reliance on information technology

Financial statistics

	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Income statement					
Revenue	409 563	371 097	329 935	299 740	276 246
Operating income	111 642	105 976	95 539	90 924	73 751
Net finance cost	(34 953)	(46 636)	(22 638)	(44 839)	(46 695)
Income before taxation and capital items	76 689	59 340	72 901	46 085	27 056
Taxation	(23 433)	(17 189)	(15 956)	(8 361)	(3 843)
Income after taxation	53 256	42 151	56 945	37 724	23 213
Dividends received					2 077
Non-controlling interests	(311)	(23)		(3 949)	(8 950)
Attributable income before exceptional items and goodwill amortisation	52 945	42 128	56 945	33 775	16 340
Exceptional items net of non-controlling interests			2 368	1 486	2 121
Attributable income	52 945	42 128	59 313	35 261	18 461
Balance sheet					
Assets					
Property, plant and equipment	286 466	249 868	205 559	174 708	167 836
Intangibles	169 943	160 499	160 499	160 499	
Deferred taxation asset	3 595	186	111		
Financial assets			11 621		
Current assets excluding cash	72 672	75 117	63 718	69 264	53 945
Cash resources	13 791	15 463	28 817	40 131	13 895
Total assets	546 467	501 133	470 325	444 602	235 676
Ordinary shareholders' interest/(deficit)	240 929	171 746	129 396	70 083	(277 433)
Non-controlling interests	1 330	25			12 162
Deferred taxation liability	6 692	7 215	10 306	8 661	6 755
Non-interest-bearing liabilities					
Short term	53 466	63 444	43 951	39 903	52 696
Interest-bearing borrowings					
Long term	221 784	226 070	257 342	304 335	424 034
Short term	22 266	32 633	29 330	21 620	17 462
Total equity and liabilities	546 467	501 133	470 325	444 602	235 676
Ordinary shares in issue (thousands)	408 085	393 997	393 997	393 997	74 077
Weighted average ordinary shares in issue (thousands)	403 868	393 997	393 997	252 337	67 200
Treasury shares (thousands)					6 877
Headline earnings per ordinary share (cents)	13,1	10,7	14,4	13,9	24,1
Financial ratios					
Liability	1,3	1,9	2,6	5,2	(1,8)
Current	1,1	0,9	1,4	1,8	1,0
Quick	1,0	0,8	1,3	1,6	0,8
Interest cover (times)	3,2	2,2	4,2	2,0	1,6
Profitability					
Operating income to revenue (%)	27,3	28,6	29,0	30,3	26,7
Operating income to average assets employed (%)	21,3	21,8	20,9	26,7	32,5
Number of employees	1 179	1 030	960	963	1 078

RATIO DEFINITIONS

Liability	Liabilities to ordinary shareholders' interest
Current	Current assets to current liabilities
Quick	Current assets (excluding inventories) to current liabilities
Interest cover	Operating income to net finance costs
Average assets employed	Average total assets at the beginning and end of the financial year

Analysis of shareholding

The following analysis of shareholders was extracted from the shareholders' registers as at June 2010 and June 2009:

	2010				2009			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Portfolio size								
1 – 10 000	2 061	76,1	3 267 198	0,8	2 152	76,4	3 377 982	0,9
10 001 – 50 000	393	14,5	9 940 507	2,4	402	14,3	10 216 025	2,6
50 001 – 100 000	81	3,0	6 363 041	1,6	92	3,2	7 181 189	1,8
100 001 – 250 000	66	2,4	11 115 990	2,7	71	2,5	11 889 445	3,0
250 001 and over	107	4,0	377 398 510	92,5	101	3,6	361 331 962	91,7
	2 708	100,0	408 085 246	100,0	2 818	100,0	393 996 603	100,0
Distribution of shareholders								
Directors and officers of the company	5	0,2	31 068 127	7,6	5	0,2	35 850 681	9,1
Endowment funds	7	0,3	115 393	0,0	7	0,2	416 546	0,1
Medical aid schemes	1	0,0	181 866	0,0	1	0,0	345 676	0,1
Mutual and hedge funds	37	1,4	77 195 511	18,9	20	0,7	59 331 509	15,1
Pension funds	41	1,5	20 079 654	4,9	17	0,6	17 369 387	4,4
Insurance companies	6	0,2	16 536 465	4,1	4	0,1	16 770 783	4,3
Institutions, companies, nominees, trusts and other	380	14,0	213 599 636	52,4	387	13,8	203 991 696	51,7
Individuals	2 231	82,4	49 308 594	12,1	2 377	84,4	59 920 325	15,2
	2 708	100,0	408 085 246	100,0	2 818	100,0	393 996 603	100,0
Public/Non-public shareholders								
Non-public shareholders:								
Directors and officers of the company	5	0,2	31 068 127	7,6	5	0,2	35 850 681	9,1
Management of the company	3	0,1	1 382 315	0,3	3	0,1	3 151 973	0,8
Mineworkers Investment Company (Pty) Limited	1	0,1	132 360 873	32,4	1	0,1	124 829 607	31,7
Public shareholders	2 699	99,6	243 273 931	59,7	2 809	99,6	230 164 342	58,4
	2 708	100,0	408 085 246	100,0	2 818	100,0	393 996 603	100,0

Beneficial shareholders' holding 5% or more as extracted from the shareholders' register as at 30 June				
Mineworkers Investment Company (Pty) Limited	132 360 873	32,4	124 829 607	31,7
Prudential Maximiser and Optimiser Funds	53 720 251	13,2	39 488 347	10,0
Corocap	44 497 742	10,9	37 940 365	9,6
RMB Asset Management	30 583 889	7,5	34 392 587	8,7
Sabvest Investments (Pty) Limited	20 000 000	4,9	21 400 000	5,4

Shareholder analysis provided by Thomson Reuters

Share price performance

	2010	2009	2008	2007	2006	2005
Market prices (cents per share)						
Closing (30 June)	145	90	94	184	199	37
High	160	99	186	230	230	42
Low	88	68	80	97	38	4
Closing price/earnings ratio	11,1	8,4	6,2	13,1	7,2	1,9
Number of shares in issue						
– at year-end (000)	408 085	393 997	393 997	393 997	74 077	74 077
– weighted average (000)	403 868	393 997	393 997	252 337	67 200	67 200
– treasury shares (000)					6 877	6 877
Volume of shares traded (000)*	42 950	95 875	103 329	135 795	46 109	34 798
Volume of shares traded to number in issue at year-end (%)#	10,5	24,3	26,2	53,0	62,2	46,9
Value of shares traded (R000)*	56 279	79 575	130 119	196 014	43 787	7 868

** Excluding shares issued in terms of the rights offer and acquisition of minorities in Metrofile (Pty) Limited during the year ended 30 June 2007*

 # Excluding shares issued in terms of the acquisition of minorities in Metrofile (Pty) Limited during the year ended 30 June 2007

Shareholders' diary

Announcement of results	3 September 2010
Publication of annual report	5 November 2010
Last day to lodge the form of proxy for the annual general meeting	Thursday, 25 November 2010
Annual general meeting	Tuesday, 30 November 2010
Results of the general meeting published on SENS	Wednesday, 1 December 2010
Interim results announcement	March 2011
Financial year-end	30 June 2011

Report to shareholders

Christopher Seabrooke
Non-executive Chairman

Graham Wackrill
Chief Executive Officer

Strategy

Metrofile's focus is to continue cross selling the group's diverse range of services whilst expanding its footprint into smaller cities within South Africa, the first of which was Nelspruit which opened in May 2010. Government opportunities remain a primary strategic focus whilst the acquisitions concluded within the reporting period will enhance the group's service offering to all clients.

Metrofile's growth strategy includes continuation of the expansion into Africa where demand is driven by both existing customers that have a need for similar services to those received in South Africa, and the business requirement to improve efficiencies and comply with best practice in terms of international standards. Metrofile is operating ahead of expectations in Mozambique and is finalising negotiations with an international partner for Nigeria; the termination of the relationship with the previous partner has delayed the start up of this operation.

Other areas of focus include the continued enhancing of staff training and development initiatives as well as the development of our technology base enabling both operational efficiency and additional solutions for taking to market as part of the group's offerings.

Financial performance

Revenue increased by 10,4% to R409,6 million and EBITDA by 7,1% to R126,4 million. Headline earnings per share (HEPS) increased by 22,4% to 13,1 cents (2009: 10,7 cents) although the more relevant measure is normalised HEPS, which increased by 14,1% to 14,6 cents (2009: 12,8 cents). These are calculated after adjusting HEPS for once-off items and also for the accounting effects of changes in the fair value of the interest rate swaps (i.e. not the benefit/cost from those swaps).
Cash generated by the business remains strong

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exceptional shareholder value

and continues to be applied to investing in capital items required for growth and the reduction of the group's debt.

The group's gearing has improved with the repayment of loans in line with funding agreements. Metrofile refinanced its debt with Standard Bank in April 2010, resulting in the elimination of any form of mezzanine debt. The new debt is split between a six year amortising loan of R150,0 million and a six year bullet loan amounting to R86,6 million. The new loans represent a more favourable overall interest rate than the previous package and allow more freedom with regard to the utilisation of excess cash generated. The loan agreements require 67% cover in terms of interest rate swaps, for which new four year swap agreements were established in April 2010. The group remains compliant with all its bank covenants and current projections indicate that the group will continue to meet the payment schedules as recorded in the six year refinancing agreements with excess cash being available for additional repayments, business expansion and dividends.

Metrofile has chosen to continue to account for the property portfolio on a cost basis with regular valuations performed, from time to time, on an open market basis.

During the period Metrofile acquired 100% of Innovative Document Management (Pty) Limited, 100% of Infovault (Pty) Limited and 55% of Cleardata (Pty) Limited. These acquisitions were made by way of vendor placements which resulted in a further 14,1 million shares being issued. The following table represents the "provisional" at acquisition fair value of net assets acquired, in aggregate for all three investments, as no investment is individually considered material.

	Rm
Property, plant and equipment	11,4
Deferred tax asset	3,6
Current assets	2,0
Long-term liabilities	(7,3)
Current liabilities	(2,2)
Minority interest	(1,0)
Net asset value acquired	6,5
Paid by way of vendor placements	16,0
Net asset value acquired	(6,5)
Goodwill	9,5

Directorate and corporate governance

For the 2010 financial year-end there were no changes to the board with composition remaining at two executive and six non-executive directors, of which four are independent directors. Subsequent to the year-end an additional non-executive director, Mrs Mary Bomela, was appointed to the board on 8 September 2010.

Dividends

No dividends have been declared for the current period, however it is expected that the company will begin the payment of dividends in the 2011 financial year.

Contingent liabilities

During 2006 a number of the group's employees embarked on an illegal strike. The matter was due to come before the labour court on 26 July 2010, however the case was withdrawn by order of the court, at the request of the former employees.

Commitments

Operating lease commitments amount to R28,4 million for the next five years. Metrofile (Pty) Limited has planned capital expansions of R35,5 million and replacement projects of R13,0 million for the 2011 financial year; whilst a total amount of R33,5 million was invested in the 2010 financial year. Building expansions amounting to R20 million form part of the capital expansions and will be funded by way of an additional CAPEX facility arranged as part of the debt restructure.

Prospects

The recent acquisitions support our growth plans and expand our offering to our customers, the benefits of which will manifest over time. Notwithstanding the challenges in the current economic environment, the group expects further steady growth in revenue, EBITDA and normalised HEPS. This statement has not been reviewed or reported on by Metrofile's auditors.

Appreciation

We record our appreciation to our fellow directors and Metrofile management for their support and commitment during a challenging year.

