Metrofile
Group

2020
AUDITED ANNUAL FINANCIAL STATEMENTS

CONTENTS

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY AND APPROVAL

The Board of Directors of Metrofile Holdings Limited presents its report on the activities of the Group.

The directors are responsible for the preparation of consolidated and separate financial statements ("financial statements") that fairly present the financial position and results of operations and cash flows of the Company and the Group for the year ended 30 June 2020 in accordance with the appropriate accounting policies based on International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors accept responsibility for the maintenance of adequate accounting records and 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 directors are responsible for systems of internal control. These are designed to provide reasonable, if not absolute, assurance as to the reliability of the financial statements and adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these control procedures and systems has occurred during the year under review.

The annual financial statements have been prepared in accordance with the Companies Act of South Africa and International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and are based on appropriate accounting policies, supported by reasonable and prudent judgements.

These accounting policies have been consistently applied as in the prior year except for changes as a result of adoption of new accounting standards.

These 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 Company is not able to continue as a going concern.

The financial statements have been audited by Deloitte and Touche, who are independent and were given unrestricted access to all financial records and related data, including all minutes of shareholders' meetings, the Board of Directors and Committees of the Board. The directors believe that all representations made to the independent auditor during their audit are valid and appropriate. Their unmodified audit report is presented on pages 7 to 9.

The Audit, Governance and Risk Committee has reviewed the scope as well as the independence and objectivity of the external auditor. The Committee has satisfied itself that the external auditor is independent as defined by the Companies Act of South Africa and the Committee has approved the audit fees for the year. The Committee has nominated Deloitte and Touche as external auditor for the 2021 financial year for approval at the annual general meeting.

The annual financial statements have been prepared under the supervision of Mr S Mansingh, CA (SA), MBA. The financial statements which appear on pages 10 to 53 were approved by the Board on 14 September 2020 and are signed on their behalf by:

PG Serima
Group Chief Executive Officer

S Mansingh
Group Chief Financial Officer

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge, the Company has complied with all the requirements of the Companies Act and more specifically that all returns and notices as are required by the Companies Act for a public company have been lodged with the Companies and Intellectual Properties Commission and that all such returns and notices are true, correct and up-to-date.

Paige Atkins
Company Secretary

Johannesburg

14 September 2020

REPORT OF THE DIRECTORS

The 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 2020.

NATURE OF BUSINESS

Metrofile Group is a leading global records and information management specialist, providing clients with end-to-end solutions for the complete data management lifecycle, while ensuring they extract maximum value from their information assets. The business was formed in 1983 and 37 years later, its operations service clients of all sizes and sectors across South Africa, Botswana, Kenya, Mozambique and the Middle East. Group companies operate from 63 facilities, at 35 locations, covering 113 400 square metres of warehousing space.

Metrofile's storage, digital services and products enable businesses to manage their greatest risk, the security of information. It has an acclaimed track record in organising, backing up, managing and protecting large volumes of active and inactive documents, images and data, in physical or electronic format. The Group offers the infrastructure, technology and services to securely manage each phase of the document's lifecycle until its ultimate destruction and recycling.

Details of the Group's operating subsidiaries at 30 June 2020 are set out in note 31.

DIRECTORS AND COMPANY SECRETARY

The directors of the Company during the financial year and up to the date of this report were as follows:
CS Seabrooke ^* (Chairman)
MS Bomela* (Deputy Chairman)
PG Serima (CEO)
S Mansingh (CFO)
MZ Abdulla*
P Langeni †*
LE Mthimunye ^*
GD Wackrill *
SV Zilwa ^*
L Rood ^* (Alternate to CS Seabrooke)

^ Independent *† Lead independent* ** Non-executive*

The Company Secretary is Paige Atkins.

All directors who retired in terms of the Company's Memorandum of Incorporation were re-appointed for a further term of office as approved at the annual general meeting held on 27 November 2019.

The Board comprises two executive and seven non-executive directors, of whom four are independent directors. There were no changes to the Board for the year ended 30 June 2020 and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS

None of the directors, except where indicated in note 24 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 other statements of comprehensive income set out on pages 10 and 11 reflect the results of the operations of the Company and of the Group for the year ended 30 June 2020.

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 impairments of R118 million were required in order to correctly value the balance sheet as at the end of June 2020. 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.

The Group's properties have been recorded at their carrying value, and have been tested for impairment.

COMMITMENTS

Capital investment plans for the 2021 financial year amount to R67 million.

At 30 June 2020, interests of the directors in the shares of the Company were as follows:

	Beneficial		Non-beneficial		
Directors and officers	Direct	Indirect	Direct	Indirect	Total shares
Muhammed Zaheer Abdulla†					
Mary Sina Bomela†					
Phumzile Langeni					
Shivan Mansingh					
Lindiwe Evarista Mthimunye					
Christopher Stefan Seabrooke*				50 147 662	50 147 662
Pfungwa Gore Serima	46 035				46 035
Graham Dunbar Wackrill	3 019 985				3 019 985
Sindiswa Victoria Zilwa					

** The Seabrooke Family Trust has an economic interest of 38.5% in this shareholding through Sabvest Limited i.e. an effective economic interest of 4.28%.*
† Mary Bomela and Zaheer Abdulla are CEO and Senior Investment Manager of MIC respectively, which owns 165 480 445 shares being an economic interest of 36.56%. As MIC's representatives on Metrofile's Board, they have no economic interest in MIC personally.

SIGNIFICANT CONTRACTS

Save for those agreements that have been disclosed to shareholders in terms of the Listings Requirement 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

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 these annual financial statements, a material effect on the Group's financial position.

DIVIDENDS

The Board has resolved to declare a final cash dividend of 7 cents per share.

Notice is hereby given that a final gross cash dividend of 7 cents per share in respect of the year ended 30 June 2020 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 2 October 2020. The last day to trade cum-dividend will therefore be Tuesday, 29 September 2020 and Metrofile shares will trade ex-dividend from Wednesday, 30 September 2020. Payment of the dividend will be on Monday, 5 October 2020. Share certificates may not be dematerialised or rematerialised from Wednesday, 30 September 2020 (which is ex-date) to Friday, 2 October 2020, both days inclusive. Withholding tax on dividends will be deducted for all shareholders who are not exempt in terms of the legislation at a rate of 20% which will result in a final net cash dividend of 5.60000 cents per share. The Company's issued share capital at the period end is 452 649 116 shares and the Company's tax number is 9375/066/71/0.

SUBSIDIARIES

Details of the Company's operating subsidiaries at 30 June 2020 are set out in note 31.

SHARE CAPITAL

The authorised ordinary share capital of the Company remains unchanged at 500 million ordinary par value shares of 0.6146 cents each.

SPECIAL RESOLUTIONS

Special resolutions approving the non-executive directors' remuneration, authority to provide financial assistance to any related or inter-related party and to provide inter-Group loans and other financial assistance for purposes of funding of the Group, authority to allot and issue ordinary shares pursuant to the Conditional Share Plan ("CSP"), a general authority to repurchase shares and to issue shares for cash and to issue shares pursuant to a re-investment option, were approved in the year under review.

REVIEW OF OPERATIONS

MRM South Africa

Revenue from MRM South Africa decreased by 2% to R543 million (FY2019: R556 million) following the reduction in digital services, specifically image processing, as a result of the lockdown. This was offset by a 1% improvement in net box volume growth. Operating profit increased by 1% to R207 million (FY2019: R204 million) following the reduction in costs. New box volume intake is expected to continue to increase, however the continued reduction in box related services is expected to persist in the short term. The continued operationalisation of the digital services pipeline will be a key focus for the 2021 financial year.

MRM Rest of Africa

MRM Rest of Africa consists of operations in Kenya, Botswana and Mozambique. Revenue was stable with a marginal increase of 1% to R106 million (FY2019: R105 million) as a result of an improvement in net box volume growth of 9%, offset by 14% due to exiting Zambia and Nigeria. Service-related revenue was impacted by the lockdown measures. Operating profit decreased by 12% to R30 million (FY2019: R35 million) mainly as a result of the increased IFRS 9 ECL assumptions in relation to the provisions for doubtful debt. Net box volume growth is expected to continue going forward, particularly in the greater East African region.

MRM Middle East

MRM Middle East consists of operations in the United Arab Emirates and Oman. Egypt, which was partially included for the first half of the financial year before the Group's exit from this operation, contributed negatively to the operating profit for the year. Following a significantly improved project pipeline, revenue increased by 31% to R55 million (FY2019: R42 million) and operating profit improved from a loss of R8 million in FY19 to a profit of R2 million, which included the partial loss for the year from the Egyptian operation.

