metrofile

UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

010707311208AR

HIGHLIGHTS

Revenue up 10%

EBITDA up 9%

Normalised HEPS up 16%

CONDENSED CONSOLIDATED INCOME STATEMENT

R'000	Note	Unaudited 6 months ended 31 December 2008	Unaudited 6 months ended 31 December 2007	Audited 12 months ended 30 June 2008
Revenue		**179 703**	163 531	329 935
Operating income before interest, taxation and depreciation (EBITDA)		**58 044**	53 282	106 291
Depreciation		**(5 880)**	(5 286)	(10 752)
Operating profit before finance costs and exceptional items		**52 164**	47 996	95 539
Net finance costs		**(27 311)**	(18 419)	(22 638)
Finance income		**1 744**	2 481	5 138
Finance costs		**(19 592)**	(22 947)	(44 832)
Interest paid on loans		**(23 644)**	(24 708)	(50 157)
Interest received relating to financial instruments	1	**4 052**	1 761	5 326
Fair value adjustments on financial instruments	2	**(9 463)**	2 047	4 780
Once off reversal of finance cost provision				12 276
Exceptional items				2 368
Profit before taxation		**24 853**	29 577	75 269
Taxation		**(7 341)**	(8 019)	(15 956)
Profit for the period		**17 512**	21 558	59 313
Attributable to:				
Equity holders of the parent		**17 512**	21 558	59 313
Minority interest				
Attributable profit		**17 512**	21 558	59 313
Further information				
Number of ordinary shares in issue (thousands)		**393 997**	393 997	393 997
Weighted average number of ordinary shares in issue (thousands)		**393 997**	393 997	393 997
Earnings per ordinary share (cents)		**4,44**	5,47	15,05
Headline earnings per ordinary share (cents)		**4,44**	5,47	14,44
Normalised headline earnings per ordinary share (cents)		**6,17**	5,31	10,45

CONDENSED CONSOLIDATED BALANCE SHEET

R'000	Note	Unaudited as at 31 December 2008	Unaudited as at 31 December 2007	Audited as at 30 June 2008
ASSETS				
Non-current assets				
Property, plant and equipment		**235 052**	183 348	205 559
Goodwill	3	**160 499**	160 499	160 499
Deferred tax asset		**195**		111
Current assets		**83 453**	117 016	104 156
Inventories		**13 250**	9 848	10 502
Trade receivables		**48 976**	46 425	48 335
Other receivables		**6 326**	5 371	4 881
Financial instruments – fair value of interest rate swaps	4	**2 158**	8 889	11 621
Bank balances		**12 743**	46 483	28 817
Total assets		**479 199**	460 863	470 325
EQUITY AND LIABILITIES				
Equity capital and reserves				
Equity attributable to equity holders of parent		**147 127**	91 641	129 396
Non-current liabilities		**252 157**	291 814	267 648
Interest-bearing liabilities	5	**243 916**	280 439	257 342
Deferred taxation liability		**8 241**	11 375	10 306
Current liabilities		**79 915**	77 408	73 281
Trade payables		**10 406**	8 988	8 471
Other payables		**20 933**	13 510	22 254
Deferred revenue		**4 708**	3 798	4 186
Provisions		**3 644**	3 812	4 693
Taxation		**9 295**	5 920	4 347
Interest-bearing liabilities	5	**30 929**	28 835	29 330
Interest-bearing provisions			12 545	
		479 199	460 863	470 325
Net asset value per ordinary share (cents)		**37,34**	23,26	32,84

Notes:

1. This represents cash received on the interest rate swaps.
2. This is the mark to market change in the fair value of the interest rate swap contracts held by the group. This is not a cash flow item and is not regarded as a normal trading item. If the swaps had been able to be hedge accounted under IFRS, this charge would have gone through reserves. The cash flow benefit from the swaps amounted to R4,052 million for the six month period and has totalled R8,222 million over the period of the swaps to date. This is reflected in a separate line in the income statement and treated as a credit to interest paid.
3. Goodwill arose from the acquisition of the 35% minority shareholding in Metrofile (Pty) Limited and is assessed for impairment on an annual basis.
4. This is the current fair value of the interest rate swap contracts at the interim reporting date.
5. Long-term interest-bearing liabilities include the Metrofile Senior and Mezzanine loans. Short-term interest-bearing liabilities include the portions of the Metrofile Senior and Mezzanine loans payable in one year. All borrowings are JIBAR linked and are approximately 85% hedged by way of the interest rate swaps (30 June 2008 – 75%).
6. No segmental analysis has been reported as the group traded in only one segment and only in Southern Africa.
7. All the assets have been pledged as security against certain loans to the group.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