Christopher Seabrooke
Non-executive Chairman

Graham Wackrill
Chief Executive Officer

Cleveland
3 September 2010

Board of directors' and company secretary profiles

1 Christopher Stefan Seabrooke
2 Aser Paul Nkuna
3 Graham Dunbar Wackrill
4 Richard Matthew Buttle
5 Mary Sina Bomela
6 Cynthia Nomsa Mapaure
7 Ian Nigel Matthews
8 Ndumi Medupe
9 Stephen Roy Midlane
10 Leon Mark Thompson

Christopher Stefan Seabrooke (57)
BCom, BAcc, MBA, FCMA
Independent non-executive Chairman
Chairman of the nomination and remuneration committee
Seven years' service
(Appointed 28 January 2003)

Chris is an experienced businessman having held directorships of more than 20 JSE listed companies over the past three decades. In addition to his role with Metrofile he is currently CEO of Sabvest Limited (JSE), Deputy Chairman of Massmart Holdings Limited (JSE) and a director of Datatec Limited (JSE/AIM), Net1 UEPS Technologies Inc (Nasdaq/JSE) and Brait sa (Luxembourg/JSE). He is a former chairman of the South African State Theatre and former deputy chairman of both the inaugural National Arts Council and the founding Board of Business and Arts South Africa.

Aser Paul Nkuna (58)
Non-executive director and deputy chairman
Member of the nomination and remuneration committee
Four years' service
(Appointed 4 December 2006)

Paul started his career as a teacher before moving on to work in the mining sector. Appointed in 1984 as treasurer of the National Union of Mineworkers in 1984, Paul has played an important role in the development of both the industry and following the 1996 elections, local government. He has served as chairman of the management committee of the Brakpan Transitional Local Government and he has served in a number of executive structures within local government, including the Gauteng Association of Local Government (GALA) and the South African Local Government Association (SALGA). Paul has since been appointed to the boards of a number of South Africa's leading companies where he is able to drive his passion for transformation, with emphasis on broad based empowerment, ownership, affirmative procurement, employment equity, skills development and transfer and the promotion of SMMEs, Paul's influence extends beyond the public sector .

Graham Dunbar Wackrill (56)

BCompt
Chief Executive Officer
Six years' service
(Appointed 29 January 2004)

Graham is a pioneer of the industry in South Africa with more than 25 years' experience in providing information and records management services. A founding member of South Africa's first records storage company, Graham has played a key role in the industry's development and in Metrofile's rise to its position as the market leader. He has furthermore been instrumental in consolidating the group and in building its capacity and capability. Graham, who is a director of all Metrofile group companies, continues to spearhead the company's development and its expansion into Africa.

Richard Matthew Buttle (38)

CA (SA)
Chief Financial Officer
Four years' service
(Appointed 4 December 2006)

Richard joined the Metrofile group in 1996 following the completion of his articles and a one year stint performing a forensic audit for a major South African concern. A key member of the management team, Richard has held several financial management and director roles within the group and has played an active role in its development, financial restructuring and capacity building.

Mary Sina Bomela (37)

CA (SA), MBA
Non-executive director
New appointment
(Appointed 8 September 2010)

Mary is an Executive Director of the Mineworkers Investment Company (Proprietary) Limited and previously held the positions of Chief Financial Officer at Makhubu Logistics and Executive of Corporate Services at the South African Institute of Chartered Accountants.

Cynthia Nomsa Mapaure (33)

BCompt Hons, CA (SA), CA (Zimbabwe)
Non-executive director
Two years' service
(Appointed 27 February 2009)

Cynthia is a chartered accountant by profession having served articles with Deloitte & Touche (Zimbabwe). In 2000, Cynthia transferred to Deloitte & Touche South Africa where she was appointed as an audit manager and finally an audit partner in 2007. She joined the Mineworkers Investment Company (MIC) in September 2008 as Financial Director. In addition to Metrofile, Cynthia serves on the boards of a number of the MIC group's strategic investments.

Ian Nigel Matthews (65)

MA (Oxon), MBA (UCT)
Independent non-executive director
Chairman of the audit committee and member of the nomination and remuneration committee.
Four years' service
(Appointed 1 June 2006)

Nigel is a skilled campaigner with a long career in owning and managing service related businesses. His career started in the hotel and tourism industry where he worked his way up to the post of Managing Director of Holiday Inns Limited and executive director of Rennies. Nigel left Holiday Inn to start his own business, the Sentry Group Limited, which he later sold to an international group (2001). He is currently a non-executive director of City Lodge Holdings Limited, Sun International Limited, Massmart Holdings Limited and Indian Ocean Real Estate Company Limited.

Ndumi Medupe (39)

BAcc, CA (SA)
Independent non-executive director
Member of the audit committee
Two years' service
(Appointed 1 February 2008)

Ndumi is a chartered accountant by profession having completed her articles at Deloitte and Touche. Since then she has been employed in financial positions with Vodacom, MTN, Gauteng Department of Finance and Johannesburg City Parks. The founding director of Indyebo Consulting, which specialises in forensic, risk, internal audit and compliance, Ndumi also holds non-executive directorships with City Lodge and PetroSA.

Stephen Roy Midlane (44)

BCom, BAcc, CA (SA)
Independent non-executive director
Member of the audit committee
Eight years' service
(Appointed 26 November 2002)

Roy started his career in the music industry as part of the leadership team that established Sony Music SA (Pty) Limited. Roy then joined Set Point Holdings Limited as Group Financial Director prior to the listing on the JSE. Later, he joined MGX Holdings Limited as the Group Financial Director and was integrally involved in the successful turnaround of this distressed business. This business was subsequently renamed Metrofile Holdings Limited. In 2006 Roy became a non-executive director of Metrofile Holdings Limited and he joined Drive Control Services (Pty) Limited, a large distributor of IT hardware, software and consumables, as Financial Director. After a period in private equity as the Chief Financial Officer and Compliance Officer of African Global Capital (Pty) Limited, Roy joined The House of Busby (Pty) Limited as the Group Financial Director – a business taken private by Ethos in 2008.

Leon Mark Thompson (44)

BCom, BCompt Hons, SAIPA
Company secretary
Four years' service
(Appointed 1 July 2006)

Leon worked in a number of senior financial positions in the mining, engineering and FMCG sectors after completion of his articles before joining MGX Holdings Limited as the Group Financial Manager in 2003 and was part of the corporate finance team that was integrally involved in the successful turnaround of this distressed business. This business was subsequently renamed Metrofile Holdings Limited. In 2008 Leon was appointed as the general manager of the Metrofile Pretoria Divison.

Corporate governance and risk management

Working

to meet the new guidance contained in King III

Metrofile Holdings Limited and its subsidiaries confirm their commitment to the principles of openness, integrity and accountability as advocated in the third King report on corporate governance (King III) and remain committed to complying with all legislation, regulations and best practices relevant to the business.

For the review period, the board confirms that the group complied with almost every aspect of the code of corporate practices and conduct as set out in King II and is currently finalising the assessment of its compliance with King III.

Internal financial control

The board is responsible for the group's system of internal control which is designed to safeguard assets, prevent and detect error and fraud and to ensure the accuracy and completeness of accounting records and the reliability of financial statements. An internal audit function, which has been outsourced to a leading international audit firm, has been in place since 2007, further enhancing the group's commitment to ensuring adequate internal financial controls are in place at all times. The internal audit function has gained momentum and is covering a broader range of audit assignments than in previous years. There is also a clear plan which has been designed to cover all major areas of risk over the next three years; this plan has been presented to and approved by the audit committee.

Based on the information and explanations given by management and the external auditors, the directors believe financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

While we recognise that systems of internal control can provide only reasonable, and not absolute, assurance, none of the reviews

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conducted indicated that the system of internal control was not appropriate or satisfactory.

The board

The board of Metrofile is responsible for directing the group towards achieving its vision and mission. The board is ultimately accountable for the development and execution of the group's strategy, operating performance and financial results, practised within the group's formal governance authorities. The board is responsible for its own composition, the appointment of the chairman and chief executive officer, and the constitution and composition of its committees.

The role of all directors is to bring independent judgement and experience to board deliberations and decisions. Mr Christopher Seabrooke continues his role as Chairman of the board and Mr Graham Wackrill is the Chief Executive Officer. Brief biographical details of each board member are reported on pages 16 to 17.

All directors retire by rotation every three years. In the event that no directors are due for rotation the two with the longest period since reappointment automatically retire. Retiring directors are proposed for re-election by shareholders. Shareholders must also ratify the initial appointment of each director at the first annual general meeting of shareholders following that director's appointment.

The group is committed to complying with all legislation, regulations and best practices

Corporate governance and risk management

continued

Board process

The board of directors which is chaired by an independent non-executive director currently comprises four independent non-executive directors, two non-executive directors and two executive directors. All director appointments are formal and transparent.

The board meets at least four 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.

The board works to a formal agenda that covers strategy, structure, operating performance, growth initiatives and other key activities of the group. To do so effectively, formal documents and minutes of all board committees are included in the board papers.

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

The nomination and remuneration committee facilitates a comprehensive annual formal performance evaluation of the chief executive officer (CEO), comprising a self-evaluation and an evaluation by every director via a questionnaire that allows for detailed responses and comments. The chairman provides summary and feedback of these exercises to the CEO, and he is encouraged to probe and debate any aspect of the evaluation with the full board. All board members complete an evaluation of the effectiveness of the chairman via questionnaire, the results of which are sent directly to the company secretary for assessment and collation. All board members complete a detailed board self-assessment each year, probing the composition, duties, responsibilities, process and effectiveness of the board. All board committee members complete a detailed self-assessment probing the composition, duties, responsibilities, process and effectiveness of their committees; this self-assessment includes comments from permanent invitees as well as the external auditors.

Directors' attendance at board meetings

Directors	Date appointed	Meeting attendance
CS Seabrooke*	28/01/03	5/5
AP Nkuna+	04/12/06	5/5
GD Wackrill	29/01/04	5/5
RM Buttle	04/12/06	5/5
MS Bomela	08/09/10	n/a
CN Mapaure	27/02/09	5/5
IN Matthews	01/06/06	4/5
N Medupe	01/02/08	5/5
SR Midlane	26/11/02	4/5

* *Chairman*

\+ *Deputy Chairman*

Board committees

Audit committee

The group's audit committee comprises three non-executive directors, all of whom are independent and one of whom chairs the committee. These meetings are also attended by the appropriate members of the financial management team. The mandated functions of the audit committee are to:

- ensure and report on the integrity, reliability and accuracy of the group's accounting and financial reporting systems;
- promote the overall effectiveness of corporate governance in the group;
- review the findings and reports of the external auditors;
- consider and recommend the annual and interim financial statements for approval by the full board of directors;
- consider that the going concern assertion remains appropriate;
- consider the risks in the group's business environment; and
- consider the independence and recommend the re-appointment of the external auditors.

The committee reviews the scope, independence and objectivity of the external auditors. The nature and extent of non-audit services provided by the external auditors is reviewed annually to ensure that fees for such services do not become significant enough to call into question their independence of Metrofile. The committee has adopted a guideline that fees paid to the group auditors for non-audit services should not exceed the level of audit fees charged to the group. If it appears that this guideline will be breached consistently, non-audit services will be outsourced to third party auditors. The audit committee recommends the appointment of the external auditors for board and shareholder approval. During the financial year, Deloitte & Touche were the external auditors for all group companies, with the exception of Cleardata (Pty) Limited. During the current and previous financial years, Deloitte & Touche provided certain non-audit services, including tax reviews and advice as well as reviews of information technology systems and applications.

The external auditors have unrestricted access to the audit committee and present formal reports to its meetings.

The audit committee considered the appropriateness of the expertise and experience of the financial director, Mr Richard Buttle, and were comfortable that he met all requirements. The audit committee meets at least three times a year.

Attendance at audit committee meetings

Directors	Date appointed	Meeting attendance
IN Matthews*	01/06/06	4/4
N Medupe	01/02/08	4/4
SR Midlane	01/09/08	3/4

** Chairman*

Nomination and remuneration committee

The nomination and remuneration committee consists of three non-executive directors, one of whom chairs the committee.
The committee is responsible for the recruitment and nomination of new non-executive directors

and for ensuring that succession plans are in place for the chief executive, the executive directors and divisional heads of the group's business units.

The committee is also responsible for formulating a remuneration strategy for senior executives in the group. This includes determining incentive pay structures for directors and senior executives in both the short and long term, and aligning these levels with competitive practice locally and internationally.