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

	2020	2019
Opening balance	443 854 886	435 140 268
Issue in terms of SAR Scheme, DBP and CS Plan	–	–
Issue in terms of MIC Investment Holdings Proprietary Limited	–	–
Issue in terms of dividends paid	8 794 230	8 714 618
Closing balance	452 649 116	443 854 886
Treasury shares	18 949 158	18 949 158
Closing balance net of treasury shares	433 699 958	424 905 728

Further details of share capital can be found in note 15 to the annual financial statements

REPORT OF THE DIRECTORS CONTINUED

Products and Services

Products and Services consists of Tidy Files, Cleardata and Global Continuity. This segment has been the most significantly impacted due to the lockdown measures as revenue decreased by 5% to R200 million (FY2020: R211 million). Operating profit decreased by 60% to R7.7 million (FY2019: R19 million) as a result of the impact in 2HFY20. Through the existing pipeline, performance is expected to improve in the 2021 financial year.

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;
- Well controlled working capital;
- Approved short- and long-term financing, with sufficient additional short-term working capital borrowing capacity, if required;
- Statement of financial position assets have been carefully tested for impairment and none are over-valued;
- Budgets to June 2021 reflect a continuation of positive trading; and
- Key executive management is in place.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of issuing this report, there were no material events after the reporting period.

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared under the supervision of Mr S Mansingh, CA(SA), MBA.

AUDIT, GOVERNANCE AND RISK COMMITTEE

The Audit, Governance and Risk Committee has reviewed the scope as well as the independence and objectivity of the external auditor. The Committee has satisfied itself that the external auditor is independent as defined by the Companies Act of South Africa and the Committee has approved the audit fees for the year.

The Audit, Governance and Risk Committee has nominated Deloitte and Touche as external auditor for the 2021 financial year, and Mr P Ndlovu as the designated partner, for approval at the annual general meeting.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

The Audit, Governance and Risk Committee (the "Committee") comprised the following independent non-executive directors:

- Sindi Zilwa – Chairman
- Phumzile Langeni
- Lindiwe Mthimunye

The Committee has discharged its oversight responsibility for all local and international subsidiaries of Metrofile Holdings Limited for the reporting period.

The Committee reports that it has adopted appropriate formal terms of reference as its charter, and has regulated its affairs in compliance with this charter, and has discharged all of the responsibilities set out therein.

The Committee considered the matters set out in Section 94(7) of the Companies Act of South Africa and is satisfied with the independence and objectivity of Deloitte and Touche as external auditor and Mr Patrick Ndlovu as the designated auditor. The Committee further approved the fees to be paid to Deloitte and Touche and its terms of engagement and pre-approved any proposed contract with Deloitte and Touche for the provision of non-audit services to the Company.

As required by the JSE Listings Requirement 3.84(h), the Committee has satisfied itself that the Chief Financial Officer, Mr Shivan Mansingh, has the appropriate expertise and experience.

The Committee discharged the following specific responsibilities with regard to audit, governance and risk during the reporting period:

- Ensure and report on the integrity, reliability and accuracy of the Group's accounting and financial reporting systems.
- Consider and recommend the annual and interim financial statements for approval by the Board.
- Consider that the going-concern assertion remains appropriate.
- Ensure that it has oversight of the integrated annual report and the factors, risks and sustainability matters that may impact the integrity thereof.
- Review the scope, independence and objectivity of the external auditor and agrees on appropriate fees.
- Review the findings and reports of the external auditors.
- Consider the independence of, and recommend the reappointment of, the external auditor.
- Promote the overall effectiveness of corporate governance in the Group.
- Review the effectiveness of the design and implementation of internal financial controls, and the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that could result in material financial loss, fraud, corruption or error.
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities and that the combined assurance received is appropriate to address the significant risks facing the business.
- Consider the significant risks in the Group's business environment.
- Assists the Board in reviewing the risk management process.
- Oversee the internal audit function of the Company.
- Monitor compliance with applicable legislation, governance codes and regulations.
- Assist the Board in carrying out its information and technology governance responsibilities.
- Annually consider the appropriateness of the expertise and adequacy of resources of the Group's finance function and the experience of senior management responsible for the finance function.
- Consider the JSE's most recent report-back on proactive monitoring of financial statements, and take appropriate action, where necessary, to respond to findings as highlighted in the JSE report when preparing the annual financial statements for the year ended 30 June 2020.
- Evaluated the compliance register with the JSE Listings Regulations to ensure that it supports the certification by the Company Secretary to be issued to the JSE.

KEY AUDIT MATTER

The Committee noted the key audit matters set out in the independent auditor's report, which is:

- Impairment assessment of goodwill (Metrofile Records Management – Rest of Africa and Products and Services).

INTERNAL CONTROLS

The Committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year. This is based on the information and explanations given by management and the outsourced internal audit function as explained more fully in the corporate governance section of the integrated report.

ANNUAL FINANCIAL STATEMENTS

The Committee has evaluated the financial statements of Metrofile Holdings Limited and the Group for the year ended 30 June 2020 and, based on the information provided to the Committee, considers that the Group complies, in all material aspects, with the requirements of the Companies Act of South Africa and with International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. We further confirm that the 2019 JSE report on proactive monitoring of financial statements as issued on 18 February 2020, was tabled, and having considered the important findings and focus areas identified by the JSE in the report, the Committee was satisfied that all such findings and focus areas are adequately addressed by the Company and no further remedial action is necessary.

COVID-19 PANDEMIC

Due to the COVID-19 pandemic, the AGRC expanded the scope of oversight to include compliance with legislation and regulations issued throughout the territories of operation. In South Africa, this included the Disaster Management Act 57 of 2020 and special emphasis was placed on ensuring compliance with Regulation 10(8) COVID-19 Occupational Health and Safety in the Workplace.

In addition, all COVID-19 related disclosures were carefully considered and reviewed.

Sindi Zilwa

SV Zilwa
Audit, Governance and Risk Committee Chairman
14 September 2020

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

This report is published in terms of regulation 43(5)(c) of the Companies Act 71 of 2008 (the Act), as amended.

For this financial year, the Social, Ethics and Transformation Committee (the "Committee") comprised the following members:

- Mary Bomela – Chairman
- Phumzile Langeni
- Shivan Mansingh
- Lindiwe Mthimunye
- Pfungwa Serima
- Sindi Zilwa

The Committee is responsible for monitoring the Group's activities relating to human rights, empowerment, B-BBEE, equality, corruption, ethics, health, public safety, consumer and labour relations.

It assesses, measures and reviews the Group's performance, standing and goals in addressing transformation, social and economic development in terms of:

- The use of the 10 principles set out in the United Nations Global Compact Principles as a guideline.
- The Broad-Based Black Economic Empowerment Act (including compliance with the Department of Trade and Industry's Codes of Good Practice), as well as the Employment Equity Act, Skills Development Act and the Preferential Procurement Framework Act (No 5 of 2000).
- The OECD recommendations regarding corruption.
- Good corporate citizenship, including the Group's:
  - Promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
  - Record of sponsorship, donations and charitable giving; and
  - No tolerance of fraud or activities related to fraud.
- The environment, occupational health and public safety.
- The impact of the Group's activities, products and services.
- Consumer relationships, such as advertising and public relations and compliance with consumer protection laws.
- Black economic empowerment in terms of equity ownership, preferential procurement, enterprise development, community development.
- Labour and employment, including:
  - Metrofile's standing in terms of the ILO protocol on decent work and working conditions;
  - Human resources development;
  - Employment equity;
  - Skills development; and
  - The Group's employment relationships and its contribution toward the educational development of its employees.

The Committee considers all relevant regulatory developments and advises the Group to comply with policies, guidelines and standards applicable to transformation, society and ethics.

The Committee monitors Metrofile's procurement policies and practices to ensure that they comply with applicable legislation and regulation in support of Metrofile's transformation, social and ethics standards.

The Chairman of the Committee reports to the Board any concerns, findings or recommendations for consideration, review and necessary decision-making. The Chairman of the Committee attends the Group's annual general meeting and reports to shareholders on the matters within the Committee's mandate.

In assisting the Board in ensuring that the Metrofile Group acts as a good and responsible corporate citizen, the Committee is satisfied that it has discharged all its duties and fulfilled its responsibilities in accordance with its charter and as prescribed by the Companies Regulations to the Companies Act of South Africa, and further that there are no instances of material non-compliance to disclose for the period under review and up to the date of this report.