R'000	Unaudited 6 months ended 31 December 2008	Unaudited 6 months ended 31 December 2007	Audited 12 months ended 30 June 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations before net working capital changes	**59 049**	57 350	107 120
(Decrease)/increase in net working capital	**(4 746)**	(6 444)	3 989
Cash generated from operations	**54 303**	50 906	111 109
Net finance costs paid	**(17 848)**	(19 592)	(39 694)
Normal taxation paid	**(4 543)**	(4 966)	(15 926)
Net cash inflow from operating activities	**31 912**	26 348	55 489
Net cash outflow from investing activities	**(35 042)**	(13 353)	(39 189)
Net cash outflow from financing activities			
Loans repaid	**(13 491)**	(6 761)	(27 614)
Loans raised	**547**	118	
Net (decrease)/increase in cash and cash equivalents	**(16 074)**	6 352	(11 314)
Cash and cash equivalents at the beginning of the period	**28 817**	40 131	40 131
Cash and cash equivalents at the end of the period	**12 743**	46 483	28 817
Represented by:			
Bank balances	**12 743**	46 483	28 817

STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Accumulated losses	Total
Balance at 1 July 2007	2 421	502 904	(435 242)	70 083
Profit for the six months ended 31 December 2007			21 558	21 558
Balance at 31 December 2007	2 421	502 904	(413 684)	91 641
Profit for the six months ended 30 June 2008			37 755	37 755
Balance at 30 June 2008	**2 421**	**502 904**	**(375 929)**	**129 396**
Profit for the six months ended 31 December 2008			**17 512**	**17 512**
IFRS 2 equity reserve relating to share schemes			**192**	**192**
Currency movement on foreign subsidiary			**27**	**27**
Balance at 31 December 2008	**2 421**	**502 904**	**(358 198)**	**147 127**

RECONCILIATION OF HEADLINE EARNINGS

R'000	Unaudited 6 months ended 31 December 2008	Unaudited 6 months ended 31 December 2007	Audited 12 months ended 30 June 2008
Profit to ordinary shareholders	**17 512**	21 558	59 313
Capital profit on disposal of investments			(2 368)
Profit on sale of plant and equipment	**(15)**	(26)	(46)
Headline earnings	**17 497**	21 532	56 899

RECONCILIATION OF NORMALISED HEADLINE EARNINGS

R'000	Unaudited 6 months ended 31 December 2008	Unaudited 6 months ended 31 December 2007	Audited 12 months ended 30 June 2008
Headline earnings	**17 497**	21 532	56 899
Non-recurring reversal of finance cost provision		875	(12 276)
Fair value adjustments on financial instruments	**9 463**	(2 048)	(4 780)
Tax effect of fair value adjustment	**(2 650)**	573	1 338
Normalised headline earnings*	**24 311**	20 933	41 181

* Normalised headline earnings are adjusted for non-trading items relating to financial instruments and MGX legacy issues; these earnings represent the results of the normal business operations and are included to give clarity to investors.

COMMENTARY ON RESULTS

Metrofile Holdings profile

Established in 1983, Metrofile is the market leader in South Africa for on and off-site records management and information storage. The only company to provide full end-to-end solutions, Metrofile services customers across all sectors of the economy.

Metrofile's extensive range of services enables companies and organisations to use, store and recycle their records and information quickly, intelligently and cost effectively – freeing up valuable physical and human resources. Our services include records management, backup management, image processing, paper management and an extensive range of information solutions including the supply and maintenance of scanning and document handling equipment, software development, online storage, hosting, consultancy and training.

Metrofile Holdings is quoted in the "Support Services – Business Support Services" sector of the JSE Limited (JSE).

