

UNAUDITED SUMMARISED GROUP INTERIM RESULTS

for the six months ended 31 December 2018

Metrofile

Group



SUMMARISED CONSOLIDATED INCOME STATEMENT

R'000	Unaudited six months ended 31 Dec 18	Unaudited six months ended 31 Dec 17	Restated Audited 12 months ended 30 Jun 18
Revenue	490 197	456 050	952 988
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	123 747	127 573	270 175
Depreciation and amortisation	(22 575)	(20 376)	(42 506)*
Operating profit	101 172	107 197	227 669
Net finance costs	(33 554)	(15 781)	(46 241)
Finance income	850	825	1 502
Finance costs	(34 404)	(16 606)	(47 743)
Acquisition-related expenses	-	-	(15 495)
Profit on sale of a subsidiary	-	12 544	7 592
Profit before taxation	67 618	103 960	173 525
Taxation	(26 885)	(25 975)	(49 671)
Profit for the year	40 733	77 985	123 854
Attributable to:			
Owners of the parent	42 343	77 474	127 613
Non-controlling interests	(1 610)	511	(3 759)
Profit for the year	40 733	77 985	123 854
Further information			
Number of ordinary shares in issue (excluding treasury shares) (thousands)	416 191	416 164	416 164
Weighted average number of ordinary shares in issue (thousands)	416 173	417 233	417 233
Basic earnings per ordinary share	10.2	18.6	30.6
Diluted earnings per ordinary share (cents)	10.2	18.6	30.6
Headline earnings per ordinary share	10.2	15.6	28.9
Dividend per ordinary share	5.0	13.0	13.0
Interim scrip dividend/dividend per ordinary share – proposed/paid (cents)	5.0	13.0	13.0
Final dividend per ordinary share – paid (cents)	-	-	8.0

* Restated – refer to note in commentary.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Restated Accumulated profits/(losses)	Other reserves	Total equity before minority apportionment	Non-controlling	Total
Balance at 30 June 2017	2 675	559 811	49 566	11 955	624 007	23 636	647 643
Purchase of Treasury Shares	-	(19 937)	-	-	(19 937)	-	(19 937)
IFRS 2 Equity reserve relating to share schemes	-	-	-	5 076	5 076	-	5 076
Share scheme settlement	-	-	(1 016)	(6 498)	(6 498)	-	(6 498)
Purchase of remaining non-controlling interest of subsidiary	-	-	(125 979)	(1 016)	(127 995)	(7 724)	(135 719)
Dividends declared	-	-	127 613	5 417	133 030	(2 742)	130 288
Total comprehensive income for the period ended 30 June 2018	-	-	42 343	1 338	43 681	(546)	43 135
Balance at 30 June 2018	2 675	539 874	50 184	15 950	608 683	13 170	621 853
Share scheme settlement	-	-	(86)	(86)	(86)	-	(86)
Sale of non-controlling interest of subsidiary	-	-	5 976	5 976	5 976	(5 228)	748
Dividends declared	-	-	(34 522)	(34 522)	(34 522)	-	(34 522)
Total comprehensive income for the period ended 31 December 2018	-	-	42 343	1 338	43 681	(546)	43 135
Balance at 31 December 2018	2 675	539 874	63 981	17 202	623 732	7 396	631 128

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited six months ended 31 Dec 18	Unaudited six months ended 31 Dec 17	Restated Audited 12 months ended 30 Jun 18
Profit for the period	40 733	77 985	123 854
Other comprehensive income for the period net of tax*	2 402	(2 273)	6 434
Currency movement on translation of foreign subsidiary	-	-	6 434
Total comprehensive income for the period	43 135	75 712	130 288
Attributable to:			
Owners of the parent	43 681	76 205	133 030
Non-controlling interests	(546)	(493)	(2 742)

* All items will subsequently be reclassified to profit and loss.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited as at 31 Dec 18	Unaudited as at 31 Dec 17	Restated Audited as at 30 Jun 18
ASSETS			
Non-current assets	1 165 874	878 588	1 155 118
Property	359 213	341 069	359 213
Plant and equipment	240 064	229 590	230 605
Goodwill	488 052	287 963	484 437*
Intangible assets	60 298	-	59 636*
Investment	9 331	8 796	9 353
Long-term receivable	1 977	2 528	2 419
Deferred tax asset	6 939	8 642	9 455
Current assets	327 072	251 957	300 939
Inventories	32 948	27 267	34 747
Trade receivables	185 954	155 508	184 726
Other receivables	50 180	35 241	29 135
Taxation	-	2 436	-
Bank balances	57 990	31 505	52 331
Total assets	1 492 946	1 130 545	1 456 057
EQUITY AND LIABILITIES			
Equity and reserves	631 128	625 633	621 853
Equity attributable to owners of the parent	623 732	610 215	608 683
Non-controlling interests	7 396	15 418	13 170
Non-current liabilities	660 549	348 602	640 877
Interest-bearing liabilities	613 107	321 948	597 118
Deferred taxation liability	47 442	26 654	43 759
Current liabilities	201 269	156 310	193 327
Trade and other payables	99 356	84 954	101 765
Deferred revenue	18 058	13 986	13 661
Bank overdraft	10 405	15 616	3 288
Provisions	1 015	899	4 093
Taxation	1 985	-	3 786
Interest-bearing liabilities	70 450	40 855	66 734
Total equity and liabilities	1 492 946	1 130 545	1 456 057

* Restated – refer to note in commentary.