MBomela

Mary Bomela
Social, Ethics and Transformation Committee Chairman

14 September 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF METROFILE HOLDINGS LIMITED

Report on the Audit of the consolidated and separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Metrofile Holdings Limited (the Group and Company) set out on pages 10 to 53, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate income statements, statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Metrofile Holdings Limited and its subsidiaries as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How the matter was addressed in the audit
Impairment assessment of goodwill – Metrofile Records Management Rest of Africa and Products and Services	
The carrying value of goodwill is R317 million (2019: R439 million). The carrying value of the goodwill attributable to the Metrofile Records Management Rest of Africa group of cash generating units ("CGUs") is R129 million (2019: R230 million) and Products and Services group of cash generating units ("CGUs") is R55 million (2019: R77 million). The recoverability of the carrying value of the goodwill is assessed by comparing the carrying value to the recoverable amount. The recoverable amount of the goodwill is determined based on its value in use, which is calculated taking into account the cash flow forecast for each group of cash generating units. There is estimation and significant judgement involved in forecasting and discounting future cash flows, with the revenue growth rates being the most significant assumptions impacting the valuation. As the goodwill balance of R184 million relating to Metrofile Records Management Rest of Africa and the Products and Services group of CGUs is material to the Group and significant judgement is exercised by the Directors in evaluating the recoverability of the goodwill, this is considered to be a key audit matter. Refer to the goodwill notes 2.1, 2.3 and 12 of the consolidated financial statements.	In assessing the possible impairment of Goodwill, we reviewed the calculations of the value in use, as prepared by the Directors. We performed various procedures, including the following: • With the assistance of our Financial Advisory specialists, we evaluated the principles and integrity of the discount rate used to discount the future cash flows. • Assessed the design and implementation of controls developed by the Directors relating to the impairments assessment of goodwill. • Tested inputs into the cash flow forecast against historical performance and in comparison to budgets. • Compared the revenue growth rates used in the value in use calculations to historical performance and performed sensitivity analysis on revenue growth rates. • Re-computed the value in use of each group of cash generating units. • Assessed the adequacy of the Group's disclosures in respect of goodwill with reference to applicable accounting standards. Based on the results of the above procedures, we consider the total impairment of R119 million of the goodwill of which R98 million is attributable to the Metrofile Records Management Rest of Africa group of CGUs and R21 million is attributable to the Products and Services group of CGUs, to be reasonable and the remaining carrying value of goodwill to be recoverable. The disclosures in relation to the goodwill balance is appropriate when assessed against the applicable accounting standards.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Metrofile Group 2020 Audited Annual Financial Statements", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Metrofile Holdings Limited for 20 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: P Ndlovu
Partner

14 September 2020

Deloitte
5 Magwa Crescent
Waterfall City
Midrand
2090
South Africa

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	CONSOLIDATED 2020 R'000	CONSOLIDATED 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Continuing operations:					
Revenue	3	**903 272**	913 415	**–**	–
Direct costs		**(451 602)**	(403 191)	**–**	–
Gross profit		**451 670**	510 224	**–**	–
Other income		**15 604**	7 359	**–**	–
Profit before indirect expenditure		**467 274**	517 583	**–**	–
Indirect expenditure		**(165 578)**	(246 410)	**(1 703)**	(1 488)
Operating profit/(loss) before depreciation, exceptional items and net finance costs		**301 696**	271 173	**(1 703)**	(1 488)
Depreciation and amortisation		**(84 422)**	(47 439)	**–**	–
Operating profit/(loss) before exceptional items and net finance costs	4	**217 274**	223 734	**(1 703)**	(1 488)
Loss on disposal of business		**(4 199)**	–	**–**	–
Loss on sale of subsidiary		**(222)**	–	**–**	(34 298)
Restructuring and retrenchment costs		**(11 788)**	(17 480)	**–**	–
Impairment of goodwill	12	**(118 404)**	(18 332)	**–**	–
Impairment of subsidiary loan		**–**	–	**(180 304)**	(16 130)
Impairment of investment in joint venture and associate		**–**	(8 362)	**–**	(2 576)
Impairment of plant and equipment		**–**	(29 099)	**–**	–
Impairment of investment in subsidiary		**–**	–	**(14 980)**	–
Operating profit/(loss) before net finance costs		**82 661**	**150 460**	**(196 987)**	(54 492)
Finance income		**2 004**	1 798	**–**	–
Finance costs	6	**(67 317)**	(71 173)	**–**	–
Profit/(loss) before taxation		**17 348**	81 085	**(196 987)**	(54 492)
Taxation	5	**(33 743)**	(55 342)	**–**	–
(Loss)/profit for the year from continuing operations		**(16 395)**	25 743	**(196 987)**	(54 492)
Discontinued operations					
Loss for the year from discontinued operations	29	**–**	(30 301)	**–**	–
Loss for the year		**(16 395)**	(4 558)	**(196 987)**	(54 492)
Attributable to:					
Owners of the parent		**(14 825)**	7 559	**(196 987)**	(54 492)
– Continuing operations		**(14 825)**	37 860	**–**	–
– Discontinued operations		**–**	(30 301)	**–**	–
Non-controlling interests		**(1 570)**	(12 117)	**–**	–
Loss for the year		**(16 395)**	(4 558)	**(196 987)**	(54 492)
Loss attributable to owners of the parent					
Basic (loss)/earnings per share (cents)	7.2	**(3.4)**	(1.8)		
Diluted (loss)/earnings per share (cents)	7.2	**(3.4)**	(1.8)		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	CONSOLIDATED		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Loss for the year		**(16 395)**	(4 558)	**(196 987)**	(54 492)
Other comprehensive income/(loss) for the year#					
Currency movement on translation of foreign subsidiaries		**2 475**	(3 370)	**–**	–
Total comprehensive loss for the year		**(13 920)**	(7 928)	**(196 987)**	(54 492)
Attributable to:					
Owners of the parent		**(12 350)**	3 171	**(196 987)**	(54 492)
Non-controlling interests		**(1 570)**	(11 099)	**–**	–

All items will subsequently be reclassified to profit and loss.

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	CONSOLIDATED 2020 R'000	CONSOLIDATED 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	**598 162**	581 113	**–**	–
Right-of-use asset	10	**126 185**	–		
Intangible assets	11	**50 498**	57 480	**–**	–
Goodwill	12	**316 661**	438 702	**–**	–
Investment in unlisted subsidiaries	31.1	**–**	–	**264 018**	278 998
Long-term vendor consideration		**–**	3 500	**–**	–
Deferred taxation assets	5	**12 177**	5 128	**–**	–
		1 103 683	1 085 923	**264 018**	278 998
Current assets					
Inventories	13	**16 507**	17 494	**–**	–
Trade receivables	14	**185 414**	191 257	**–**	–
Vendor consideration		**3 500**	10 532	**–**	–
Other receivables	14	**31 946**	35 329	**196**	220
Cash and cash equivalents		**37 187**	34 983	**5**	480
Amounts owing by subsidiaries – non-interest-bearing	31.1	**–**	–	**549 291**	614 160
		274 554	289 595	**549 492**	614 860
Total assets		**1 378 237**	1 375 518	**813 510**	893 858
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital and share premium	15	**573 833**	555 059	**963 924**	945 150
Accumulated (loss)/profit		**(79 765)**	7 150	**(471 565)**	(225 226)
Other reserves	16	**5 017**	2 778	**–**	–
Equity attributable to owners of the parent		**499 085**	564 987	**492 359**	719 924
Non-controlling interests		**8 797**	(3 157)	**–**	–
		507 882	561 830	**492 359**	719 924
Non-current liabilities					
Interest-bearing liabilities	18.1	**520 110**	560 053	**–**	–
Lease liabilities	18.3	**103 543**	–	**–**	–
Deferred taxation liabilities	5	**43 877**	43 845	**–**	–
		667 530	603 898	**–**	–
Current liabilities					
Trade and other payables	19.1	**100 078**	109 750	**2 728**	2 400
Provisions	25	**13 297**	9 233	**–**	–
Deferred revenue	3	**12 277**	11 103	**–**	–
Taxation		**3 323**	2 606	**–**	–
Bank overdraft		**4 988**	36 717	**–**	–
Interest-bearing liabilities	18.2	**39 195**	40 381	**–**	–
Amounts owing to subsidiaries – non-interest-bearing	31.1	**–**	–	**318 423**	171 534
Lease liabilities	18.3	**29 667**	–	**–**	–
		202 825	209 790	**321 151**	173 934
Total equity and liabilities		**1 378 237**	1 375 518	**813 510**	893 859

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital R'000	Share premium R'000	Accumulated profit/(loss) R'000	Other reserves R'000	Attributable to owners of the parent R'000	Non-controlling interests R'000	Total equity R'000
CONSOLIDATED							
Balance at 30 June 2018	2 675	539 874	50 184	15 950	608 684	13 170	621 854
IFRS 2 equity reserve relating to share schemes	–	–	–	(8 784)	(8 784)	–	(8 784)
Minority contribution on disposal of subsidiary	–	–	5 976	–	5 976	(5 228)	748
Dividends declared	–	–	(44 059)	–	(44 059)	–	(44 059)
Scrip dividends declared	–	12 510	(12 510)	–	–	–	
Total comprehensive income for the year ended 30 June 2019	–	–	7 559	(4 388)	3 171	(11 099)	(7 928)
Balance at 30 June 2019	**2 675**	**552 384**	**7 150**	**2 778**	**564 987**	**(3 157)**	**561 830**
IFRS 2 expense	–	–		(236)	(236)	–	(236)
Transactions with NCI*	–	–	(22 738)	–	(22 738)	14 480	(8 258)
Disposal of subsidiary	–	–	–	–	–	(956)	(956)
Dividends declared	–	–	(30 578)	–	(30 578)	–	(30 578)
Scrip dividends declared	–	18 774	(18 774)	–	–	–	–
Total comprehensive loss for the year ended 30 June 2020	–	–	(14 825)	2 475	(12 350)	(1 570)	(13 920)
Balance at 30 June 2020	**2 675**	**571 158**	**(79 765)**	**5 017**	**499 085**	**8 797**	**507 882**

