

# AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2010

- Revenue up 10,4%
- EBITDA up 7,1%
- PBT up 29,2%
- Cash generated from operations up 11,9%
- Normalised HEPS up 14,1%

## CONDENSED CONSOLIDATED INCOME STATEMENT

R'000	Notes	Audited 12 months ended 30 June 2010	Audited 12 months ended 30 June 2009
<b>Revenue</b>		<b>409 563</b>	<b>371 097</b>
<b>Operating income before interest, taxation and depreciation ("EBITDA")</b>		<b>126 434</b>	<b>118 015</b>
Depreciation		(14 792)	(12 039)
<b>Operating profit before finance costs</b>		<b>111 642</b>	<b>105 976</b>
Net finance costs		(34 953)	(46 636)
Finance income		380	2 330
Finance costs		(32 913)	(37 345)
Interest paid on loans		(30 210)	(43 254)
Interest (paid)/received relating to financial instruments	1	(2 703)	5 909
Fair value adjustments on financial instruments	2	–	(11 621)
Once-off interest cost	3	(2 420)	–
<b>Profit before taxation</b>		<b>76 689</b>	<b>59 340</b>
Taxation	4	(23 433)	(17 189)
<b>Profit for the year</b>		<b>53 256</b>	<b>42 151</b>
Attributable to:			
Owners of the parent		52 945	42 128
Non-controlling interests		311	23
<b>Attributable profit</b>		<b>53 256</b>	<b>42 151</b>
<b>Further information</b>			
Number of ordinary shares in issue (thousands)		408 085	393 997
Weighted average number of ordinary shares in issue (thousands)		403 868	393 997
<b>Earnings per ordinary share</b>			
Earnings per ordinary share (cents)		13,1	10,7
<b>Headline earnings per ordinary share</b>			
Headline earnings per ordinary share (cents)		13,1	10,7
<b>Normalised headline earnings per ordinary share</b>			
Normalised headline earnings per ordinary share (cents)		14,6	12,8

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Note	Audited 12 months ended 30 June 2010	Audited 12 months ended 30 June 2009
<b>Profit for the year</b>		<b>53 256</b>	<b>42 151</b>
<b>Other comprehensive income for the year net of tax</b>		<b>(1 184)</b>	<b>(352)</b>
Hedge accounting for fair value on interest rate swaps	5	(1 041)	(330)
Currency movement on translation of foreign subsidiary		(143)	(22)
<b>Total comprehensive income for the year</b>		<b>52 072</b>	<b>41 799</b>
Attributable to:			
Owners of the parent		51 761	41 776
Non-controlling interests		311	23

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Notes	Audited as at 30 June 2010	Audited as at 30 June 2009
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>460 004</b>	<b>410 553</b>
Property, plant and equipment		286 466	249 868
Goodwill	6	169 943	160 499
Deferred tax asset		3 595	186
<b>Current assets</b>		<b>86 463</b>	<b>90 580</b>
Inventories		10 224	16 558
Trade receivables		58 909	54 450
Other receivables		3 542	4 109
Bank balances		13 791	15 463
<b>Total assets</b>		<b>546 467</b>	<b>501 133</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>		<b>242 259</b>	<b>171 771</b>
Equity attributable to owners of the parent		240 929	171 746
Non-controlling interests		1 330	25
<b>Non-current liabilities</b>		<b>228 476</b>	<b>233 285</b>
Interest-bearing liabilities		221 784	226 070
Deferred taxation liability	7	6 692	7 215
<b>Current liabilities</b>		<b>75 732</b>	<b>96 077</b>
Trade payables		8 958	12 850
Other payables		29 864	27 355
Deferred revenue		7 065	5 491
Financial instruments – fair value of interest rate swaps		1 904	330
Provisions		1 683	1 268
Taxation		3 992	16 150
Interest-bearing liabilities	7	22 266	32 633
<b>Total equity and liabilities</b>		<b>546 467</b>	<b>501 133</b>
<b>Net asset value per ordinary share (cents)</b>		<b>59,0</b>	<b>43,6</b>