The groups remuneration policy is to pay cost to company packages which are benchmarked against comparable positions in the market place. Short term incentives may be earned on outperformance of certain financial and qualitative criteria. The financial criteria are calculated relative to revenue, EBIT and working capital management whilst the qualitative criteria incorporate achievement of transformation targets and strategic objectives. Long term incentives are structured for the executive directors and senior management and comprise a deferred bonus plan as well as a share appreciation rights scheme. The schemes were previously approved by shareholders and further details are included under notes 12 and 19.

The committee's main objective is to provide the board with assurance that directors and senior executives 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. Metrofile aims to have a remuneration policy that enables it to recruit, retain and motivate executive talent in its primary business units, and in its head office.

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

The committee meets at least three times a year.

Attendance at nomination and remuneration committee meetings

Directors	Date appointed	Meeting attendance
IN Matthews	01/06/06	3/3
AP Nkuna	01/12/08	3/3
CS Seabrooke*	07/10/05	3/3

** Chairman*

Group executive committee

The group executive committee includes executive members of the board and certain executive members of Metrofile (Proprietary) Limited, as well as other senior advisors. The committee meets as required for urgent matters.

The function of the 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.

Transformation committee

The group transformation committee was formed to support the nomination and remuneration committee and the Human Resources function. The committee is chaired by Mr Paul Nkuna (Deputy Chairman and Mineworkers Investment Company CEO) and includes Ms Ndumi Medupe (Independent non-executive director), Mr Graham Wackrill (Chief Executive Officer) and Mrs Vera Massyn (Human Resources Executive). The committee meets as required and feeds back information to the board via the Human Resource function.

Risk management

The appropriate emphasis placed by King III 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 operations take place during each financial year. A comprehensive risk register is in place and constantly managed by the appropriate executive management members. There is no separate risk committee, however the audit committee takes responsibility for matters relating to risk and the mitigation thereof.

The board also assesses risks in the group's business environment with a view to eliminating or reducing these in the context of the group's strategies and operations.

Disclosure and transparency

The group subscribes to a policy of providing meaningful, transparent, timely and accurate communications to its stakeholders. Group results are published in the print media, in addition to its up-to-date website.

Share dealings

No director, executive or employee may deal, directly or indirectly, in Metrofile shares where that person may be aware of unpublished price-sensitive information. There are strict closed periods during which all directors, executives and employees are not allowed to deal in Metrofile shares. The periods begin the day after each reporting date (these reporting dates being 31 December and 30 June) and end on release of group results. A closed period also applies whenever Metrofile issues a cautionary announcement. All share dealings by a director or officer must be authorised by either the chairman or the CEO. Any dealings by the CEO are authorised by the chairman and dealings by the chairman are authorised by the board. A formal share dealing guideline has been adopted by the board.

Shareholder communication

The group strives to provide generous and frequent disclosure to all shareholders. Metrofile reports formally to shareholders twice a year (in February and August) when half-year and full-year results, together with an executive review, are announced and issued to shareholders and the media. During the year, apart from closed periods, the chief executive officer and chief financial officer meet regularly, but never alone, with institutional shareholders and are available for meetings with analysts and any existing or prospective shareholder. All formal announcements, financial and services information are also available on the group's websites.

Business conduct

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

Sustainability

Care
for the communities we operate in

Policy statement

The Metrofile group is fully committed to the principles of sustainable enterprise development and corporate social responsibility. There is specific focus on the implementation of sustainable business practices, minimising our impact on the environment and developing our local communities.

Metrofile's sustainability policy, which is overseen by the board and implemented by the management team, encompasses a broad range of principles that include the need to encourage suppliers and customers to adopt the same standards in the operation of their businesses. The policy is as follows:

Metrofile, its subsidiaries and staff are directed and encouraged at all times to:

- pursue ethical business practices;
- operate within the bounds of the law;
- comply with international best practice;
- conduct its business in an environmentally sensitive manner;
- reuse or recycle waste generated on all our sites;
- play an active role in the development, health and well-being of our staff; and
- use our resources to develop our communities.

Furthermore Metrofile will actively encourage customers, suppliers and partners to adopt similar practices and to use its knowhow, technology and resources to:

- encourage customers to adopt environmentally friendly practices;
- develop and offer products and services that reduce paper wastage;
- offer paper recycling services; and
- assist charitable institutions in building capacity to support their communities.

Our people

Metrofile, being a provider of services and solutions, regards people as central to the success of the organisation and the delivering of our promises to our clients. More specifically the standard of service that we provide customers is reliant on the commitment, quality and capability of our team members, as is the overall effectiveness and efficiency of the organisation. As such, the welfare and development of team members is of utmost importance to us and attention is therefore given to the constant enhancement of the support we provide staff in their growth and development.

Transformation

Metrofile is committed to a process of transformation that will, with the support of the Mineworkers Investment Company, result in greater opportunities for all staff members and at all levels. The group is committed to the seven pillars of BEE and is working hard at identifying and growing skills within our people and supporting them to improve skills and progress in their careers. This philosophy will, over time, improve our employment equity ratios and the representation by HDIs at management and supervisory levels within the organisation.

The Mineworkers Investment Company increased its ownership percentage during the year from 31,7% to 32,4% and their directors are members of our board, nomination and remuneration committee and transformation committee.

Our talent management programme and training initiatives are gathering momentum and we have been overwhelmed by the dedication of our staff in relation to courses they are participating in. Attendance is high and commitment to submitting assignments and contributing during work group sessions has been exceptional to say the least.

The group remains committed to procuring services and supplies from BEE compliant businesses and is aiming to improve our spend with black owned and black woman owned businesses.

Metrofile's focus is on the implementation of sustainable business practices

Sustainability

continued

From an enterprise development perspective the Metrofile Training Academy has a good foundation for growth and the group is currently assessing new enterprise development opportunities.

Training

Our formal internal training department has settled down well over the last two years and is headed up by a former Deputy Principal, Mr Craig Fortuin, who spent his first year at the business working across all operational departments so as to give him a detailed background and thereby enabling him to have a good understanding of what training is required. The group's training facilities and induction have been improved and training for the period under review also continued to focus on adult basic skills and computer literacy courses. The following key programmes were also launched:

- Learnership Programmes – General Education and Training Certificate in Business Practice (NQF Level 1): This 12 month programme has 54 participants who successfully completed the required level of Adult Basic Education Training (ABET). A second group will shortly begin the same programmes; this group will be made up of 25 unemployed learners who will participate in the programme whilst obtaining work experience within the organisation.
- Supervisory Training: This programme was run for supervisors currently employed so as to identify potential candidates for growth into the next level of management. Selected individuals will now be fast tracked by participating in a one year programme, the completion of which will give them a management qualification at an NQF 4 level.
- Management Development: A similar programme to the one run for current supervisors will be run so as to identify development areas for selected management.
- Interns: In March 2010, 20 unemployed individuals were taken on as interns for a six month period, giving them work experience and an opportunity for permanent employment. The individuals who saw the programme through to the end of the period have all been placed in permanent positions within the group.

The learnership and intern programmes were initially covered only in Gauteng and are currently being expanded to the rest of the country.

Employee health awareness

Metrofile's employee health awareness programme takes employees' knowledge of their health beyond only HIV/AIDS. The programme ensures assessment for many conditions, which are often not tested for due to cost or reliance on the public health system. Metrofile is pleased that the programme has been appreciated by employees and made a difference to many lives in that it has identified staff's risk with respect to potentially fatal conditions, in addition to HIV/AIDS. On-site counselling sessions help to further educate staff on any conditions they may have, thereby giving them the power to act.

All Metrofile facilities continue to be visited, on a monthly basis, by a registered nurse who provides staff with basic health checks and advice, guidance and counselling. The service, which is also available to family members, is available both on-site and telephonically during and after office hours and includes guidance on how to work or live with family members, friends and colleagues who have been diagnosed as HIV positive. Assistance is also provided to staff with treatment and in obtaining the required medication.

Our communities

Corporate social responsibility has become a part of everyday life for both the group as a corporate citizen, and our staff.

Support is provided to charities within the communities from which we draw staff and in which we do business. These organisations are provided with free services or assistance with building their capacity or overcoming major obstacles. Collections are also undertaken on behalf of charities who require transport to collect donated goods received from other corporate donors.

The following areas and charities were focused on during the year:

- The assistance of certain schools with work experience for older pupils;
- Assisting hospitals, community support centres and other non-profit organisations in establishing or improving their records management processes;
- The donation of Metrofile's proprietary records management software, the continuation of free services and assistance with sorting and indexing existing filing;
- Free records management and system training; and
- Charities supported during the year include Thembacare, the Edenvale Care Centre, the Desmond Tutu HIV foundation, Refilwe, Jania Children's Home, the Hospice Association, Durban Child Welfare, Transoranje Institute for special education, St Luke's Hospice, Amcare, Tsenang homes of safety, Helping Angels, Durbanville, The John Wesley community centre and Save the Children.

Metrofile also continues to support the development of small business in South Africa by continuing its role as a corporate sponsor of the National Small Business Chamber.

Our environment

Metrofile continues to seek ways in which it can reduce its impact on the environment. We continue to focus on fleet efficiencies so as to reduce our carbon emissions.

Annual financial statements

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65 | Notice to shareholders of annual general meeting.
Attached – Form of proxy
Ibc – Directorate and administration

Independent auditor's report

To the members of Metrofile Holdings Limited

We have audited the annual financial statements and group annual financial statements of Metrofile Holdings Limited, which comprise the directors' report, the statement of financial position and the consolidated statement of financial position as at 30 June 2010, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity and statement of cash flows and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 28 to 64.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 30 June 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Per *G Krog*
Partner

3 September 2010

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 20 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 minutes of all shareholders' meetings, board of directors' meetings and meetings of sub-committees 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 26.

These annual financial statements have 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 board believes that all companies within the group are going concerns for the following reasons:

- The company's cash requirements for normal operational expenditure are satisfactorily covered by the company's current and projected cash flows.
- All payments to SARS and trade creditors are up to date.
- Balance sheet assets have been carefully tested for impairment and none is overvalued.
- Key executive management is in place.
- The company is trading in line with budget.

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 2010 in accordance with the appropriate accounting policies based on International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

The financial statements which appear on pages 28 to 64 were approved by the board on 2 September 2010 and are signed on their behalf by:

Graham Wackrill
Chief Executive Officer

Richard Buttle
Group Financial Officer

Johannesburg
3 September 2010

Report of the directors

To the members of Metrofile 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 2010.

Nature of business

Metrofile Holdings Limited holds an investment of 100% in Metrofile (Proprietary) Limited. The group is a specialist in information management and a leading supplier of products and services for the management, storage, conversion, retrieval, distribution and destruction of records, documents and information. In addition, during the current financial year the company acquired 100% of Innovative Document Management (Proprietary) Limited (18 July 2009), 100% of Infovault (Proprietary) Limited (28 October 2009) and 55% of Cleardata (Proprietary) Limited (16 December 2009).

Metrofile (Proprietary) Limited focuses on all aspects of enterprise records and information management including paper, analogue and electronic content, including:

- records management – archival, storage, retrieval and destruction of records;
- image processing – conversion of paper and analogue records to digital formats;
- backup management – rotation management and storage of backup media;
- information solutions – professional consultancy and records management software;
- paper management – waste paper collection and recycling; and
- document handling equipment – sale and maintenance.

Innovative Document Management (Proprietary) Limited focuses on Image processing, Infovault (Proprietary) Limited offers records management services and Cleardata (Proprietary) Limited is a specialist confidential records destruction service provider.

Directors and company secretary

The names of the directors and secretary at the date of this report are set out on pages 16 and 17.

All directors who retired in terms of the company's articles of association were reappointed for a further term of office as approved at the annual general meeting held on 30 November 2009. There were no changes to the composition of the board of directors during the current financial year.