** During the year the Group acquired the remaining 38% shareholding in Metrofile Nigeria (Pty) Ltd and an additional 20% shareholding in E-file Masters LLC.*

	Share capital R'000	Share premium R'000	Accumulated profit/(loss) R'000	Other reserves R'000	Attributable to owners of the parent R'000	Non-controlling interests R'000	Total equity R'000
COMPANY							
Balance at 30 June 2018	2 675	929 965	(114 165)				818 475
Dividends declared	–	–	(44 059)				(44 059)
Scrip dividend declared	–	12 510	(12 510)				–
Total comprehensive loss for the year ended 30 June 2019	–	–	(54 492)				(54 492)
Balance at 30 June 2019	**2 675**	**942 475**	**(225 226)**				**719 924**
Dividends declared	–	–	(30 578)				(30 578)
Scrip dividend declared	–	18 774	(18 774)				–
Total comprehensive loss for the year ended 30 June 2020	–	–	(196 987)				(196 987)
Balance at 30 June 2020	**2 675**	**961 249**	**(471 565)**				**492 359**

STATEMENTS OF CASH FLOWS

	Notes	CONSOLIDATED 2020 R'000	CONSOLIDATED 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations before net working capital changes		**281 724**	250 614	**(1 703)**	(1 488)
Decrease in net working capital		**2 541**	2 910	**118**	35
Cash generated/(utilised) by operations	26.1	**284 265**	253 524	**(1 585)**	(1 453)
Net finance costs		**(65 784)**	(65 428)	**–**	–
Finance costs paid		**(67 788)**	(67 226)	**–**	–
Finance income received		**2 004**	1 798	**–**	–
Normal taxation paid	26.2	**(39 400)**	(57 332)	**–**	–
Net cash inflow/(outflow) from operating activities		**179 081**	130 764	**(1 585)**	(1 453)
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditure: expansion		**(41 227)**	(49 540)	**–**	–
Capital expenditure: replacement		**(14 946)**	(21 825)	**–**	–
Proceeds on disposal of property, plant and equipment		**5 909**	–	**–**	–
Vendor loan proceeds received		**10 532**	–	**–**	–
Proceeds on disposal of subsidiary	26.4/29	**5 543**	(1 442)	**–**	–
Increase in investments		**–**	–	**–**	2 120
Acquisition of subsidiaries		**–**	(3 673)	**–**	
Net cash (outflow)/inflow from investing activities		**(34 189)**	(76 480)		2 120
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term liabilities		**(40 649)**	(63 322)	**–**	–
Payment of lease liabilities		**(34 034)**	–	**–**	–
Acquisition of non-controlling interest		**(8 258)**	–	**–**	–
Dividends paid		**(30 208)**	(43 769)	**(30 342)**	(44 059)
Net decrease in loans with Group companies	26.3	**–**	–	**31 452**	43 600
Net cash (outflow)/inflow from financing activities		**(113 149)**	(107 091)	**1 110**	(459)
Net increase/(decrease) in cash and cash equivalents		**31 742**	(52 807)	**(475)**	208
(Overdraft)/cash and cash equivalents at the beginning of the year		**(1 734)**	49 043	**480**	272
Effects of exchange rate movement on cash balances		**2 191**	2 030	**–**	–
Cash and cash equivalents/(overdraft) at the end of the year		**32 199**	(1 734)	**5**	480
Represented by:		**32 199**	(1 734)	**5**	480
Cash and cash equivalents		**37 187**	34 983	**5**	480
Bank overdraft		**(4 988)**	(36 717)	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ADOPTION OF IFRS 16

IFRS 16 Leases introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to former practice i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 introduces additional disclosures for both lessees and lessors. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new accounting policy was applied from 1 July 2019 and is disclosed below in note 1(a). Note 1(b) explains the impact of the adoption of IFRS 16 Leases on the audited Group year-end results.

1 (a) Change in significant accounting policy

The Group leases various properties. Rental contracts are typically entered into for fixed periods. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Although the lease agreements do not impose any covenants, leased assets may not be used as security for borrowing purposes.

Up to and including the 2019 financial year, leases for property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

From 1 July 2019, the Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, being the date at which the leased asset is available for use by the Group. The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated amortisation and impairment losses, and adjusted for certain remeasurements in the lease liability.

Depreciation is recognised in profit and loss and is calculated on a straight line basis over the remaining lease term.

The lease liability is measured initially at the present value of the lease payments that are not paid at commencement date, discounted using the implicit rate in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate. A discounting rate of 9.75% was applied for leases recognised under IFRS 16, as at 1 July 2019.

The lease liability is subsequently increased by interest costs and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Under IFRS 16, right-of-use assets are tested for impairments in accordance with IAS 36.

Payments associated with short-term leases and leases of low value assets less than R100 000 are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has elected to apply the practical expedient in IFRS 16 and accounts for lease and non-lease components as a single lease.

1 (b) Adjustments recognised on adoption of IFRS 16

The Group adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard in the application of the initial accounting:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments in determining whether leases are onerous;
- leases that, at 1 July 2019, had a remaining lease term of 12 months or less continue to be accounted for on a straight-line basis over the remaining lease term;
- leases for which the underlying asset is of low value continue to be accounted for on a straight-line basis over the lease term;
- initial direct costs were excluded from the measurement of the right-of-use asset at 1 July 2019; and
- where contracts contain options to extend or terminate the lease, the benefit of hindsight was used to determine the lease term.

The Group has also elected to not reassess whether a contract is, or contains, a lease as at 1 July 2019. Instead, for contracts entered into before the transition date, the Group relied on assessments made through the application of IAS 17 and IFRIC 4.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rates as at 1 July 2019.

R'000	1 July 2019
Operating lease commitments disclosed as at 30 June 2019	98 113
Discounted using the lessees' incremental borrowing rates at the date of initial application	89 081
Less: short-term leases recognised on a straight line basis as an expense	(4 839)
Lease liabilities recognised as at 1 July 2019	84 242

The Group did not have any low value leases of less than R100 000 and therefore no further adjustments were required to the lease liabilities.
Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 July 2019.
The recognised right-of-use assets relate to property.
The change in accounting policy affected the following items in the statement of financial position:

R'000	1 July 2019
	Increase/(decrease)
ASSETS	
Right-of-use asset	80 371
Property	84 242
Operating lease smoothing liability	(3 871)
EQUITY AND LIABILITIES	
Lease liabilities	84 242
Retained earnings	–

1 (c) Impact on segmental disclosures, statement of comprehensive income and earnings per share

Adjusted profit before tax decreased, whilst segment tangible assets for the year ended 30 June 2020 increased, as a result of the adoption of IFRS 16. The following segments were affected by the change:

R'000	EBITDA Increase	Operating profit (EBIT) Increase	Tangible assets Increase
MRM South Africa	20 590	3 106	37 605
MRM Rest of Africa	13 287	332	71 109
Products and Services South Africa	7 992	877	12 407
Central and Eliminations	910	81	5 064
	42 779	**4 396**	**126 185**

The following line items were affected by the change:

R'000	30 June 2020
Increase in EBIT*	4 396
Increase in EBITDA**	42 779
Increase in finance cost	(8 745)
Decrease in profit after tax	(3 131)

Earnings per share decreased by 0.7c per share for the year ended 30 June 2020 as a result of the adoption of IFRS 16.

* *Increase in EBIT was due to the net effect of a decrease in operating lease expenses and an increase in depreciation of right-of-use assets.*
** *Increase in EBITDA was due to a decrease in operating lease expenses.*

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and reporting

The consolidated and separate financial statements ("financial statements") as set out on pages 10 to 53 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Significant details of the Group's accounting policies are set out below and are consistent with those applied in the previous year except for the changes in accounting policies as a result of the adoption of the new accounting standards.

The financial statements comply with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, Interpretations as issued by the IFRS Interpretations Committee, the JSE Listing Requirements, the Companies Act of South Africa as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

New or revised accounting standards and amendments to existing standards not yet effective

At the date of authorisation of the annual financial statements, the following standards, interpretations and amendments applicable to the Group were in issue but not yet effective. These are unlikely to have a material impact on the Group.

	Effective date
Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020
Definition of a business – Amendments to IFRS 3	01 January 2020
Presentation of Financial Statements: Disclosure initiative	01 January 2020
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020
COVID-19 – Related Rent Concessions – Amendment to IFRS 16	01 June 2020
Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	01 January 2022

2.1 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgement is exercised by the directors in evaluating the recoverability of the goodwill of MRM Rest of Africa and Products and Services respectively with the growth rates being the most significant assumptions impacting the valuation.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Significant judgements

Impairment of goodwill

The Group tests goodwill for impairment on an annual basis or whenever there is an impairment indicator identified by management, in accordance with the accounting policy disclosed in 2.3 below.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cashflows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Refer to note 2.3 for significant judgments made by management for assessing goodwill for impairment.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates, terminal rates and discount rates. Further detail on these assumptions has been disclosed in note 12.