Notes:
 1. The majority of the groups properties have been pledged as security against certain loans to the group.
 2. Long-term interest-bearing liabilities represent the Metrofile Proprietary Limited amortising and revolving facilities.
 * Short-term interest-bearing liabilities include the portions of the Metrofile Proprietary Limited amortising loan facility and group company loan agreements payable within one year. The Metrofile Proprietary Limited borrowings are JIBAR linked, whilst the other borrowings are prime linked.

Corporate information

Metrofile Holdings Limited Incorporated in the Republic of South Africa (Registration number 1983/012697/06)
 Share code: MFL ISIN: ZAE000061727
 ("Metrofile" or "the Company" or "the group")
 Registered office: 41 Woodworth Avenue Senderwood Bedfordview 2007
 www.metrofilegroup.com

Sponsor: The Standard Bank of South Africa Limited

Transfer secretaries: Computershare Investor Services (Pty) Limited
 Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

Directors: CS Seabrooke* (Chairman), MS Bomela* (Deputy Chairman), PG Serima (CEO), MZ Abdulla*, P Langeni*, LE Mthimnye**, GD Wackrill*, SV Zilwa**, L Rood** (Alternate)

*Lead independent **Independent *Non-executive

Company Secretary: P Atkins

SUMMARISED SEGMENTAL INFORMATION

R'000	Revenue	EBITDA	Operating profit	Tangible assets		
Unaudited six months ended 31 Dec 18	Unaudited six months ended 31 Dec 17	Unaudited six months ended 30 June 18	Unaudited six months ended 31 Dec 18	Unaudited six months ended 31 Dec 17	Audited 12 months ended 30 June 18	
Records Management	344 322	321 744	671 673	78 420	85 484	162 191
CSX Customer Services	52 517	40 058	79 457	5 213	(613)	(1 514)
Property Companies (Occupied by Records Management businesses)	41 693	36 689	73 853	41 693	36 689	73 853
Tidy Files	71 381	72 195	158 928	4 250	8 520	19 656
Other	28 423	27 760	55 014	(5 829)	(2 507)	15 989
Intergroup	(48 139)	(42 396)	(85 937)	-	-	-
Total	490 197	456 050	952 988	123 747	127 573	270 175
South African operations	417 317	409 117	842 238	105 930	122 418	254 931
Non-South African operations	72 880	46 933	110 750	17 817	5 155	15 244

"Records Management" represents the global document storage & management and scanning business units which are managed and operated geographically.

"Other" includes Metrofile Holdings, Global Continuity, Cleardata and Dexterity.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months ended 31 Dec 18	Unaudited six months ended 31 Dec 17	Audited 12 months ended 30 Jun 18
Cash generated from operations before net working capital changes (Increase) decrease in net working capital	112 860	129 101	255 577
Cash generated from operations	(4 908)	(9 473)	(24 594)
Net finance costs paid	107 952	119 628	230 983
Normal taxation paid	(33 559)	(15 781)	(46 241)
Net cash inflow from operating activities	46 218	72 252	133 381
Net cash outflow from investing activities:			
Investment in plant and equipment: expansion	(16 954)	(45 161)	(64 523)
Investment in plant and equipment: replacement	(12 874)	(6 027)	(15 818)
Proceeds on disposal of property, plant and equipment	583	479	13 623
Effects of foreign currency differences on fixed assets	-	450	(2 598)
Acquisition of investment in unlisted associate and joint venture	-	-	-
Increase in loans to associate company	-	(1 500)	(1 500)
Acquisition of subsidiaries	(3 616)	(77 862)	(335 516)
Proceeds on disposal of subsidiary	12 545	12 235	12 235
Net cash inflow (outflow) from financing activities:			
Issue of shares in terms of vendor placements	-	-	-
Purchase of Treasury shares	(34 522)	(19 937)	(19 937)
Dividends paid	(128)	(71 214)	(125 682)
Loans repaid	19 835	(2 244)	(14 147)
Long-term liabilities raised	19 835	129 515	444 932
Net increase in cash and cash equivalents	(1 458)	(8 704)	24 550
Cash and cash equivalents at the beginning of the year	49 043	24 593	24 593
Cash and cash equivalents at the end of the year	47 585	15 889	49 043
Represented by:			
Bank balances	57 990	31 505	52 331
Bank overdrafts	(10 405)	(15 616)	(3 288)