Strategy

Metrofile is focused on cross selling the group's diverse offering to both new and existing customers and the development of additional services that are aligned with Metrofile's existing core businesses. Capacity is being increased to enable the group to meet the growing demand for its products and services from customers affected by expanded regulatory and governance obligations and requirements.

Metrofile's growth strategy incorporates expansion into African countries where existing customers have a need for similar services to those received in South Africa. Metrofile has secured business from the Reserve Bank of Uganda and is pursuing further opportunities within the public sector elsewhere in Africa.

Financial review

Results for the period were satisfactory with revenue increasing by 10% to R179,7 million and EBITDA increasing by 9% to R58,0 million.

Although Headline earnings per share (HEPS) reduced by 19% to 4,44 cents, the more relevant measure is normalised HEPS. These are calculated after adjusting HEPS for a number of once-off items that arose from the restructure of the old MGX Group and also for the accounting effects of changes in the fair value of the interest rate swaps. These changes would have been accounted for through reserves if hedge accounting had been applied. Normalised HEPS for the period increased by 16% to 6,17 cents (2007: 5,31 cents).

The group's gearing has improved due to the reduction in loans and the increase in reserves. Although cash has reduced by R16 million since 30 June 2008 due to the investment in further facilities, cash generated by operations remains strong. Metrofile is in compliance 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 concluded in 2006.

Metrofile has chosen to continue to account for the property portfolio on a cost basis; however it should be noted that valuations are performed on an open market basis annually. The market valuations performed in June 2008 indicate that the fair value of the property portfolio is R78,7 million higher than reflected in the balance sheet.

Growth in capacity

Additional storage facilities were commissioned during the 2008 calendar year. Investment in new facilities and racking amounted to R29,5 million for the six month period; however expenditure in this regard will be significantly lower in the second period.

Accounting policies

Group results have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including IAS 34: Interim Financial Reporting, the requirements of the South African Companies Act of 1973, as amended, and the Listing Requirements of the JSE Limited. The same accounting policies and methods of computation were applied as in the prior year annual financial statements.

Related parties

There have been no changes to the arm's length consulting agreement with the Mineworkers Investment Company since the previous financial year. In terms of the agreement, fees of R0,39 million were paid to the Mineworkers Investment Company during the period under review (2007: R0,37 million).

Directorate and corporate governance

Mr Keshan Pillay resigned from the board of directors on 10 September 2008. The board currently comprises two executive and five non-executive directors. An additional non-executive director will be appointed shortly.

Dividends

No dividends have been declared for the current period. It is not the company's intention to declare or pay dividends in the foreseeable future.

Contingent liabilities

During 2006 a number of the group's employees embarked on an illegal strike. The matter was scheduled to be heard by the labour court during March 2008, however the hearing did not go ahead and the company is waiting to hear if the applicant will take further action.

Commitments

Operating lease commitments amount to R9,7 million for the next five years. Metrofile (Pty) Limited had planned capital expansions of R50,6 million and replacement projects of R10,5 million for the 2009 financial year. R35,5 million has been incurred for the six month period whilst R6,9 million has been committed for the balance of the financial year.

Post-balance sheet events

No events material to the understanding of the report have occurred in the period between the period end date and the date of this report.

Prospects

The slowdown in the economy is not expected to have any material effect on the group's steady growth in EBITDA and in normalised HEPS.

There will, however, be a time lag between the costs incurred for new storage and service facilities and the returns generated by these facilities. This will have an effect on this period's operating margins.

CHRISTOPHER SEABROOKE
Chairman

GRAHAM WACKRILL
Chief Executive Officer

25 February 2009

Cleveland
Gauteng

Metrofile Holdings Limited
Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727
(Metrofile Holdings or "the company" or "the group")

Registered office: 3 Gowie Road, The Gables, Cleveland, Johannesburg
Registration number: 1983/012697/06
Sponsor: Standard Bank
Transfer secretaries: Computershare Investor Services Limited
70 Marshall Street, Johannesburg, 2001
Directors: CS Seabrooke* (Chairman)
AP Nkuna* (Deputy Chairman)
GD Wackrill (CEO)
RM Buttle (CFO)
IN Matthews*
N Medupe*
SR Midlane*
* Non-executive
Company Secretary: LM Thompson
www.metrofile.com

metrofile