Goodwill impaired as at 30 June 2020 related to the impairment of goodwill in MRM Rest of Africa group of CGUs and Products and Services group of CGUs. Refer to note 12 for detailed disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

2.1 Critical accounting judgements and key sources of estimation uncertainty (continued)

Recoverability of deferred tax assets

The Group is subject to income taxes in various jurisdictions which apply different tax legislation and the calculation of the Group's tax charge involves a degree of estimation and judgement. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest and inflation rates and market conditions. On assessing the recoverability, we have used the lower-end growth rates and therefore the lower end of the sensitivity analysis. Refer to note 5.4 for detailed disclosure.

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. Buildings are only depreciated if their carrying amounts exceed their anticipated residual values, but where the residual value of the buildings exceed their carrying amount no depreciation is required. Management has performed residual value assessments and no depreciation was required in the current year. Refer to note 9 for detailed disclosure.

Impairment of properties

Cash flows of the properties are largely dependent on MRM South Africa. The impairment assessment on the properties is performed as part of the value in use of the MRM South Africa group of CGUs. Based on the assessment, no impairment was required.

Expected credit losses allowance

Allowance is made for expected credit losses based on management's estimate of the prospect of recovering debt. Where management has determined that a debt is no longer recoverable, the amount is written off. Management's judgement was applied when incorporating forward looking information and the impact of COVID-19 on the expected credit loss allowance.

2.2 Basis of consolidation

The Group comprises Metrofile Holdings Limited and its subsidiaries.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

An associate is an entity over which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these Group annual financial statements using the equity method of accounting.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

The following average and spot rates were used in the translation of the foreign subsidiaries:

	2020		2019	
	Average rate	Spot rate	Average rate	Spot rate
Mozambique	4.133	4.043	4.266	4.427
Nigeria	24.558	22.368	24.631	25.575
United Arab Emirates	0.233	0.212	0.252	0.261
Zambia	0.947	N/A	0.894	0.912
Botswana	0.717	0.681	0.741	0.756
Kenya	6.639	6.147	6.974	7.267

2.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.2 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is 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 its carrying amount, 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Goodwill is tested for impairment on an annual basis (refer paragraph 2.1). The discounted cashflow method is used to test for impairment. The key assumptions for the calculations are those regarding the discount rates and growth rates and expected changes to selling prices and direct costs during the period.

For the purpose of allocating goodwill, the identified groups of CGUs are as follows:

- MRM South Africa
- MRM Rest of Africa
- MRM Middle East
- Products and Services.

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

2.5 Revenue recognition

Metrofile Holdings Limited is an investment holding company and its main source of revenue is dividend income received from its subsidiary companies.

Revenues from subsidiary companies comprise the following:

- Secure storage
- Digital services
- Products and solutions
- Business support services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when the performance obligation is met. The performance obligation is met at the point when it transfers control of the product or service.

Secure storage

The Group provides secure storage (physical and digital) to customers. Storage and service related revenues are recognised when the service is performed as the storage space is available. Storage services are viewed as a single performance obligation. Once the service is provided for, the customer is invoiced and the related receivable is recognised by the Group.

2.5 Revenue recognition (continued)

Digital services

Digital services revenues are recognised when the service is performed. Once the service is provided for, the customer is invoiced and the related receivable is recognised. Digital services are viewed as a single performance obligation.

Products and solutions

Sales of hardware, consumables, spare parts, paper media and software are recognised when the goods are delivered and title has passed. As a consequence, revenue is recognised when the related product is delivered and the service is rendered and the right to consideration becomes unconditional. The sale of products and solutions is viewed as a single performance obligation.

Business support services

Business support service revenues are recognised when the service is performed. This service is viewed as a single performance obligation. Once the service is provided for, the customer is invoiced and the related receivable is recognised by the Group.

Where revenues are billed in advance in terms of long term contracts, the revenues are deferred and recognised over the period of the contract as the services are rendered. As a consequence this revenue type is recognised over a period of time.

Payment terms relating to revenue do not have a significant financing component and are not variable. Deferred revenue is expected to be recognised as revenue within the next 12 months as performance obligations are satisfied.

2.6 Interest and dividend income

Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective rate that exactly discounts estimated future cash receipts through the expected useful 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.

2.7 Leasing

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is or contains a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group's leasing arrangements relate primarily to office buildings, warehouse space, equipment and vehicles.

Lessee accounting

The Group recognises all leases (with limited exceptions) as right-of-use assets and obligations to make lease payments (lease liabilities) from the lease commencement date of the underlying asset being leased.

The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The cost includes the initial amount of the respective lease liability adjusted for lease payments made before the commencement date of the lease, plus initial direct costs incurred and estimated costs to dismantle or destroy the underlying asset, less lease incentives received, where applicable. The right-of-use asset is subsequently depreciated using the straight-line method over the earlier of the useful life of the underlying asset or the period of the lease term. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease and where that rate cannot be readily determined, the Group entity uses the incremental borrowing rate. This is the rate of interest that the Group entity would have to pay to borrow the funds necessary to obtain an asset of a similar value to the respective right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under residual value guarantees;
- amounts in an optional renewal lease period if the Group is reasonably certain to exercise an extension option;
- the exercise price of a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of the lease, unless the Group is reasonably certain not to terminate the lease early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured where there is a change in future lease payments, a change in the Group's estimate of amounts expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

2.7 Leasing (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the income statement if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets in "property, plant and equipment" and capitalised lease liabilities in "long-term liabilities" in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group has applied the 'integrally linked' approach in respect of the tax consequences of lease contracts. At inception of a lease and on the transition date no deferred taxes are recognised as no temporary differences arise between the tax base and carrying amount of the net lease asset or liability (without taking into account advance payments). Subsequent to initial recognition, deferred taxes are recognised when temporary differences arise.

The Group's leases do not impose covenants, but leased assets may not be used as security for borrowing purposes.

Lease concessions were not applicable to the Group as at 30 June 2020.

Previous accounting policy for leases

In the previous financial year, the Group classified all of its leases as finance or operating leases based on the criteria described below.

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. The Group has operating leases only, except for two finance leases on motor vehicles in the UAE operations.

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.

2.8 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.

2.9 Property, plant and equipment

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

Depreciation is recognised in profit and loss and is calculated on the straight-line basis, so as to write down the cost of the assets to their residual values, at the following rates, which are considered to approximate the estimated useful lives of the assets concerned.

Buildings	2%
Plant and equipment	6.7% – 20%
Leasehold improvements	25%
Motor vehicles	16.7%
Furniture and fittings	10%
Office equipment	20%
Computer equipment	20%

The directors review the residual values and useful lives of depreciable assets each financial year-end. Useful lives are determined in terms of the assets' expected use to the Group and based on the experience of the Group's similar assets. Where residual values exceed cost, no depreciation is required.

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.

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FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

2.10 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of tangible and intangible assets, excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment of tangible and intangible assets excluding goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Amortisation is recognised on a straight-line basis over their estimated useful lives, on the following basis:

Customer based intangible asset	10%
Computer software	20%-50%

2.11 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.

2.12 Financial instruments

Financial assets and financial liabilities are recognised on the consolidated and separate statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Subsequent to initial recognition, these instruments are measured in accordance with their classification as set out below.

Financial assets

Trade receivables, loan receivables and cash and cash equivalents are classified as amortised cost.

De-recognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.12 Financial instruments (continued)

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is not recognised in profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Debt instruments at amortised cost are recognised net of an allowance for ECL.

Financial liabilities

All financial liabilities are initially measured at amortised cost and subsequently amortised using the effective interest method.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. Gains or losses are recognised in the Statement of Comprehensive Income when the liability is de-recognised. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability is substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

2.13 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 in the next 12 months. 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.

2.14 Share-based payments

The Group issues certain equity-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. The valuation approach was based on a risk-neutral valuation principle, excluding marketability assessments. 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.

2.15 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations.

Effective 30 April 2020, the Group disposed of Metrofile Zambia ("Zambia"). Zambia was not a major line of business to the Group, and therefore was not disclosed as a discontinued operation.

2.16 Normalised headline earnings

The measure of normalised headline earnings is specific to Metrofile Holdings Limited and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements. Normalised headline earnings represent earnings from the recurring activities of the Group. This is determined by adjusting the headline earnings attributable to the owners of Metrofile Limited for non-recurring expense or income items incurred during the year. The items adjusted are not comparable to other entities.