At 30 June 2010, interests of the directors and company secretary in the shares of the company were as follows:

	Beneficial		Non-beneficial		Total shares
Directors	Direct	Indirect	Direct	Indirect	%
Mary Sina Bomela*					0,00
Richard Matthew Buttle	3 039 374				0,74
Cynthia Mapaure*					0,00
Ian Nigel Matthews					0,00
Ndumi Medupe					0,00
Stephen Roy Midlane	787 993				0,19
Aser Paul Nkuna*					0,00
Christopher Stefan Seabrooke∆					0,00
Leon Mark Thompson	97				0,00
Graham Dunbar Wackrill	7 240 663				1,77

At 30 June 2009, interests of the directors and company secretary in the shares of the company were as follows:

	Beneficial		Non-beneficial		Total shares
Directors and officers	Direct	Indirect	Direct	Indirect	%
Mary Sina Bomela (Appointed 2010)*					0,00
Richard Matthew Buttle	2 929 502				0,74
Cynthia Mapaure*					0,00
Ian Nigel Matthews					0,00
Ndumi Medupe					0,00
Stephen Roy Midlane	787 993				0,20
Aser Paul Nkuna*					0,00
Christopher Stefan Seabrooke∆					0,00
Leon Mark Thompson	393 997				0,10
Graham Dunbar Wackrill	10 339 189				2,62

• *Directors who are on the board of Mineworkers Investment Company (Pty) Ltd ("MIC") and represent the shares held by MIC.*

∆ *Mr Christopher Seabrooke is the CEO of Sabvest Limited whilst his family trust is the controlling shareholder thereof. Sabvest Limited owned 20,0 million shares in Metrofile as at 30 June 2010 and 21,4 million as at 30 June 2009. Mr Seabrooke is an independent director of MIC and has no interests in MIC nor does he represent MIC on the Metrofile board.*

There have been no 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 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 prior financial year, or during an earlier financial year, which remain in any respect outstanding.

Financial results

The income statements and statement of comprehensive income set out on page 32 and 33 reflect the results of the operations of the company and of the group for the year ended 30 June 2010.

Statement of financial position

To present a statement of financial position that fairly reflects the financial position, asset values have been tested for impairment and no impairment is required. 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 in previous years and rolling forward the results thereof with a comparison being made to yield based calculations.

Lease commitments

At the reporting date, future committed leasing charges for premises, equipment and motor vehicles amounted to R28,4 million, of which R12,1 million is payable within one year (30 June 2009: R23,9 million, R7,7 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, other 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 International Financial Reporting and Accounting Standards.

Report of the directors

continued

Dividends

No dividends have been declared for the current year, however it is expected that the company will be able to begin the payment of dividends in the 2011 financial year.

Subsidiaries

Details of the company's material operating subsidiaries at 30 June 2010 are set out on page 64.

Associated companies

The company held no investment in associates at 30 June 2010.

Share capital

The authorised ordinary share capital of the company remained unchanged at 500 million ordinary shares of 0,6146 cents each during the year.

The following ordinary shares were in issue at the end of the year under review:

	2010	2009
Opening balance	393 996 603	393 996 603
Issued in terms of vendor placements for acquisitions	14 088 643	–
Closing balance	408 085 246	393 996 603

Further details of share capital can be found in note 11 to the annual financial statements.

Special resolutions

No special resolutions were registered during the year under review.

Review of operations

The economic slowdown has had more of an impact on Metrofile's business units than was expected; the results are therefore considered acceptable given the current economic environment. Revenue increased by 10,4% to R409,6 million and EBITDA by 7,1% to R126,4 million. Headline earnings per share (HEPS) increased by 22,4% to 13,1 cents (2009: 10,7 cents) although the more relevant measure is normalised HEPS, which increased by 14,1% to 14,6 cents (2009: 12,8 cents).

Debt structure

The group's gearing has improved with the repayment of loans in line with funding agreements. Metrofile refinanced its debt with Standard Bank in April 2010, resulting in the elimination of any form of mezzanine debt. The new debt is split between a six year amortising loan of R150,0 million and a six year bullet loan amounting to R86,6 million. The new loans represent a more favourable overall interest rate than the previous package and allow more freedom with regard to the utilisation of excess cash generated. The loan agreements require 67% cover in terms of interest rate swaps, for which new agreements were established in April 2010, the term of which is four years. The group remains compliant with all its bank covenants and current projections indicate that the group will continue to meet the payment schedules as recorded in the six year refinancing agreements with excess cash being available for additional repayments, business expansion and dividends.

The acquisition of Cleardata (Proprietary) Limited introduced additional debt which is immaterial to the total debt of the group.

Going concern

The directors are of the opinion that the business will be a going concern in the year ahead. In reaching this opinion, the directors considered the following factors:

- the group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the group's current and projected cash flows;
- no recurring operating losses;
- well-controlled working capital;
- approved short- and long-term financing, with sufficient additional short-term working capital borrowing capacity if required;
- balance sheet assets have been carefully tested for impairment and none is overvalued;
- budgets to June 2011 reflect a continuation of this positive trading; and
- key executive management is in place.

Subsequent events

No events material to the understanding of the annual financial statements have occurred in the period between the year-end date and the date of the report.

Subsidiary year-end dates

The three acquisitions currently have different year-end dates to the rest of the group, these are however in the process of being changed to be aligned with the group.

Audit commitee

The audit committee has reviewed the scope as well as the independence and objectivity of the external auditors. The committee has satisfied itself that the external auditor is independent as defined by the Companies Act and the committee has approved the audit fees for the period. The audit committee has nominated Deloitte & Touche as external auditor for the 2010 financial year, and Grant Krog as the designated partner, for approval at the annual general meeting. Refer to the section on corporate governance on page 20 for further details on the composition, role, purpose and principal functions of the audit committee.

Certification by company secretary

I certify that to the best of my knowledge and belief, in accordance with section 268G(d) of the Companies Act, 1973, as amended, the company, Metrofile Holdings Limited, has, during the period 1 July 2009 to 30 June 2010, 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.

LM Thompson
Company secretary

Johannesburg
3 September 2010

Income statements for the year ended 30 June 2010

		Group		Company	
		2010	2009	2010	2009
	Notes	R'000	R'000	R'000	R'000
Revenue		409 563	371 097		
Direct costs		(184 383)	(164 830)		
Gross profit	225 180	206 267			
Other income		1 293	688		
Gross profit before indirect expenditure		226 473	206 955		
Indirect expenditure		(100 039)	(88 940)	(3 741)	(382)
Operating profit/(loss) before depreciation and net finance costs		126 434	118 015	(3 741)	(382)
Depreciation		(14 792)	(12 039)		
Operating profit/(loss) before exceptional items and net finance costs	2	111 642	105 976	(3 741)	(382)
Finance income		380	2 330		
Finance costs		(32 913)	(37 345)		
Interest paid		(30 210)	(43 254)		
Interest received relating to financial instruments		(2 703)	5 909		
Once off interest cost		(2 420)			
Fair value adjustments on financial instruments			(11 621)		
Profit/(loss) before taxation		76 689	59 340	(3 741)	(382)
Taxation	3	(23 433)	(17 189)		
Profit/(loss) for the year		53 256	42 151	(3 741)	(382)
Attributable to:					
Owners of the parent		52 945	42 128	(3 741)	(382)
Non-controlling interests		311	23		
		53 256	42 151	(3 741)	(382)
Profit attributable to owners of the parent					
Earnings per share – basic (cents)	4.1	13,1	10,7		
Fully diluted earnings per share – basic (cents)	4.1	13,1	10,7		

Statements of comprehensive income for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Profit/(loss) for the year	53 256	42 151	(3 741)	(382)
Other comprehensive income for the year net of tax	(1 184)	(352)		
Hedge accounting for fair value on interest rate swaps	(1 041)	(330)		
Currency movement on translation of foreign subsidiary	(143)	(22)		
Total comprehensive income for the year	52 072	41 799	(3 741)	(382)
Attributable to:				
Owners of the parent	51 761	41 776	(3 741)	(382)
Non-controlling interests	311	23		

Statements of financial position as at 30 June 2010

		Group		Company	
		2010	2009	2010	2009
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	286 466	249 868		
Investment in unlisted subsidiaries	7			354 153	343 253
Goodwill	8	169 943	160 499		
Deferred taxation assets	3	3 595	186		
		460 004	410 553	354 153	343 253
Current assets					
Inventories	9	10 221	16 558		
Trade receivables	10	58 909	54 450		
Other receivables	10	3 542	4 109	107	17
Bank balances		13 791	15 463	32	1
Amounts owing by subsidiaries – non-interest-bearing				1 100	
		86 463	90 580	1 239	18
Total assets		546 467	501 133	355 392	343 271
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital and share premium	11	521 325	505 325	823 170	807 170
Accumulated losses		(280 856)	(333 801)	(700 159)	(696 418)
Other reserves	12	460	222		
Equity attributable to owners of the parent		240 929	171 746	123 011	110 752
Non-controlling interests		1 330	25		
		242 259	171 771	123 011	110 752
Non-current liabilities					
Interest-bearing liabilities	13.1	221 784	226 070		
Deferred taxation liabilities	3	6 692	7 215		
		228 476	233 285		
Current liabilities					
Trade payables		8 958	12 850	9	173
Other payables		29 864	27 355	421	395
Deferred revenue		7 065	5 491		
Taxation		3 992	16 150		
Interest-bearing liabilities	13.2	22 266	32 633		
Financial Instruments – Fair value of interest rate swaps	17	1 904	330		
Provisions	20	1 683	1 268		
Amounts owing to subsidiaries – non-interest-bearing	24			231 951	231 951
		75 732	96 077	232 381	232 519
Total equity and liabilities		546 467	501 133	355 392	343 271
Net asset value per ordinary share (cents)		59,7	43,6		
Tangible net asset value per ordinary share (cents)		17,6	2,9		

Statements of changes in equity for the year ended 30 June 2010

	Share capital R'000	Share premium R'000	Accu-mulated losses R'000	Other reserves R'000	Attributable to owners of the parent R'000	Non-controlling interests R'000	Total equity R'000
Group							
Balance at 30 June 2008	2 421	502 904	(375 929)		129 396		129 396
Minority contribution on acquisition of subsidiary						2	2
IFRS 2 Equity reserve relating to share schemes				574	574		574
Total comprehensive income for the year ended 30 June 2009			42 128	(352)	41 776	23	41 799
Balance at 30 June 2009	2 421	502 904	(333 801)	222	171 746	25	171 771
Shares issued in terms of vendor placements for acquisitions	87	15 913			16 000		16 000
Minority portion of reserves relating to acquisition of subsidiary						994	994
IFRS 2 Equity reserve relating to share schemes				1 422	1 422		1 422
Total comprehensive income for the year ended 30 June 2010			52 945	(1 184)	51 761	311	52 072
Balance at 30 June 2010	2 508	518 817	(280 856)	460	240 929	1 330	242 259
Company							
Balance at 30 June 2008	2 421	804 749	(696 036)		111 134		
Total comprehensive income for the year ended 30 June 2009			(382)		(382)		
Balance at 30 June 2009	2 421	804 749	(696 418)		110 752		
Shares issued in terms of vendor placements for acquisitions	87	15 913			16 000		
Total comprehensive income for the year ended 30 June 2010			(3 741)		(3 741)		
Balance at 30 June 2010	2 508	820 662	(700 159)		123 011		

Statements of cash flows for the year ended 30 June 2010

		Group		Company	
		2010	2009	2010	2009
	Notes	R'000	R'000	R'000	R'000
Cash flows from operating activities					
Cash receipts from customers		405 036	364 982		
Cash paid to suppliers and employees		(274 745)	(248 392)	(1 884)	(1 819)
Cash generated by/(utilised in) operations	21.2	130 291	116 590	(1 884)	(1 819)
Net finance costs		(34 953)	(35 015)		
Interest paid		(35 333)	(37 345)		
Interest received		380	2 330		
Normal taxation paid	21.2	(35 420)	(10 602)		
Net cash inflow/(outflow) from operating activities		59 918	70 973	(1 884)	(1 819)
Cash flows from investing activities					
Additions to property, plant and equipment		(31 891)	(47 099)		
Replacement of property, plant and equipment		(8 479)	(9 546)		
Proceeds from sale of property, plant and equipment		701	287		
Acquisition of subsidiaries	21.2	(16 000)		(16 000)	
Net cash (outflow)/inflow from investing activities		(55 669)	(56 358)	(16 000)	
Cash flows from financing activities					
Repayment of long-term liabilities		(30 821)*	(27 969)		
Proceeds from new financing facilities		8 900			
Issue of shares in terms of vendor placements		16 000		16 000	
Decrease in loan to group company				1 915	1 614
Net cash (outflow)/inflow from financing activities		(5 921)	(27 969)	17 915	1 614
Net (decrease)/increase in cash and cash equivalents		(1 672)	(13 354)	31	(205)
Cash and cash equivalents at the beginning of the year		15 463	28 817	1	206
Cash and cash equivalents at the end of the year		13 791	15 463	32	1

** This amount represents the net position as an amount of R236,6 million was repaid against the "old" debt and raised as "new" debt on 1 April 2010*

Notes to the annual financial statements for the year ended 30 June 2010

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards.