RECONCILIATION OF HEADLINE EARNINGS

R'000	Unaudited six months ended 31 Dec 18	Unaudited six months ended 31 Dec 17	Restated Audited 12 months ended 30 Jun 18
Profit attributable to owners of the parent	42 343	77 474	127 613
Profit on disposal of subsidiary	-	(12 544)	(7 592)
Loss (profit) on disposal of plant and equipment	139	71	48
Tax effect of above items	21	72	194
Headline earnings	42 503	65 073	120 263
Headline earning per ordinary share (cents)	10.2	15.6	28.9

RECONCILIATION OF NORMALISED EARNINGS

R'000	Unaudited six months ended 31 Dec 18	Unaudited six months ended 31 Dec 17	Restated Audited 12 months ended 30 Jun 18
Headline earnings for purposes of headlines earnings per share	-	-	120 263
Adjusted for after tax:	-	-	12 024
Acquisition-related costs	-	-	-
Normalised headline earnings for purposes of normalised headline earnings per share	-	-	132 287
Normalised headline earnings per share (NHEPS) (cents)	-	-	31.8

Commentary on the results

Metrofile is Africa's market leader in records and information management, offering a range of physical storage and digital services, as well as the confidential destruction and recycling of records. Founded and listed in South Africa, the Group is growing steadily in the Middle East and other African countries.

The Records and Information Management division operates from 70 facilities (physical box storage warehouses), at 40 locations, covering 122 580 square metres of warehousing space.

Metrofile is a 57.4% black-owned company. Its empowerment partner and shareholder of reference, Mineworkers Investment Company ("MIC"), owns 36.95% of Metrofile's equity.

Overview of interim results

Revenue increased 7.5% to R490.2 million mainly due to the Kenya acquisition and good performance by CSX Customer Services. EBITDA declined by 3% to R123.7 million. Basic Earnings Per Share (EPS) decreased by 45.2% to 10.2 cents per share and Headline Earnings Per Share (HEPS) by 34.6% to 10.2 cents per share. The decrease was largely due to the material higher interest charge and the higher effective tax rate of 40% for the period.

Cash generated from operations declined by 9.7%.

Capital expenditure incurred to date amounted to R29.8 million, R17.0 million of which was expansion.

The Group's gross interest-bearing debt was R694 million, which is higher than the Board's planned maximum debt utilisation. The Board has accordingly declared a scrip dividend with a cash alternative to facilitate the ongoing reduction in debt.

Growth outside of South Africa

Markets outside South Africa still offer significant growth opportunities particularly in Kenya, Mozambique and Zambia.

Notwithstanding the unresolved socio-economic and political disruption in the Gulf Cooperation Council (GCC) States of the Middle East, Metrofile recorded revenue growth of 55% from our operations outside of South Africa, which contributed 14.9% of the total revenue for the period.

Corporate activity

The Group disposed of 38% of its shareholding in Nigeria to a local partner in August 2018.

Basis of preparation and accounting policies

The summarised consolidated unaudited interim financial results are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guidelines and AC 500 Standards as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting, the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. These interim results were prepared using accounting policies that comply with IFRS, and are consistent with those applied in the financial statements for the year ended 30 June 2018.

The Group results have been prepared, under the supervision of Mr Pfungwa Serima BSc (CompSc) and Business Studies.

The accounting policies and basis of preparation for the financial statements are in all material respects consistent with those applied in the 2018 annual financial statements apart from the adoption of new IFRSs that became effective on 1 January 2018. The changes in accounting policies reflected below are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

The Group adopted IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments from 1 July 2018. A number of other new standards and amendments to existing standards became effective from 1 January 2018, but these do not have a material impact on the Group's financial statements. The effect of initially applying these standards is mainly follows:

IFRS 15: Revenue from Contracts with Customers

Apart from providing more extensive disclosure on the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group as described above and, accordingly, no adjustment was made on the opening reserves.

IFRS 9: Financial Instruments

The standard sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39: Financial Instruments: Recognition and measurement.

The principles with regards to the classification and measurement of financial assets and liabilities, measuring impairment allowances for financial assets have been amended due to the implementation of the new accounting standard, IFRS 9: Financial Instruments, applicable to all accounting periods beginning on or after 1 January 2018. IFRS 9 has had no material impact on the financial results.

Restatement in terms of IFRS 3

Acquisition of Metrofile Records Management (Kenya), formerly G4S

In January 2018, the Group acquired a 100% shareholding in Metrofile Records Management (Kenya) Proprietary Limited Kenya for a purchase consideration of R259.4 million which was paid in cash. In terms of the agreement, a further payment of R3.6 million was made in December 2018 following a purchase price adjustment, bringing the total consideration paid to R263 million. The purchase price allocation for the identifiable assets acquired and the liabilities was provisional as at 30 June 2018. Subsequent to year-end, the assessment of fair values allocated to the individual components and the purchase price allocation was finalised, resulting in a revised allocation to the fair values of assets, liabilities and goodwill as reflected below.

In terms of IFRS 3: Business Combinations,