2.17 Exceptional items

Exceptional items are disclosed separately as they are non-recurring expense or income items incurred during the year. These items are recognised and measured in accordance with the International Financial Reporting Standards.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
3. REVENUE				
Revenue	**903 272**	**913 415**	–	–

Disaggregation of revenue is done by revenue streams and geographical region. Refer to the segment reporting note 28 for further disclosure on disaggregation.

Included in the revenue figures above is the recognised portion of deferred revenue where services were rendered in the current year. This amounted to R1.2 million in the current year. Deferred revenue balance included in the Statement of Financial Position as at 30 June 2020 amounts to R12.3 million (2019: R11.1 million). Deferred revenue is expected to be recognised as revenue within the next 12 months as and when performance obligations are carried out.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
4. OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS AND NET FINANCE COSTS				
Operating profit/(loss) before finance costs is stated after accounting for the following:				
Auditors' remuneration	**3 496**	4 923	**576**	509
Depreciation and amortisation	**46 041**	47 439	**–**	–
Depreciation on right-of-use asset	**38 381**	–	**–**	–
Managerial, secretarial and technical fees	**15 609**	12 494	**–**	–
Operating lease charges	**–**	64 848	**–**	–
Lease expense relating to short-term leases	**9 249**	–	**–**	–
Inventory expensed	**112 003**	116 721	**–**	–
Retirement benefit expenses	**12 315**	10 666	**–**	–
IFRS 2 expense	**236**	(8 784)	**–**	–
Impairment of goodwill	**118 404**	(18 332)	**–**	–
Loss on disposal of business	**4 199**	–	**–**	–
Loss on sale of subsidiary	**222**	–	**–**	–
Profit on sale of property, plant and equipment	**(217)**	–	**–**	–
Restructuring and retrenchment costs	**11 788**	–	**–**	–
Impairment of investment in joint venture and associate	**–**	**(8 362)**	**–**	(2 576)
Impairment of investment in subsidiary	**–**	**–**	**14 980**	–
Impairment of loan in subsidiary	**–**	**–**	**180 304**	–
Impairment of property, plant and equipment	**–**	(29 099)	**–**	–
Employment costs	**297 736**	339 052	**–**	–
Number of employees at year-end was 1 461 (2019: 1 793).				

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
5. TAXATION				
5.1.1 Normal taxation				
Current year	**40 179**	48 954	**–**	
Prior year	**142**	5 084	**–**	
	40 321	54 038	**–**	
5.1.2 Deferred taxation				
Current year	**(6 578)**	1 304	**–**	
	33 743	55 342	**–**	
5.2 Taxation reconciliation				
Profit before taxation	**17 348**	81 085	**(196 987)**	(54 492)
Taxation at statutory taxation rate of 28%	**4 857**	22 704	**(55 156)**	(15 258)
Non-deductible expenditure relating to impairments and non-deductible finance costs	**35 292**	18 920	**54 679**	14 841
Prior year taxation	**(142)**	5 253	**–**	–
Deferred tax asset not raised	**477**	6 872	**477**	417
Statutory taxation rate difference due to foreign subsidiaries	**910**	3 729	**–**	–
ETI deduction already allowed	**(273)**	(261)	**–**	–
Assessed loss raised	**(4 691)**	–	**–**	–
Assesses loss utilised	**(637)**			
Withholding tax	**1 409**	–	**–**	–
Capital gain on disposal of subsidiary	**(117)**	–	**–**	–
Deductible allowances (learnership allowance)	**(3 342)**	(1 874)	**–**	–
Actual taxation charged	**33 743**	55 342	**–**	–

	%	%	%	%
Taxation rate reconciliation				
Statutory taxation rate	**28.0**	28.0	**28.0**	(28.0)
Non-deductible expenditure relating to impairments and non-deductible finance costs	**203.4**	23.3	**(27.7)**	27.2
Prior year taxation	**(0.8)**	6.5	**–**	–
Deferred tax asset not raised	**2.7**	8.5	**(0.3)**	0.8
Statutory taxation rate difference due to foreign subsidiary	**5.2**	4.6	**–**	–
ETI deduction already allowed	**(1.6)**	(0.3)	**–**	–
Assessed loss raised	**(27.0)**	–	**–**	–
Assessed loss utilised	**(3.7)**	–	**–**	–
Withholding tax	**8.1**	–	**–**	–
Capital gain on disposal of subsidiary	**(0.7)**	–	**–**	–
Deductible allowances (learnership allowance)	**(19.3)**	(2.3)	**–**	–
Effective taxation rate	**194.5**	68.3	**–**	–

	Consolidated 2020 R'000	Consolidated 2019 R'000	Company 2020 R'000	Company 2019 R'000
5. TAXATION (CONTINUED)				
5.3 Deferred taxation				
Property, plant and equipment	**(37 764)**	(33 065)		
Intangible assets	**(13 881)**	(16 347)		
Capitalised leases	**(15 421)**	–		
Trade receivables	**–**	782		
IFRS 2 charge relating to share schemes	**490**	1 079		
Lease smoothing adjustment	**–**	1 133		
Prepayments	**(194)**	(537)		
Provisions	**8 709**	4 869		
Capitalised lease liability	**17 122**	–		
Accrued expenses	**107**	859		
Deferred revenue	**2 999**	1 213		
Impairment of loan	**–**	1 296		
Assessed losses	**6 133**	–		
Total	**(31 700)**	(38 717)		
Net deferred taxation liability				
Opening balance	**(38 717)**	(34 304)		
Disposal of subsidiary	**(117)**	(1 935)		
Income statement movement	**6 578**	(1 304)		
Foreign currency translation effect	**556**	(1 174)		
Closing balance	**(31 700)**	(38 717)		
Deferred taxation asset	**12 177**	5 128		
Deferred taxation liability	**(43 877)**	(43 845)		
5.4 Taxation losses				
Deferred tax asset raised on estimated taxation losses available for offset against future taxable income amount to:	**6 133**	–		
Based on management' s most recent forecast financial information, this balance recognised is supported by sufficient future taxable profits anticipated to be generated.				
Estimated assessed losses	**73 607**	87 540	**73 607**	71 904
These assessed losses are unlikely to be used in the foreseeable future by normal operations and accordingly no deferred taxation asset has been raised. There are no expiry dates applicable to these assessed losses.				

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'00
6. FINANCE COSTS				
Interest on bank overdrafts and loans	**58 496**	71 173		
Finance costs on lease liabilities	**8 745**	–		
Other interest expense	**76**	–		
	67 317	71 173		
7. (LOSS)/EARNINGS PER ORDINARY SHARE				
7.1 (Loss)/earnings – basic				
(Loss)/earnings for purposes of earnings per share	**(14 825)**	7 559		
Effect of dilutive potential ordinary shares	**–**	–		
(Loss)/earnings for purposes of diluted earnings per share	**(14 825)**	7 559		
Number of shares – earnings per share				
Number of ordinary shares in issue (thousands)	**433 700**	424 906		
Weighted average number of ordinary shares in issue (thousands)	**431 170**	417 764		
Basic (loss)/earnings per share (cents)	**(3.4)**	1.8		
Diluted (loss)/earnings per share (cents)	**(3.4)**	1.8		
Headline earnings per share (cents)	**24.8**	20.5		
Normalised headline earnings per share (cents)	**26.8**	27.2		

7.2 Headline earnings

Basis for calculation

The calculation of headline earnings per ordinary share is based on headline earnings of R106.9 million (2019: R85.5 million) and a weighted average number of 431.17 million (2019: 417.7 million) ordinary shares in issue during the year, in terms of headline earnings circular 4/2018. 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:

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
(Loss)/profit attributable to owners of the parent	**(14 825)**	7 559		
Loss on disposal of subsidiary	**4 421**	3 210		
Disposal of goodwill relating to the disposal of subsidiary	**–**	30 076		
Profit on disposal of plant and equipment and intangible assets	**(217)**	–		
Impairment of goodwill	**118 404**	18 332		
Impairment of investment in joint venture and associate	**–**	8 362		
Impairment of plant and equipment	**–**	29 099		
Tax effect of above items	**–**	(5 213)		
Non-controlling interest effect on the above items	**(840)**	(5 881)		
Headline earnings	**106 943**	85 545		
– Continuing operations	**106 943**	82 560		
– Discontinued operations	**–**	2 985		

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		CONSOLIDATED		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
7.2	Headline earnings (continued)				
	Headline earning per ordinary share (cents)	**24.8**	20.5		
	– Continuing operations	**24.8**	19.8		
	– Discontinued operations	**–**	0.7		
	Headline earnings attributable to ordinary shareholders	**106 943**	85 545		
	Extraordinary items:				
	Restructuring and retrenchment costs	**11 788**	17 480		
	Debt restructuring costs	**–**	3 460		
	Tax effect on the above items	**(3 301)**	(2 721)		
	Tax effect on non-deductible interest expense	**–**	14 001		
	Non-controlling interest effect on the above items	**–**	(4 264)		
	Normalised headline earnings attributable to ordinary shareholders	**115 430**	113 501		
	– Continuing operations	**115 430**	110 515		
	– Discontinued operations	**–**	2 985		
	The Conditional Share Plan ("CSP") was not included in the calculation of the diluted earnings per share because it is anti-dilutive for the year but could potentially dilute basic earnings per share in the future.				
	Weighted average number of shares in issue ('k)	**431 170**	417 764		
	Diluted weighted average number of shares in issue ('k)	**436 912**	424 087		
	Attributable (loss)/earnings per share (cents)				
	Aggregate				
	– Basic	**(3.4)**	1.8		
	– Diluted	**(3.4)**	1.8		
	Continuing operations				
	– Basic	**(3.4)**	9.1		
	– Diluted	**(3.4**	8.9		
	Discontinued operations				
	– Basic	**–**	(7.3)		
	– Diluted	**–**	(7.1)		