During the current financial year, the following applicable Standards and Interpretations issued, amended or revised became effective and were adopted in the current financial year:

- IFRS 1 (revised) – First time Adoption of International Financial Reporting Standards
- IFRS 2 (revised) – Share-based Payment
- IFRS 3 (revised) – Business Combinations
- IFRS 5 (revised) – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 (revised) – Financial Instruments: Disclosures
- IFRS 8 – Operating Segments
- IAS 1 (revised) – Presentation of Financial Statements
- IAS 16 (revised) – Property, Plant and Equipment
- IAS 19 (revised) – Employee Benefits
- IAS 23 (revised) – Borrowing Costs
- IAS 27 (revised) – Consolidated and Separate Financial Statements
- IAS 28 (revised) – Investments in Associates
- IAS 31 (revised) – Interests in Joint Ventures
- IAS 32 (revised) – Financial Instruments: Presentation
- IAS 36 (revised) – Impairment of Assets
- IAS 38 (revised) – Intangible Assets
- IAS 39 (revised) – Financial Instruments: Recognition and Measurement
- IAS 40 (revised) – Investment Property
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

These new, revised or amended standards and interpretations did not have a major effect on the financial statements other than enhanced disclosure. The adoption of IFRS 8 – Operating Segments results in additional disclosure as per note 23.

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the business of the group and may have an impact on future financial statements:

- IFRS 1 (revised) – First-time Adoption of International Financial Reporting Standards
- IFRS 2 (amended) – Share-based Payment
- IFRS 5 (amended) – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 (amended) – Operating Segments
- IFRS 9 (amended) – Financial Instruments
- IAS 1 (amended) – Presentation of Financial Statements
- IAS 7 (amended) – Statement of Cash Flows
- IAS 17 (amended) – Leases
- IAS 24 (amended) – Related Party Disclosures
- IAS 32 (amended) – Financial Instruments: Presentation
- IAS 36 (amended) – Impairment of Assets
- IAS 39 (amended) – Financial Instruments: Recognition and Measurement

1. Significant accounting policies continued

- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The directors are in the process of assessing the impact of the above changes on the entity. Management believe that none of these new or revised Standards and Interpretations will have a significant effect other than enhanced disclosure.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below:

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Joint ventures are those entities over which the group exercises joint control in terms of a contractual agreement. Joint ventures are proportionally consolidated, whereby the group's share of the joint venture's assets, liabilities, results and cash flows are combined with similar items, on a line-by-line basis, in the group's financial statements. The results of jointly controlled entities are proportionately consolidated from the effective date of acquisition up to and including the date of disposal.

1.2 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in calculating the profit or loss on disposal.

1.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Sales of goods are recognised when goods are delivered and title has passed. Services are recognised when rendered.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.4 Leasing

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 held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

1.5 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in South African Rand, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts and options. For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in South African Rand using exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.7 Retirement benefit costs

Current contributions to the defined contribution pension fund registered in terms of the Pension Fund Act, 1956 are based on current service and current salaries as they are incurred.

1.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

1.9 Property, plant and equipment

Land and buildings are stated at cost whilst other fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Depreciation is calculated on the straight-line basis, so as to write the cost of the assets down to their residual values, at the following rates, which are considered to approximate the estimated useful lives of the assets concerned.

Plant and equipment	6,7 – 20%
Leasehold improvements	25%
Motor vehicles	16,7%
Furniture and fittings	10%
Office equipment	20%
Computer software	50%
Computer equipment	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Redundant and slow-moving inventory items are identified and written down to their estimated economic or realisable value.

1.11 Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at proceeds received, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Trade payables

Trade and other payables are stated at their nominal value.

Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The group uses derivative financial instruments (primarily foreign currency forward contracts and interest rate swap agreements) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The significant interest rate risk arises from bank loans. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the group's risk management strategy.

The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in profit or loss. The group's policy with regard to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment

1. Significant accounting policies continued

1.11 Financial instruments continued

Derivative financial instruments and hedge accounting continued

or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in there until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss for the period.

1.12 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

1.13 Share-based payments

The group issues certain equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on the straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Cash-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant and expensed on the straight-line basis over the vesting period.

1.14 Judgements made by management

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments as follows:

Asset lives and residual value

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible assets other than goodwill

Intangible assets other than goodwill are amortised over their useful lives. The actual lives of the intangible assets are assessed annually and may vary depending on a number of factors. In reassessing intangible asset lives, factors such as technological innovation are taken into account.

Provision for doubtful debts

Provision for doubtful debts are based on a detailed review and reflect an appropriate allowance for estimated irrecoverable amounts.

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
2. Operating profit/(loss) before finance costs				
Operating profit/(loss) before exceptional items and finance costs is stated after accounting for the following:				
Auditors' remuneration	2 397	1 711	420	445
– Current year – audit fee	2 153	1 488	420	389
– other services	50	125		56
– Prior year underprovision	194	98		
Directors' emoluments paid by subsidiaries	5 648	5 522		
Executive directors	4 066	4 064		
Non-executive directors	1 582	1 458		
Depreciation	14 792	12 039		
(Profit)/loss on disposal of plant and equipment	(152)	11		
Managerial, secretarial and technical fees	4 086	3 485		120
Operating lease charges	12 397	7 674		
Inventory expensed	32 660	32 548		
Inventory written off	392	1 409		
Retirement benefit expenses	10 136	8 297		
Share-based incentive accruals	1 422	574		
Employment costs	146 029	133 751		

Number of employees at the year-end was 1 179 (2009: 1 030).

Operating leases relating to premises rental have been smoothed over the period of the lease, as a result the total lease smoothing creditor, at the end of the year amounts to R560 000 (2009: R167 000).

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
3. Taxation				
3.1.1 South African normal taxation				
Current year	22 469	20 352		
Prior year	793	4		
	23 262	20 356		
3.1.2 Deferred taxation				
Current year	171	(3 167)		
	171	(3 167)		
	23 433	17 189		

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
3. Taxation continued				
3.2 Taxation reconciliation				
Profit/(loss) before taxation	76 689	59 340	(3 741)	(382)
Taxation at statutory taxation rate of 28%	21 473	16 615	(1 047)	(107)
Exempt income		456		
Non-deductible expenditure	786	86		
Prior year taxation	793	4		
Assessed loss utilised		(88)		
Deferred tax asset not raised	1 150	107	1 047	107
Rate amendment for capital gains	(455)			
Deductible allowances	(314)			
Temporary differences not recognised		9		
Actual taxation charged	23 433	17 189		
	%	%	%	%
Taxation rate reconciliation				
Statutory taxation rate	28,0	28,0	(28,0)	(28,0)
Exempt income		0,7		
Non-deductible expenditure	1,0	0,1		
Prior year taxation	1,0	0,0		
Assessed loss utilised		(0,1)		
Deferred tax asset not raised	1,4	0,1	28,0	(28,0)
Rate amendment for capital gains	(0,6)			
Deductible allowances	(0,4)			
Temporary differences not recognised		0,0		
Effective taxation rate	30,4	28,8		
	R'000	R'000		
3.3 Deferred taxation				
Property, plant and equipment	(10 308)	(9 063)		
Trade receivables	261	325		
IFRS 2 charge relating to share schemes	559			
IFRS rent adjustment	160	47		
Prepayments	(378)	(565)		
Provisions	1 802	1 524		
Deferred revenue	735	512		
Deferred tax in other reserves	533			
Assessed losses	3 539	191		
Total	(3 097)	(7 029)		
Net deferred taxation liability				
Opening balance	(7 029)	(10 195)		
Less: Subsidiaries disposed				
Add: Subsidiaries acquired	3 570			
Income statement movement	(171)	3 167		
Deferred taxation effects of fair value adjustments				
Other	533	(1)		
Closing balance	(3 097)	(7 029)		
Deferred taxation asset	3 595	186		
Deferred taxation liability	(6 692)	(7 215)		

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
3. Taxation continued				
3.4 Taxation losses				
Estimated taxation losses available for offset against future taxable income amount to:	3 539	186		
Estimated capital losses:			41 253	41 253
These capital losses are unlikely to be used by normal operations and accordingly no deferred taxation asset has been raised.				
4. Earnings per ordinary share				
4.1 Earnings – basic				
Earnings for purposes of earnings per share	52 945	42 128		
Effect of dilutive potential ordinary shares				
Earnings for purposes of diluted earnings per share	52 945	42 128		
Number of shares – earnings per share				
Number of ordinary shares in issue (thousands)	408 085	393 997		
Weighted average number of ordinary shares in issue (thousands)	403 868	393 997		
Earnings per share – basic (cents)	13,1	10,7		
Fully diluted earnings per share – basic (cents)	13,1	10,7		
4.2 Headline earnings				
Basis for calculation				
The calculation of headline earnings per ordinary share is based on headline earnings of R52,8 million (2009: R42,1 million) and a weighted average number of 403,9 million (2009: 394,0 million) ordinary shares in issue during the year.				
This basis is a measure of the trading performance and excludes profits and losses of a capital nature. It is derived, after taxation and non-controlling interests, as follows:				
Headline earnings				
Attributable profit	52 945	42 128		
Adjusted for after tax:				
Loss/(profit) on disposal of property, plant and equipment (IAS 16)	(152)	11		
Tax effect of profit/(loss) on disposal of property, plant and equipment	43	(3)		
Headline earnings for purposes of headline earnings per share	52 836	42 136		
Effect of dilutive potential ordinary shares				
Headline earnings for purposes of diluted headline earnings per share	52 836	42 136		
Headline earnings per ordinary share (cents)	13,1	10,7		
Fully diluted headline earnings per ordinary share (cents)	13,1	10,7		

	Group 2010 R'000	Group 2009 cents	Company 2010 R'000	Company 2009 cents
4. Earnings per ordinary share continued				
4.3 Reconciliation of headline earnings per share				
Profit per ordinary share	13,1	10,7		
Adjusted for after tax:				
Loss/(profit) on disposal of property, plant and equipment (IAS 16)	0,0	0,0		
Headline earnings per ordinary share (cents)	13,1	10,7		
4.4 Normalised headline earnings				
Included in headline earnings as calculated in note 4.2 are certain non-trading items relating to financial instruments and MGX legacy issues. Headline earnings, adjusted for these non-trading items, are:				
Headline earnings as calculated in note 4.2	52 836	42 136		
Adjusted for:				
Non-recurring taxation and interest cost	7 387			
Fair value adjustments on financial instruments		11 621		
Tax effect of above adjustments	(1 174)	(3 254)		
Normalised headline earnings	59 049	50 503		
Normalised headline earnings for purposes of diluted headline earnings per share	59 049	50 503		
Headline earnings per share as calculated in note 4.2 has also been based on the weighted average number of shares in issue during the year of 403,9 million (2009: 394,0 million).				
Normalised headline earnings per ordinary share (cents)	14,6	12,8		
Normalised diluted headline earnings per ordinary share (cents)	14,6	12,8		

5. Directors' remuneration

	Directors' fees R	Salary R	Bonuses R	Pension contribution R	Other benefits R	Total R
2010						
RM Buttle		875 253	350 000	154 508	149 850	1 529 611
CN Mapaure*∆						
IN Matthews*	415 600					415 600
N Medupe*	242 000					242 000
SR Midlane*	242 000					242 000
AP Nkuna*∆						
CS Seabrooke*	682 500					682 500
GD Wackrill		1 501 875	600 000	255 879	178 353	2 536 107
	1 582 100	2 377 128	950 000	410 387	328 203	5 647 818