### Notes:

- This represents cash (paid)/received on the interest rate swaps and includes an amount of R1,7 million which was paid in order to close out the old swaps when the debt was refinanced on 1 April 2010.
- This was the mark to market change in the fair value of the old interest rate swap contracts held by the group. This was 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 cost from the swaps is reflected in a separate line in the income statement and treated as a credit to interest paid.
- The once-off interest cost relates to a SARS liability which arose out of the degrouping which occurred post the Section 311 restructure in 2004. The interest relates to timing differences of the recoupment's as well as deemed capital gains.
- The taxation charge for the year includes a charge relating to deemed capital gains as per note 3. The capital gain amounted to R0,8 million and relates to the 2005 financial year; as a result of this gain the tax bases of the property companies have increased by R16,2 million.
- During April 2010 the existing interest rate swaps, which were due to expire in March 2011, were closed out and new swaps were entered into in order to align to the new debt package. The new swaps comply with hedge accounting requirements and as a result all movements are accounted for directly through reserves.
- Goodwill arose from the acquisition of the 35% minority shareholding in Metrofile (Pty) Limited in prior years and 100% of Innovative Document Management (Pty) Limited and 55% of Cleardata (Pty) Limited in the current year.
- Long-term interest-bearing liabilities include the Metrofile (Pty) Limited amortising and bullet loans which have a six-year tenor as well as instalment sale agreements entered into by Cleardata (Pty) Limited in order to finance mobile shredding units. Short-term interest-bearing liabilities include the portions of the Metrofile amortising loan and Cleardata instalment sale agreements payable within one year. The Metrofile borrowings are JIBAR linked and are approximately 70% hedged by way of the interest rate swaps (30 June 2009: 52%), whilst the Cleardata borrowings are prime linked and uncovered.
- All the assets have been pledged as security against certain loans to the group.

## CONDENSED SEGMENTAL INFORMATION

R'000	Sales revenue		Operating profit	
	Audited 12 months ended 30 June 2010	Audited 12 months ended 30 June 2009	Audited 12 months ended 30 June 2010	Audited 12 months ended 30 June 2009
Metrofile Records Management	325 753	297 633	167 776	157 503
CSX Customer Services	70 146	66 248	17 840	17 599
Property Companies	–	–	32 372	28 134
Other	20 995	14 542	7 192	2 956
Intergroup	(7 331)	(7 326)	–	–
<b>Total</b>	<b>409 563</b>	<b>371 097</b>	<b>225 180</b>	<b>206 192</b>
Indirect costs			(113 538)	(100 216)
<b>Operating profit before finance costs</b>			<b>111 642</b>	<b>105 976</b>

"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, 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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Audited 12 months ended 30 June 2010	Audited 12 months ended 30 June 2009
Cash generated from operations before net working capital changes	127 412	118 578
Decrease/(increase) in net working capital	3 051	(1 988)
Cash generated from operations	130 463	116 590
Net finance costs paid	(34 954)	(35 015)
Normal taxation paid	(35 591)	(10 602)
<b>Net cash inflow from operating activities</b>	<b>59 918</b>	<b>70 973</b>
<b>Net cash outflow from investing activities:</b>		
Investment in property, plant and equipment	(40 370)	(56 645)
Proceeds on disposal of property, plant and equipment	701	287
Acquisition of subsidiaries	(16 000)	–
<b>Net cash outflow from financing activities:</b>		
Issue of shares in terms of vendor placements	16 000	–
Loans repaid*	(30 821)	(27 969)
Loans raised	8 900	–
Net decrease in cash and cash equivalents	(1 672)	(13 354)
Cash and cash equivalents at the beginning of the year	15 463	28 817
<b>Cash and cash equivalents at the end of the year</b>	<b>13 791</b>	<b>15 463</b>
* 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.		
<b>Represented by:</b>		
Bank balances	13 791	15 463

## CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Accumulated losses	Other reserves	Total equity before minority apportionment	Non-controlling interest	Total
<b>Balance at 30 June 2008</b>	2 421	502 904	(375 929)	–	129 396	–	<b>129 396</b>
Minority portion of reserves relating to acquisition of subsidiary	–	–	–	–	–	2	<b>2</b>
IFRS 2 Equity reserve relating to share schemes	–	–	–	574	574	–	<b>574</b>
Total comprehensive income for the year	–	–	42 128	(352)	41 776	23	<b>41 799</b>
<b>Balance at 30 June 2009</b>	2 421	502 904	(333 801)	222	171 746	25	<b>171 771</b>
Shares issued in terms of vendor placements for acquisitions	87	15 913	–	–	16 000	–	<b>16 000</b>
Minority portion of reserves relating to acquisition of subsidiary	–	–	–	–	–	994	<b>994</b>
IFRS 2 Equity reserve relating to share schemes	–	–	–	1 422	1 422	–	<b>1 422</b>
Total comprehensive income for the year	–	–	52 945	(1 184)	51 761	311	<b>52 072</b>
<b>Balance at 30 June 2010</b>	<b>2 508</b>	<b>518 817</b>	<b>(280 856)</b>	<b>460</b>	<b>240 929</b>	<b>1 330</b>	<b>242 259</b>

## RECONCILIATION OF HEADLINE EARNINGS

R'000	Audited 12 months ended 30 June 2010	Audited 12 months ended 30 June 2009
Profit attributable to owners of the parent	52 945	42 128
(Profit)/loss on sale of plant and equipment	(152)	11
Tax effect of above items	43	(3)
<b>Headline earnings</b>	<b>52 836</b>	<b>42 136</b>
Headline earning per ordinary share (cents)	13,1	10,7

## RECONCILIATION OF NORMALISED HEADLINE EARNINGS

R'000	Audited 12 months ended 30 June 2010	Audited 12 months ended 30 June 2009
Headline earnings	52 836	42 136
Non-recurring taxation	773	–
Non-recurring finance costs	6 614	–
Fair value adjustments on financial instruments	–	11 621
Tax effect of above adjustments	(1 174)	(3 254)
<b>Normalised headline earnings*</b>	<b>59 049</b>	<b>50 503</b>
Normalised headline earning per ordinary share (cents)	14,6	12,8

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

## COMMENTARY ON RESULTS

**Profile**  
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 000m<sup>2</sup> 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 customer's 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 Limited ("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 ("MIC") which owns 32,4% of Metrofile's equity.

### 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.

### Financial review

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 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 through 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 valuations performed, from time to time, on an open market basis.

During the year 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 table below 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)
<b>Net asset value acquired</b>	<b>6,5</b>
<b>Paid by way of vendor placements</b>	<b>16,0</b>
Net asset value acquired	(6,5)
<b>Goodwill</b>	<b>9,5</b>

### Accounting policies

Group results have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS"), AC 500 standards as issued by Accounting Practices Board and the information as required by IAS 34: Interim Financial Reporting, the requirements of the South African Companies Act of 1973, as amended, and the Listings Requirements of the JSE. The same accounting policies and methods of computation were applied as in the prior year annual financial statements.

Certain accounting pronouncements became effective during the current financial year; however, except for the adoption of IFRS 8: Operating Segments, these do not have a material impact on either transactions or disclosures.

The disclosure of the share-based payments was previously disclosed as other comprehensive income; it is now disclosed directly in the statement of changes in equity for both the current and prior year.

### Audit opinion

The auditors, Deloitte & Touche, have issued their unmodified opinion on the group's financial statements for the year ended 30 June 2010.

### Related parties

There have been no changes since the previous financial year to the arm's length consulting agreement with the MIC. In terms of the agreement, fees of R0,72 million (2009: R0,66 million) were paid to the MIC during the year under review.

### Directorate and Corporate Governance

There have been no changes to the board since the 2009 financial year-end with composition remaining at two executive and six non-executive directors, of which four are independent directors.

### 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 R40,4 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. This facility amounts to R20 million repayable over six years after drawdown.

### Subsequent events

No events material to the understanding of the report have occurred in the period between the year end date and the date of this report, apart from the withdrawal of the labour case noted above.

### Outlook

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 continued steady growth in revenue, EBITDA and normalised HEPS. This statement has not been reviewed or audited by Metrofile's auditors.

### CHRISTOPHER SEABROOKE

Non-Executive Chairman

### GRAHAM WACKRILL

Chief Executive Officer

3 September 2010

Cleveland  
Gauteng

### METROFILE HOLDINGS LIMITED

Incorporated in the Republic of South Africa  
(Registration number 1983/012697/06)

Share code: MFL

ISIN: ZAE000061727