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
7.2 Headline earnings (continued)				
Headline earnings per share (cents)				
Aggregate				
– Basic	**24.8**	20.5		
– Diluted	**24.5**	20.2		
Continuing operations				
– Basic	**24.8**	19.8		
– Diluted	**24.5**	19.5		
Discontinued operations				
– Basic	**–**	0.7		
– Diluted	**–**	0.7		
Normalised headline earnings per share (cents)				
Aggregate				
– Basic	**26.8**	27.2		
– Diluted	**26.4**	26.8		
Continuing operations				
– Basic	**26.8**	26.5		
– Diluted	**26.4**	26.1		
Discontinued operations				
– Basic	**–**	0.7		
– Diluted	**–**	0.7		
Dividend per share (cents)	**13.0**	10.0		
– Interim dividend per share paid (cents)	**6.0**	5.0		
– Final dividend per share proposed (cents)	**7.0**	5.0		

8. DIRECTORS' REMUNERATION

R	Directors' fees approved	VAT	Directors' fees – total paid	Salary	Bonuses	Retirement benefit contributions	Other benefits/ share-based payments	Total
2020								
PG Serima	–	–	–	5 640 039	412 500	239 961	–	6 292 500
S Mansingh	–	–	–	3 169 825	495 000	280 175	–	3 945 000
MS Bomela*▲	–	–	–	–	–	–	–	–
MZ Abdulla*▲	–	–	–	–	–	–	–	–
CS Seabrooke*^	1 265 009	189 751	1 454 760	–	–	–	–	1 454 760
P Langeni*$	970 000	145 500	1 115 500	–	–	–	–	1 115 500
GD Wackrill*	–	–	–	660 000	–	–	–	660 000
LE Mthimunye*^	755 000	113 250	868 250	–	–	–	–	868 250
SV Zilwa*^	890 000	133 500	1 023 500	–	–	–	–	1 023 500
L Rood*^	–	–	–	–	–	–	–	–
	3 880 009	582 001	4 462 010	9 469 864	907 500	520 136	–	15 359 510

* *Non-executive director*
^ *Independent director*
$ *Lead independent director*
▲ *An amount of R1.79 million (2019: R1.70 million) was also paid to Mineworkers Investment Company (Pty) Ltd for services, inclusive of the non-executive and committee roles performed by MS Bomela and MZ Abdulla.*

R	Directors' fees approved	VAT	Directors' fees	Salary	Bonuses	Retirement benefit contributions	Other benefits/ share-based payments	Total
2019								
PG Serima	–	–	–	5 007 400	4 945 707	372 600	455 030	10 780 737
S Mansingh#	–	–	–	713 625	250 000	111 375	5 001	1 080 001
MC McGowan#	–	–	–	796 167	1 628 434	130 500	4 473 485	7 028 585
PK Dludla#	–	–	–	687 040	183 333	123 750	1 933 902	2 928 025
MS Bomela*▲	–	–	–	–	–	–	–	
MZ Abdulla*▲	–	–	–	–	–	–	–	
CS Seabrooke*^	1 265 009	189 754	1 454 763	–	–	–	–	1 454 763
P Langeni*$	875 000	131 249	1 006 249	–	–	–	–	1 006 249
GD Wackrill*	–	–	–	632 800	–	–	27 200	660 000
LE Mthimunye*^	575 000	86 251	661 251	–	–	–	–	661 251
SV Zilwa*^	809 992	121 499	931 491	–	–	–	–	931 491
L Rood*^✓	–	–	–	–	–	–	–	–
	3 525 001	528 753	4 053 754	7 837 031	7 007 474	738 225	6 894 618	26 531 102

* *Non-executive director*
^ *Independent director*
$ *Lead independent director*
▲ *An amount of R1.70 million (2018: R1.63 million) was also paid to Mineworkers Investment Company (Pty) Ltd for services, inclusive of the non-executive and committee roles performed by MS Bomela and MZ Abdulla. CN Pongweni was replaced by MZ Abdulla in the year as non-executive director.*
✓ *Leon Rood was appointed alternate to Chris Seabrooke, effective 1 February 2019.*
Effective 31 October 2018, MC McGowan resigned as Group Chief Financial Officer. He was replaced by PK Dludla, who resigned effective 8 March 2019, whereafter S Mansingh was appointed as the new Group Chief Financial Officer with effect from 1 April 2019.

	2020	2019
8. DIRECTORS' REMUNERATION (CONTINUED)		
Shares held by the directors at year-end were as follows:		
Chris Seabrooke (indirect)	50 147 662	49 000 000
Graham Wackrill	3 019 985	2 950 871
Pfungwa Serima	46 035	44 982

SAR scheme allocation summary

2020
The SAR scheme was replaced with the CSP scheme and as such is not applicable for the year ended 30 June 2020.

2019	No of rights at beginning of period	Rights granted	Rights exercised	Rights cancelled	No of rights at end of period
Pfungwa Serima	2 463 054	–	–	(2 463 054)	–
Mark McGowan	944 723	–	–	(944 723)	–
	3 407 777	–	–	(3 407 777)	–

The following directors and officers received grants for the Conditional Share Plan Options (CSP) on 1 October 2018 and 1 April 2019:

CSP scheme allocation summary

2020	No of rights at beginning of period	Rights granted	Rights exercised	Rights cancelled	No of rights at end of period
Pfungwa Serima	3 044 599	–	–	–	3 044 599
Shivan Mansingh	170 455	–	–	–	170 455
	3 215 054	–	–	–	3 215 054

2019	No of rights at beginning of period	Rights granted	Rights exercised	Rights cancelled	No of rights at end of period
Pfungwa Serima	1 678 034	1 366 565	–	–	3 044 599
Shivan Mansingh	–	170 455	–	–	170 455
Mark McGowan	708 048	–	–	(708 048)	–
	2 386 082	1 537 020	–	(708 048)	3 215 054

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CONSOLIDATED	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Motor vehicles R'000	Furniture and fittings and office equipment R'000	Total R'000
9. PROPERTY, PLANT AND EQUIPMENT						
Cost						
At 1 July 2019	377 225	367 856	66 560	75 258	30 550	917 449
Additions	13 627	26 995	4 086	4 318	3 566	52 592
Disposal of subsidiaries	–	–	(58)	(159)	(552)	(769)
Effect of foreign exchange differences	90	8 797	4 976	(3 226)	(1 431)	9 206
Reclassification	501	3 021	(1 425)	(2 140)	–	(43)
Disposals	(5 831)	(8 201)	(16 216)	(717)	(980)	(31 945)
At 30 June 2020	385 612	398 468	57 923	73 334	31 153	946 490
Accumulated depreciation and impairments						
At 1 July 2019	14 760	200 333	49 840	49 281	22 123	336 336
Depreciation	936	22 006	6 292	4 669	2 010	35 913
Disposal of subsidiaries	–	–	–	(159)	(408)	(567)
Effect of foreign exchange differences	52	(2 089)	2 414	(83)	1 134	1 428
Reclassification	1 308	658	(373)	–	–	1 593
Disposals	(3 234)	(6 432)	(15 425)	(350)	(935)	(26 376)
At 30 June 2020	13 822	214 476	42 748	53 358	23 924	348 328
Net book value						
At 30 June 2020	371 791	183 992	15 174	19 975	7 228	598 162
Cost						
At 1 July 2018	363 363	371 594	56 657	72 262	28 965	892 842
Additions	14 322	23 283	13 621	5 719	2 228	59 174
Disposal of subsidiaries	(298)	(5 928)	(2 908)	(679)	(567)	(10 381)
Transfer to intangible assets	–	(25 096)	–	–	–	(25 096)
Effect of foreign exchange differences	226	4 269	1 310	14	131	5 950
Disposals	(389)	(267)	(2 120)	(2 058)	(206)	(5 040)
At 30 June 2019	377 225	367 856	66 560	75 258	30 550	917 449

CONSOLIDATED	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Motor vehicles R'000	Furniture and fittings and office equipment R'000	Total R'000

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings R'000	Plant and equipment R'000	Computer equipment R'000	Motor vehicles R'000	Furniture and fittings and office equipment R'000	Total R'000
Accumulated depreciation						
At 1 July 2018	12 342	197 033	42 001	31 457	20 193	303 025
Depreciation	2 323	21 676	4 613	5 684	2 216	36 511
Disposal of subsidiaries	(267)	(2 080)	(2 700)	(519)	(534)	(6 100)
Impairment *	389	7	71	13 990	252	14 709
Transfer to intangible assets	–	(16 519)	–	–	–	(16 519)
Effect of foreign exchange differences	288	466	6 804	34	117	7 709
Disposals	(314)	(250)	(949)	(1 366)	(120)	(2 999)
At 30 June 2019	14 760	200 333	49 840	49 281	22 123	336 336
Net book value						
At 30 June 2019	362 465	167 523	16 720	25 977	8 427	581 113

A register of land and buildings is available for inspection at the registered office of the company.
Certain assets have been pledged as security against loans as detailed in note 18.1.
Land and buildings include leasehold improvements of R3.51 million (2019: R2.03 million).
The open market value of the properties was obtained from an independent expert. The open market value of the properties was based on the valuation done in 2020 and amounted to R476.8 million.