* *Non-executive director*

∆ *An amount of R0,72 million (2009: R0,66 million) was paid to Mineworkers Investment Company (Pty) Limited for services, inclusive of the non-executive and committee roles performed by AP Nkuna and CN Mapaure*

	Directors' fees R	Salary R	Bonuses R	Pension contribution R	Other benefits R	Total R
2009						
RM Buttle		815 676	400 000	141 750	119 963	1 477 389
CN Mapaure*†∆						
IN Matthews*	383 000					383 000
N Medupe*	223 000					223 000
SR Midlane*	223 000					223 000
AP Nkuna*∆						
CS Seabrooke*	629 000					629 000
GD Wackrill		1 367 735	800 000	234 751	184 306	2 586 792
	1 458 000	2 183 411	1 200 000	376 501	304 269	5 522 181

* *Non-executive director*

† *CN Mapaure was appointed as non-executive director on 27 February 2009*

∆ *An amount of R0,66 million (2008: R0.59 million) was paid to Mineworkers Investment Company (Pty) Limited for services, inclusive of the non-executive and committee roles performed by AP Nkuna and CN Mapaure.*

	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	Total R'000
6. Property, plant and equipment							
Cost							
At 1 July 2009	167 317	104 621	22 071	428	13 787	7 724	315 948
Additions	1 399	24 875	4 873		8 161	1 062	40 370
Subsidiaries acquired	566	3 060	1 771		10 014	382	15 793
Disposals	(67)	(281)	(3 030)	(348)	(1 399)	(294)	(5 419)
At 30 June 2010	169 215	132 275	25 685	80	30 563	8 874	366 692
Accumulated depreciation							
At 1 July 2009	1 456	38 312	15 008	375	6 149	4 780	66 080
Depreciation	358	8 501	3 017	47	2 007	862	14 792
Subsidiaries acquired	195	1 279	1 284		1 324	143	4 225
Disposals	(67)	(278)	(2 997)	(348)	(887)	(294)	(4 871)
At 30 June 2010	1 942	47 814	16 312	74	8 593	5 491	80 226
Net book value							
At 30 June 2010	167 273	84 461	9 373	6	21 970	3 383	286 466
Cost							
At 1 July 2008	140 257	86 358	25 471	596	11 896	6 744	271 322
Additions	27 194	20 970	3 776	38	2 910	1 757	56 645
Disposals	(134)	(2 707)	(7 176)	(206)	(1 019)	(777)	(12 019)
At 30 June 2009	167 317	104 621	22 071	428	13 787	7 724	315 948
Accumulated depreciation							
At 1 July 2008	1 354	34 057	19 752	429	5 392	4 779	65 763
Depreciation	236	6 959	2 406	152	1 522	764	12 039
Disposals	(134)	(2 704)	(7 150)	(206)	(765)	(763)	(11 722)
At 30 June 2009	1 456	38 312	15 008	375	6 149	4 780	66 080
Net book value							
At 30 June 2009	165 861	66 309	7 063	53	7 638	2 944	249 868

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

The majority of the assets have been pledged as security against certain loans as detailed in note 13.

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
7. Investment in subsidiaries				
7.1 Subsidiaries				
Unlisted				
Shares at cost ∆			354 153	343 253
Directors' valuation				
∆ Metrofile has ceded and pledged its interests in all its assets and investments as security to the capital providers. The directors value the investments equal to their carrying values. For further details on security and other information refer to note 13.				
8. Goodwill				
Net carrying value at the beginning of the year	160 499	160 499		
Acquisition of subsidiaries	9 444			
Net carrying value at the end of the year	169 943	160 499		
Goodwill is tested for impairment on an annual basis. The method used for testing impairment is the market capitalisation less the net asset value of the enterprise.				
9. Inventories				
Maintenance spares	15 202	19 223		
Goods available for sale	1 148	1 031		
Consumables	1 161	3 141		
Total inventory	17 511	23 395		
Less: Provisions	(7 290)	(6 837)		
Net inventory	10 221	16 558		
Inventories have been ceded as security to the capital providers in terms of the restructure.				
10. Trade and other receivables				
Trade receivables	60 771	56 782		
Other receivables	3 542	4 109	107	17
Provision for doubtful debts	(1 245)	(1 548)		
Provision for credit notes	(617)	(784)		
	62 451	58 559	107	17
Trade and other receivables are stated after the following allowances for impairment:				
Provision for doubtful debts and credit notes				
Opening balance	(2 332)	(2 129)		
Impairment loss recognised	(67)	(203)		
Impairment loss reversed	537			
Closing balance	(1 862)	(2 332)		

At 30 June 2010, Metrofile had ceded and pledged its trade and other receivables as security to its capital providers.

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
11. Ordinary share capital and share premium				
11.1 Share capital				
Ordinary shares of 0,6146 cents each				
Number of shares				
Authorised				
Authorised ordinary shares at the end of the year (thousand)	500 000	500 000	500 000	500 000
Issued				
Shares issued at the end of the year (thousand)	408 085	393 997	408 085	393 997
Unissued shares at the end of the year (thousand)	91 915	106 003	91 915	106 003
The authorised but unissued ordinary shares in the company were placed under the control and authority of the directors of the company who were authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973), as amended (the Act), the articles of association of the company and the JSE Limited (JSE) Listings Requirements, when applicable, such authority to remain in force until the next annual general meeting. This authority was restricted to 5% of the company's issued share capital.				
Value of shares				
Issued				
Issued at the beginning of the year	2 421	2 421	2 421	2 421
Issued by way of vendor placements for acquisition of subsidiaries	87		87	
Issued at the end of the year	2 508	2 421	2 508	2 421
11.2 Share premium				
Balance at the beginning of the year	502 904	502 904	804 749	804 749
Raised by way of vendor placements for acquisition of subsidiaries	15 913		15 913	
Balance at the end of the year	518 817	502 904	820 662	804 749
Total share capital and share premium	521 325	505 325	823 170	807 170

	Group 2010 R'000	Group 2009 R'000
12. Other reserves		
Balance at the beginning of the year	222	
Share-based payment reserves*	1 422	574
Hedging reserve**	(1 574)	(330)
Foreign currency translation reserve***	(143)	(22)
Tax effect of above	533	
Balance at the end of the year	460	222

* *Share incentive schemes*

New share incentive schemes were approved by shareholders during the previous financial year; the schemes introduced were a Deferred Bonus Plan (DBP) and a Share Appreciation Rights (SAR). These schemes vest over a three year period, with a maximum term of seven years, and are equity settled by the company acquiring shares on the market. The schemes have certain performance conditions attached which need to be achieved in order for vesting to occur. On 4 September 2009 the company issued 5 510 734 and 391 931 grants with regard to the SAR and DBP schemes respectively. The SAR scheme grants were issued at a price of R1,03 (based on the 30 days volume weighted average price) whilst the DBP were bought on the market, further details of which are disclosed under note 19. In the prior financial year, on 14 October 2008 the company issued 7 377 604 and 502 328 grants with regard to the SAR and DBP schemes respectively. The SAR scheme grants were issued at a price of R0,89 (based on the 30 days volume weighted average price) whilst the DBP were bought on the market, further details of which are disclosed under note 19. In determining the number of grants issued the Black Scholes model was utilised. The IFRS 2 charge relating to the schemes has been debited to employee costs and credited to equity.

** *Hedging reserve*

The hedging reserve relates to the fair value adjustment on the interest rate swaps which has been recorded under other reserves as the requirement for hedge accounting has been met.

*** *Foreign currency translation reserve*

The foreign currency translation reserve relates to the difference that arose in translation of Metrofile Mozambique from Metical to Rands.

	Group 2010 R'000	Group 2009 R'000
13. Non-current liabilities		
13.1 Interest-bearing liabilities		
"Amortising" facility	125 406	
Being a six year senior facility, accruing interest at a rate equal to a three month Johannesburg interbank agreed rate (JIBAR) plus 3,00% on a nominal annual compounded quarterly (NACQ) basis. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital and interest to be repaid in twenty four equal quarterly instalments, starting at the end of the first quarter and ending on 31 March 2016	145 305	
Less: Amounts payable within one year reflected under current liabilities	(19 899)	

	Group 2010 R'000	Group 2009 R'000
13. Non-current liabilities continued		
13.1 Interest-bearing liabilities continued		
"Bullet" facility	86 671	
Being a six year senior facility, accruing interest at a rate equal to a three month JIBAR plus 3,60% on a NACQ basis. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital to be repaid in one lump sum at the end of the six year loan period, on 31 March 2016	86 671	
In terms of the loan agreement, certain additional capital repayments (capital prepayments) will be required during the period of the loans. These capital prepayments will be financed from 50% of residual free cash as defined in the loan agreement. If there is insufficient residual free cash to achieve such repayment, it will not constitute an event of default. Such prepayments will be made on specific measurement periods for the first three years, as defined in the loan agreement and annually thereafter. The capital prepayments will be apportioned across the "Amortising" and "Bullet" facilities in a ratio of 30% and 70% respectively.		
Instalment sale agreements	3 349	
Being instalment sale agreements with Nedbank Limited, the last one terminating on 31 August 2013. The agreements are financed at prime plus 1% and are secured by movable assets of Cleardata (Pty) Limited	4 875	
Less: Amounts payable within one year reflected under current liabilities	(1 526)	
Loan facility – Industrial Development Corporation	7 763	
Being two loan facilities which accrue interest at a rate equal to prime plus 1%. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. Capital and interest to be repaid in twenty four equal quarterly instalments, starting at the end of the fifth quarter and ending on 30 April 2015	8 900	
Less: Amounts payable within one year reflected under current liabilities	(1 137)	
"A" facility		91 578
Being a six year senior facility, accruing interest at a rate equal to a three month (Johannesburg interbank agreed rate) (JIBAR) plus 2,75% on a nominal annual compounded quarterly (NACQ) basis. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital and interest to be repaid in twenty equal quarterly instalments, starting at the end of the fifth quarter (i.e. capital moratorium for one year) and ending on 18 August 2012		125 294
Less: Amounts payable within one year reflected under current liabilities		(33 716)
This loan was settled by way of a refinancing arrangement which took place with Standard Bank of South Africa Limited on 1 April 2010 which gave rise to the "Amortising" and "Bullet" loans reflected above.		

	Group 2010 R'000	Group 2009 R'000
13. Non-current liabilities continued		
13.1 Interest-bearing liabilities continued		
"B" facility		41 496
Being a six year senior facility, accruing interest at a rate equal to a three month JIBAR plus 3,50% on a NACQ basis. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital to be repaid in one lump sum at the end of the six year loan period, on 18 August 2012		41 496
This loan was settled by way of a refinancing arrangement which took place with Standard Bank of South Africa Limited on 1 April 2010 which gave rise to the "Amortising" and "Bullet" loans reflected above.		
Mezzanine facility		95 311
Being a six year mezzanine facility, accruing interest at a rate equal to a three month JIBAR plus 9,50% on a NACQ basis, subject to a pricing ratchet. In terms of the pricing ratchet, the debt:EBITDA ratio will be measured every 12 months for the first three years and if the debt:EBITDA ratio is below a certain level at the measurement date, the 9,50% will be reduced to the lower levels as defined in the loan agreement. Payment of the difference between the applicable interest rate and JIBAR plus 5,0% on a NACQ basis can be deferred (deferred interest). The deferred interest will also accrue interest at the applicable interest rate on a NACQ basis and is payable no later than at the end of the six year loan period, being 31 August 2012. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital to be repaid in one lump sum at the end of the six year loan period, on 18 August 2012		95 311
This loan was settled by way of a refinancing arrangement which took place with Standard Bank of South Africa Limited on 1 April 2010 which gave rise to the "Amortising" and "Bullet" loans reflected above.		
Total interest-bearing liabilities	223 189	228 385
Less: Prepaid facility fees amortised over the six year period of the facilities	(1 405)	(2 315)
Total non-current liabilities	221 784	226 070

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
13. Non-current liabilities continued				
13.2 Current liabilities				
Interest-bearing liabilities				
Short-term portion of long-term liabilities				
– "Amortising" facility	19 899			
– Instalment sale agreements	1 526			
– Loan facility – Independent Development Corporation	1 137			
– "A" facility		33 716		
Less: Prepaid facility fees amortised over the next year	(296)	(1 083)		
Total current liabilities	22 266	32 633		
Total interest-bearing liabilities	244 050	258 703		

Security for the Metrofile facilities is provided by Micawber 305 (Proprietary) 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 (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. Cleardata (Pty) Limited has secured its borrowings recorded under note 13.1 utilising all of its underlying assets.

Metrofile (Pty) Limited is compliant with all aspects of the Common Terms of Agreement with Standard Bank of South Africa Limited and all loan covenants.

14. Commitments

14.1 Authorised capital expenditure

Metrofile (Proprietary) Limited has planned capital expansions of R35,5 million (2009: R22,7 million) and replacement projects of R13,0 million (2009: R11,8 million), of which R4,1 million (2009: R3,6 million) has been authorised and committed and R44,4 million (2009: R30,9 million) authorised but not committed. The capital expenditure will be financed by way of a CAPEX facility amounting to R20 million for the purpose of building additional facilities and from the group's cash resources. The CAPEX facility has a six year term, accruing interest at a rate equal to a three month Johannesburg interbank agreed rate (JIBAR) plus 3,00% on a nominal annual compounded quarterly (NACQ) basis. The facility will be made available in January 2011 and is repayable quarterly in arrears in 24 equal payments.

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
14.2 Operating leases				
Future leasing charges for premises, equipment and motor vehicles				
Payable within one year	12 093	7 674		
Payable within two to five years	16 266	16 236		
	28 359	23 910		

Metrofile (Proprietary) Limited has entered into various long-term lease agreements related to buildings not owned by the group. The last agreements expire in 2015 and the company has the option to renew and extend the agreements for a further term. All the leases are market related and annual escalations range between 8% and consumer price index (CPI) in all the various agreements.

15. Contingent liabilities

15.1 Illegal strike

During 2006 a number of the group's employees embarked on an illegal strike. The matter was due to come before the labour court on 26 July 2010, however the case was withdrawn by order of the court, at the request of the former employees.

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" available to Metrofile (Pty) Limited. The short-term facility is limited to R10 million, being a revolving working capital facility, accruing interest at the prime rate. The facility is renewable on an annual basis subject to the sole and absolute discretion of the lender. In the event of receipt of a written demand from the lender, the facility is to be repaid in full within a period of 14 days.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
17. Financial instruments				
17.1 Carrying amounts of financial instruments				
Loans and receivables				
Trade receivables	58 909	54 450		
Other receivables	1 890	1 692	107	17
Bank balances	13 791	15 463	32	1
	74 590	71 605	139	18
Financial instruments designated at fair value through profit and loss				
Total financial assets	74 590	71 605	139	18
Financial liabilities at amortised cost				
Interest-bearing liabilities	(244 050)	(258 703)		
Trade payables	(8 958)	(12 850)	(9)	(173)
Other payables	(12 267)	(18 986)	(421)	(395)
	(265 275)	(290 539)	(430)	(568)
Financial instruments designated at fair value through profit and loss				
Financial instruments – Fair value of interest rate swaps	(1 904)	(330)		
Total financial liabilities	(267 179)	(290 869)	(430)	(568)
Total net financial liabilities	(192 589)	(219 264)	(291)	(550)

17. Financial instruments continued

17.2 Carrying amounts and fair value amounts of financial instruments

Fair value hierarchy level

Financial assets and liabilities at fair value have been categorised in the following hierarchy structure:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset/liability.

Level 3 – Inputs for the asset/liability that are not based on observable market data (unobservable inputs).

Level 2

Interest rate swap amount to R1,9 million (2009: R0,3 million). At 30 June 2010 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

Of the financial assets and liabilities as at 30 June 2010 and 2009, the interest-bearing borrowings had their fair values determined based on published price quotation in active market. The borrowings' net present value (NPV) is calculated using the nominal annual compounding annually (NACA) rate ended 30 June 2010 or 2009.

17.3 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 to minimise the foreign currency exchange exposures associated with its foreign currency transactions. Foreign exchange contracts are taken out for the majority of orders placed overseas. 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 2010 the group's foreign currency exposure was as follows:

	Currency	Amount in foreign currency	Exchange rate used	Reported value 2010 R'000	Reported value 2009 R'000
Uncovered foreign denominated liabilities included in trade payables	US$'000	–	–		31
	Euro'000	23,7	9,46	224	58
	GBP'000	0,3	11,55	3	
There were no uncovered foreign denominated assets at 30 June 2010 (2009: Nil).					
Existing foreign currency forward exchange contracts covering statement of financial position items included at fair value in trade payables are:					
Buy contracts	US$'000	84,2	7,68	646	1 962
	Euro'000	34,4	9,44	325	253

Total foreign purchases for the year amounted to R10,0 million (2009: R13,4 million). A 10% increase/decrease on the exchange rate would have resulted in a R1,0 million (2009: R1,3 million) increase/decrease in purchases respectively. All purchases are receipted into stock and booked out against sales invoices, maintenance contracts or as direct inputs in the conversion bureaus. The impact of exchange rate fluctuations on the company's profits is estimated to be limited to 11,5% of the purchases. Direct sales to customers of foreign sourced goods are adjusted daily to cater for exchange rate fluctuations.

The following average and spot rates used in the translation of the foreign subsidiary were 4,08 and 4,46 Meticals to the Rand respectively.

17. Financial instruments continued

17.4 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 to eliminate interest rate fluctuations on a portion of the debt over a four year period, these were initiated in April 2010.

The interest rate risk is inherently high due to the level of gearing of the entity. The risk is mitigated by the interest rate swaps which are in place; these swaps in essence fix the interest rate for 70% (2009: 52%) of the debt. The balance of the debt, amounting to R74 million (2009: R128 million), would be exposed to interest rate movements. The interest rate risk was higher in the prior year due to the coverage of the swaps. The current interest rate swaps step down in value annually and expire in March 2014 after which the debt exposed to interest rate fluctuations is expected to be a maximum of R111 million; this amount will however be reduced by any prepayments made in terms of cashflow sweeps and voluntary payments in terms of the banking agreements. The reducing nature of the swaps is expected to maintain the coverage of the outstanding debt at an approximate level of 67%, which is in line with the requirement of the banking agreements.

Details of the interest rate swap agreements that were entered into during the current financial year are:
Initial coverage R110 million – Termination date 31 March 2014 fixed at rate of 10,58% (JIBAR + 3,00%) and payable quarterly in arrears. This agreement is linked to the R145,3 million Metrofile Amortising facility, accruing interest at a rate per annum equal to three month JIBAR plus 3,00% all-in-rate NACQ.

Initial coverage R60 million – Termination date 31 March 2014 fixed at rate of 11,16% (JIBAR + 3,60%) and payable quarterly in arrears. This agreement is linked to the R86,7 million Metrofile Bullet facility, accruing interest at a rate per annum equal to three month JIBAR plus 3,60% all-in-rate NACQ.

The table below represents how the swap agreements will reduce annually:

	Swap covering Amortising loan R'000	Swap covering Bullet loan R'000
Initial amount – April 2010	110 000	60 000
Reduced to – September 2011	90 000	50 000
Reduced to – September 2012	70 000	35 000
Reduced to – September 2013	40 000	20 000

An aggregate amount of R2,7 million was paid to financial institutions (2009: R5,2 million received), being the net difference between the higher swap rates and the interest rates of the loans linked to these swap agreements. This cost was with respect to both the previous and current interest rate swaps. The current interest rate swaps comply with the requirements for hedge accounting.

	Group	
	2010 R'000	2009 R'000
Loss if interest rates increase by 50 basis points	370	640

There is an equal but opposite effect if the interest rates decrease by 50 basis points.

The loss above is based on the portion of the loans not covered by interest rate swaps.

17. Financial instruments continued

17.5 Liquidity risk

The liquidity risk is managed through capital planning in order to ensure that the company remains compliant with the terms of the loan providers. The company has a strong track record of generating cash from operations and there is little to no threat of this changing in the future. The requirement to expand in respect of facilities is the area which puts pressure on the liquidity of the group, however the additional facilities are required due to the business growing.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Borrowing capacity	254 050	268 703		
Amount approved	244 050	258 703		
Total additional borrowings available	10 000	10 000		
Financial liabilities at amortised cost				
Interest-bearing liabilities	(244 050)	(258 703)		
Trade payables	(8 958)	(12 850)	(9)	(173)
Other payables	(12 267)	(18 986)	(421)	(395)
Total financial liabilities at amortised cost	(265 275)	(290 539)	(430)	(568)
Maturity profile				
Interest-bearing liabilities				
2010		32 633		
2011	22 266	37 410		
2012	25 465	41 533		
2013	27 880	147 127		
2014	28 930			
2015	30 590			
2016	108 919			
	244 050	258 703		
Other				
2010		31 836		568
2011	21 225		430	
	265 275	290 539	430	568

17. Financial instruments continued

17.6 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.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

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 statement of financial position.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Neither past due nor impaired	55 854	52 911	139	18
Past due but not impaired				
Trade receivables	16 874	16 362		
Not past due but impaired				
Trade receivables	617	784		
Past due and impaired				
Trade receivables	1 245	1 548		
Total financial assets	74 590	71 605	139	18
Neither past due nor impaired	55 854	52 911	139	18
1-30 days past due	11 868	11 030		
30-60 days past due	3 264	3 355		
60-90 days past due	1 184	1 757		
90-180 days past due	558	220		
Past due but not impaired	16 874	16 362		
Not past due but impaired	617	784		
Past due and impaired	1 245	1 548		
Total financial assets	74 590	71 605	139	18

No collateral was held by the group as security and other enhancement over the financial assets during the years ended 30 June 2010 or 2009.

17.7 Capital risk management

The capital structure of the company is evaluated by the board of directors on a regular basis. The company manages its capital to ensure that it will be able to continue as a going concern and continue to meet its business objectives. During the period under review the company maintained a positive shareholder's equity and there were no changes in the company's approach to capital management during the period. The company is not subject to externally imposed regulatory capital requirements.

17.8 Fair values

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

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, certain are members of two defined contribution retirement benefit plans administered by Brefco (Pty) Limited and Sanlam Life Assurance Limited. Both the group and the employees are required to contribute to the retirement schemes to fund the benefits.

The only obligation of the group with respect to the retirement schemes is to make the specified contributions. The total cost charged to income of R10,1 million (2009: R8,3 million) represents contributions paid to the scheme.

19. Related party transactions

Related parties are entities with common direct or indirect shareholders and/or directors and senior management. 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 Metrofile Holdings and its subsidiaries during the year (2009: Nil).

Loans

Inter-company loans are repayable on demand unless subordinated. Interest is charged at market rates where applicable except for the loan between Metrofile Holdings Limited and Infracom (Proprietary) Limited and Metrofile Management Services (Proprietary) Limited.

Compensation of key management personnel

The following directors and officers acquired Metrofile Holdings Limited ordinary shares during the year under review.

		Number of shares
GD Wackrill	*Chief executive officer*	202 674
RM Buttle	*Chief financial officer*	109 872

The following directors and officers received grants for the Share Appreciation Rights (SAR) and Deferred Bonus Plan (DBP) schemes on 4 September 2009.

		SAR Number of shares	DBP Number of shares
GD Wackrill	*Chief executive officer*	931 471	287 824
RM Buttle	*Chief financial officer*	562 450	115 865
LM Thompson	*Company secretary*	433 644	–

The following directors and officers acquired Metrofile Holdings Limited ordinary shares during the prior year.

		Number of shares
GD Wackrill	*Chief executive officer*	120 000
RM Buttle	*Chief financial officer*	144 176

The following directors and officers received grants for the Share Appreciation Rights (SAR) and Deferred Bonus Plan (DBP) schemes on 14 October 2008.

		SAR Number of shares	DBP Number of shares
GD Wackrill	*Chief executive officer*	835 690	358 153
RM Buttle	*Chief financial officer*	576 703	144 176
LM Thompson	*Company secretary*	555 779	–

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
20. Provisions				
Included in provisions are the following provisions:				
Opening balance	1 268	1 174		
Provision for bonuses	1 240	1 118		
Provision for legal costs	28	56		
Provisions raised	3 171	1 629		
Provision for bonuses	3 171	1 629		
Provision for legal costs				
Provisions (utilised)	(2 332)	(1 460)		
Provision for bonuses	(2 304)	(1 432)		
Provision for legal costs	(28)	(28)		
Provisions (released)	(424)	(75)		
Provision for bonuses	(424)	(75)		
Provision for legal costs				
Closing balance	1 683	1 268		
Provision for bonuses	1 683	1 240		
Provision for legal costs		28		

21. Cash flow statement

21.1 Convention

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.

21.2 Reconciliation of profit/(loss) before taxation to cash generated by/(utilised in) operations

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Profit/(loss) before taxation	76 689	59 340	(3 741)	(382)
Adjusted by:	50 552	58 908	2 085	(1 614)
(Profit)/loss on disposal of property, plant and equipment	(152)	11		
Profit on disposal of investments				
Depreciation and trademark amortisation	14 792	12 039		
Net finance cost	34 953	35 015		
Reversal of impairment of investment				
Reversal of impairment of intergroup loan			(1 915)	(1 614)
Other non-cash flow items	959	11 843	4 000	
Operating cash flows before working capital changes	127 241	118 248	(1 656)	(1 996)
Changes in working capital	3 050	(1 658)	(228)	177
Decrease/(increase) in inventories	6 337	(6 056)		
(Increase)/decrease in receivables	(3 892)	(5 342)	(90)	70
Increase/(decrease) in payables	605	9 740	(138)	107
Cash generated by/(utilised in) operations	130 291	116 590	(1 884)	(1 819)

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
21. Cash flow statement continued				
21.3 Taxation paid				
Taxation balance at the beginning of the year	(16 150)	(4 347)		
Current tax expense for the year	(23 262)	(20 356)		
Non-cash flow items				
Amounts transferred due to reclassification from sundry creditors		(2 049)		
Amounts reversed				
Taxation balance at the end of the year	3 992	16 150		
Total taxation paid	(35 420)	(10 602)		
21.4 Subsidiaries acquired				
Property, plant and equipment	11 568			
Deferred tax asset	3 570			
Inventories	31			
Accounts receivable	1 982			
Long-term liabilities	(7 412)			
Trade and other payables	(2 189)			
Non-controlling interest	(994)			
Intangibles – goodwill	9 444			
Investment in subsidiaries			16 000	
	16 000		16 000	

22. Post year-end events

No material events occurred between the year-end and the date of this report.

23. Segmental report

23.1 Sales revenue

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Metrofile Records Management	325 753	297 633		
CSX Customer Services	70 146	66 248		
Property companies	–	–		
Other	20 995	14 542		
Intergroup	(7 331)	(7 326)		
Total sales revenue	409 563	371 097		

	Group		Company	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
23. Segmental report continued				
23.2 Operating profit				
Metrofile Records Management	167 776	157 503		
CSX Customer Services	17 840	17 599		
Property companies	32 372	28 134		
Other	7 192	2 956		
Total before indirect costs	225 180	206 192		
Indirect costs	(113 538)	(100 216)		
Operating profit before finance costs and exceptional items	111 642	105 976		

Metrofile Records Management" represents the Metrofile document storage and scanning divisions which are managed and operated geographically.

The "Property companies" are wholly owned subsidiaries of Metrofile (Pty) Limited which charge rentals on owned properties to the Metrofile Records Management segment.

"Other" includes Metrofile Holdings Limited, Africa operations, the paper management business and with effect from 1 January 2010, Cleardata (Pty) Limited.

The majority of assets and resultant depreciation relate to Metrofile Records Management, therefore a table has not been prepared in this regard. It should however be noted that the majority of inventory relates to CSX Customer Services.

Interest has not been reflected on the segmental report as the majority of the interest relates to Metrofile (Pty) Limited which relates to all material divisions reflected above.

24. Subsidiaries

Subsidiary	Nature of business	Percentage holding 2010 %	Percentage holding 2009 %	Cost of investment 2010 R'000	Cost of investment 2009 R'000	Net indebtedness 2010 R'000	Net indebtedness 2009 R'000
Infracom (Pty) Limited •«¨	Dormant	100	100	169 500	169 500	(231 951)	(231 951)
Metrofile (Pty) Limited •«	Records management	100	100	173 753	173 753		
Metrofile Management Services (Pty) Limited •«	Management services	100	100			234 252	236 167
Infovault (Pty) Limited	Records management	100		4 000		9 810	
Innovative Document Management (Pty) Limited	Records management	100		4 000			
Cleardata (Pty) Limited	Confidential records destruction	55		8 000		1 100	
				359 253	343 253	13 211	4 216
Provision for impairment						(244 062)	(236 167)
				359 253	343 253	(230 851)	(231 951)
Reflected as: Amounts owing by subsidiaries – non-interest bearing						1 100	
Amounts owing to subsidiaries – non-interest bearing						(231 951)	(231 951)

• *At 30 June 2010, Metrofile Holdings Limited had ceded and pledged all material amounts owing to any member of the Metrofile group to the capital providers*

« *At 30 June 2010, Metrofile Holdings Limited had ceded and pledged all its interests in the claims and shares of the subsidiaries to the capital providers*

¨ *Infracom has agreed to subordinate the loan amount to the extent equal to the subordinated amount in favour of and for the benefit of the Metrofile creditors*

Notice to shareholders of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Metrofile Limited (Metrofile) will be held at 09:30 on Tuesday, 30 November 2010 at Southern Sun, Grayston Sandton, cnr Grayston & Rivonia Road, Sandown, Johannesburg, Gauteng, for the purpose of considering and, if deemed fit, passing with or without modification the following resolutions and transacting the following business:

1. Approval of annual financial statements

Ordinary resolution no. 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 2010 be and are hereby approved and confirmed."

2. Election of directors

Ordinary resolution no. 2

"Resolved that the appointment of Mrs MS Bomela in terms of article 28.2 of the company's articles of association (the articles), as a director of the company and for a further term of office be and it is hereby authorised and confirmed."

3. Re-election of directors

Ordinary resolution no. 3

"Resolved that Mr SR Midlane who retires in terms of article 32.1 of the company's articles of association (the articles) and who offers himself for re-election, be and is hereby re-elected as a director of the company."

4. Re-election of directors

Ordinary resolution no. 4

"Resolved that Ms N Medupe who retires in terms of article 32.1 of the company's articles of association (the articles) and who offers herself for re-election, be and is hereby re-elected as a director of the company."

5. Approval of auditors' remuneration

Ordinary resolution no. 5

"Resolved that the directors of the company, through the audit committee, be and hereby authorised to agree and pay the auditors' remuneration for the year ended 30 June 2010."

6. Re-appointment of auditors

Ordinary resolution no. 6

"Resolved that Messrs Deloitte & Touche be re-appointed as auditors of the company from the conclusion of this meeting to the conclusion of the next annual general meeting, as recommended by the audit committee."

7. Ratification of non-executive directors' remuneration

Ordinary resolution no. 7

"Resolved that the remuneration of the non-executive directors of the company for the past financial year as reflected in note 5 to the annual financial statements be and is hereby ratified."

8. Approval of proposed non-executive directors' remuneration for the year ending 30 June 2011

Ordinary resolution no. 8

"Resolved that the following proposed remuneration of the non-executive directors of the company for the financial year ending 30 June 2011 be and is hereby approved:

	Annual fees R
Chairman of the board of directors	519 000
Non-executive director	190 000
Chairman of the audit committee	220 000
Audit committee member	74 000
Chairman of the nomination and remuneration committee	147 000
Nomination and remuneration committee member	74 000
Permanent invitees	74 000

Notice to shareholders of annual general meeting
continued

9. Place unissued shares under the control of the directors

Ordinary resolution no. 9

"Resolved that the authorised but unissued ordinary shares in the company be and are hereby placed under the control and authority of the directors of the company and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended (the act), the articles of association of the company and the JSE Limited (JSE) Listings Requirements, when applicable, such authority to remain in force until the next annual general meeting. This authority shall be restricted to 5% of the company's issued share capital."

10. Authority to sign all documents required

Ordinary resolution no. 10

"Resolved that, subject to the passing of terms of the ordinary resolutions 1 to 9, any director of the company or the company secretary will be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary resolutions number 1 to 9 passed at the 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 sub-register through a CSDP or broker (only shareholders who have dematerialised their Metrofile shares through Computershare Investor Services (Proprietary) Limited can qualify as having elected "own-name" registration), who are unable to attend the general meeting but wish to be represented thereat, complete and return the attached form of proxy, in accordance with the instructions contained therein, to the office of the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries by no later than 09:30 on Thursday, 25 November 2010, 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 sub-register maintained by a CSDP (i.e. 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

LM Thompson
Company secretary

3 September 2010
Johannesburg

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 Investor Services (Proprietary) Limited (previously known as 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 on Tuesday, 30 November 2010 at Southern Sun, Grayston Sandton, cnr Grayston & Rivonia Road, Sandown, Johannesburg, Gauteng, or at any adjournment or postponement thereof.

I/We (BLOCK LETTERS please) ....

Of ....

Telephone work ( ) .... Telephone home ( ) ....

being the holder/s or custodian/s 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:

	In favour	Against	Abstain
Ordinary resolution no.1 – Approval of annual financial statements for 30 June 2010			
Ordinary resolution no. 2 – Confirmation of appointment of MS Bomela			
Ordinary resolution no. 3 – Re-election of director: SR Midlane			
Ordinary resolution no. 4 – Re-election of director: N Medupe			
Ordinary resolution no. 5 – Approval of auditors' remuneration			
Ordinary resolution no. 6 – Re-appointment of auditors			
Ordinary resolution no. 7 – Ratification of non-executive directors' remuneration			
Ordinary resolution no. 8 – Approval of proposed non-executive directors' remuneration for the financial year ending 30 June 2011			
Ordinary resolution no. 9 – Placing of the unissued shares under the control of the directors			
Ordinary resolution no. 10 – Authority to sign all documents required			

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 this .... day of 2010

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 and instructions on the overleaf.

Notes and instructions

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.

1. 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 the entire 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.

2. 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 Investor Services (Proprietary) 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 sub-register 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.

3. 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.

4. Any alteration or correction made to this form of proxy must be initialled by the signatory/signatories.

5. 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.

6. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Metrofile share held by such shareholder.

7. 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.

8. If a poll is demanded, the resolutions put to the vote shall be decided on a poll.

9. The Chairman of the Annual General Meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a member wishes to vote.

10. To be valid, the completed form of proxy must be lodged with the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them by no later than 09:30 on Thursday, 25 November 2010, 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.

Directorate and administration

Directors

Christopher Stefan Seabrooke (57) • ¨
BCom, BAcc, MBA, FCMA
Appointed 28 January 2003

Aser Paul Nkuna (58) ¨
Appointed 4 December 2006

Graham Dunbar Wackrill (56)
BCompt
Appointed 29 January 2004

Richard Matthew Buttle (38)
CA (SA)
Appointed 4 December 2006

Mary Sina Bomela (37)
CA (SA), MBA
Appointed 8 September 2010

Cynthia Nomsa Mapaure (33)
BCompt Hons., CA (SA), CA (Zimbabwe)
Appointed 27 February 2009

Ian Nigel Matthews (65) •« ¨
MA (Oxon), MBA (UCT)
Appointed 1 June 2006

Ndumi Medupe (39) •«
BAcc, CA (SA)
Appointed 1 February 2008

Stephen Roy Midlane (44) •«
BCom, BAcc, CA (SA)
Appointed 26 November 2002

• *Independent*
« *Audit committee member*
¨ *Remuneration committee member*

Secretary and registered office

LM Thompson
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 Investor Services (Proprietary) 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

Bankers

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

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