** In the 2019 financial year, certain vehicles within the Group were tested for impairment following an increase in their repair and maintenance costs. A material indicator for impairment was that the cash expected to be derived from the commercial use of these vehicles had significantly declined as the cost to maintain and repair these had significantly increased. An impairment of R13.9 million was thus recognised in the 2019 financial year.*

10. RIGHT-OF-USE ASSET

CONSOLIDATED	Land and buildings
Cost	
At 1 July 2019	
Change in accounting policy	**80 371**
Restated cost at 1 July 2019	**80 371**
Additions	**83 524**
Effect of foreign exchange differences	**671**
At 30 June 2020	**164 566**
Accumulated depreciation and impairments	
At 1 July 2019	**–**
Depreciation	**38 381**
At 30 June 2020	**38 381**
Net book value	
At 30 June 2020	**126 185**

Right-of-use asset relates to property leased by the Group in terms of IFRS 16.

The related lease liability is presented in note 18.3. Extension options exercised in the current year resulted in lease liabilities to be increased by R33m as at 30 June 2020.

CONSOLIDATED	Customer based intangible asset R'000	Computer software R'000	Total R'000
11. INTANGIBLE ASSETS			
Cost			
At 1 July 2019	61 692	40 477	102 169
Additions	–	3 581	3 581
Disposal of subsidiaries	–	(98)	(98)
Effect of foreign exchange differences	–	164	164
Disposals	–	(14 330)	(14 330)
At 30 June 2020	61 692	29 794	91 486
Accumulated amortisation			
At 1 July 2019	9 253	35 436	44 689
Amortisation	6 169	3 959	10 128
Effect of foreign exchange differences	–	706	706
Reclassification	–	(328)	(328)
Disposals	–	(14 207)	(14 207)
At 30 June 2020	15 422	25 566	40 988
Net book value			
At 30 June 2020	46 270	4 228	50 498
Cost			
At 1 July 2018	61 692	–	61 692
Additions	–	12 191	12 191
Transfer from property, plant and equipment	–	25 096	25 096
Effect of foreign exchange differences	–	3 190	3 190
At 30 June 2019	**61 692**	**40 477**	**102 169**
Accumulated amortisation			
At 1 July 2018	2 056	–	2 056
Amortisation	7 197	3 731	10 928
Transfer from property, plant and equipment	–	16 519	16 519
Impairment*	–	14 391	14 391
Effect of foreign exchange differences	–	796	796
At 30 June 2019	9 253	35 436	44 689
Net book value			
At 30 June 2019	**52 439**	**5 041**	**57 480**

** The impairment of software assets of R14.4 million in the 2019 financial year was a result of Metrofile no longer engaging in specific software development.*

12. GOODWILL

In line with the annual requirement to assess goodwill for impairment, the various groups of cash-generating units were assessed using the discounted cashflow method to determine the value in use; and the recently subdued economic impact of the lockdown measures across the various territories was also considered. The MRM Rest of Africa group CGU consists of MRM Kenya, MRM Mozambique and MRM Botswana, and the Products and Services CGU consists of Tidy Files. Goodwill attributable to these groups of CGUs were assessed for impairment and the following key assumptions were applied:

- Revenue growth rates of between 0% and 8% (2019: 3% - 5%)
- Cost growth rates of between 3% and 5.5% (2019: 3% - 5%)
- Discount rates (pre-tax WACC) of between 12% and 24% (2019: 12% - 17%)

The reduction in growth rates and increase in discount rates are a result of the current economic climate and the resulting impact of the various lockdowns that resulted from the COVID-19 pandemic. As a result of this assessment, the value in use of these CGUs was deemed to be lower than the carrying amount and a total impairment of goodwill of R118 million was required.

Net carrying value of goodwill attributable to the following groups of cash generating units:

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
MRM South Africa	**132 323**	132 323		
MRM Rest of Africa	**129 077**	229 837		
Products and Services	**55 261**	76 541		
	316 661	438 702		
Opening balance	**438 702**	484 437		
Goodwill recognised in the reporting period*	**2 671**	3 673		
Goodwill impaired	**(118 404)**	(18 332)		
Goodwill relating to disposal of subsidiary	**(6 308)**	(31 076)		
Closing balance	**316 661**	438 702		

** This relates to the foreign currency translation effect on foreign denominated goodwill.*

Goodwill impairment testing

Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. The CGUs represent the identifiable assets for which an active market exists and which generate independent cash flows.

The carrying amount of goodwill is subject to an impairment test. The impairment tests are carried out on all goodwill and indeterminate life intangible assets within each CGU. As a result of the COVID-19 pandemic the Group has reassessed goodwill for impairment at 30 June 2020 by considering information available at 30 June 2020 and after the reporting period. Where necessary the key assumptions were amended to take into account information available at 30 June 2020.

Impairment of goodwill arises when the recoverable amount of the CGU is less than the carrying value including goodwill. For the purpose of the goodwill impairment tests the carrying value of goodwill is grossed-up to include the non-controlling interest. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use. In most instances it is inappropriate to use the fair value less costs to sell as no reliable estimate is easily obtainable in determining the recoverable amount. Therefore the value in use method is used to assess the goodwill for impairment.

12. GOODWILL (CONTINUED)

Key assumptions used in value in use calculations

Cash flow projections in functional currency
The value in use is calculated using the forecasted cash inflows and outflows which are expected to be derived from continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on past experience, expected revenue, operating margins, working capital requirements and capital expenditure, based on approved budgeted financial information as well as available external market data.

The expected revenues are based on market assumptions, volume growth and price increases. No significant change in market share was assumed during the forecasted period of five years and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years but adjusted for the expected impact of COVID-19 during the forecasted period. The exchange rates used in the cash flow projections were consistent with external sources of information.

Operating margins reflect past experience but are adjusted for any expected changes for the individual CGU.

Cash flow projections cover a five-year forecast period, which are then extrapolated into perpetuity using applicable terminal growth rates.

The key assumptions used in arriving at projected cash flows

Market share assumptions and operating margins were used in the cash flow projections of the CGUs.

Growth rates
Growth rates applied are determined based on future trends within the industry, geographic location and past experience within the operating divisions. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

The Group used steady growth rates to extrapolate revenues beyond the forecasted period, which were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGUs operates. These long-term forecasted growth rates have been affected by macro-economic factors, which has resulted in the rates reducing compared to the prior year.

Discount rates applied
A key assumption in the impairment assessment is the discount rate. The discount rates were determined by management and present the current market assessment of the risks for each CGU. The rates take into consideration the time value of money and the individual risks of the underlying assets that have not been taken into account in the cash flow projections. The discount rate calculations are derived from the CGU's weighted average cost of capital being the cost of debt and the cost of equity. The increased uncertainties arising from the pandemic led to a decision to use most recent market data, including country risk premiums. Additional specific risk premiums attributable to the COVID-19 pandemic were not added to the cost of capital; instead the impact of pandemic was considered in the cash flow projections.

The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium, country risk premiums and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. In some markets, equity risk premiums have increased slightly primarily due to higher country risk premiums. The cost of debt is based on the cost of interest-bearing borrowings and lease obligations the CGU has to service.

The debt-to-equity ratio applied at arriving at the weighted average cost of capital was determined by applying market value weights based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities. The inclusion of leases' obligations into cost of debt has increased the weighting debt in the cost of capital. Despite an increase in the cost of equity, the lower cost of debt and the increased weight of debt resulted in a small reduction in discount rates applied.

Given the volatility within financial markets, there is a risk that a prolonged pandemic could lead to increased discount rates. However after witnessing an improvement in trading conditions after the reporting period the Group believes that the key assumptions used in the goodwill impairment test, as disclosed above, remain appropriate.

Impairment of goodwill
The impairment charge is included in the consolidated income statement.

The significant goodwill impairments by group of CGUs were as follows:

		DISCOUNTED RATES PRE-TAX WACC		GROWTH RATES	
CGU	**R'000**	**2020**	**2019**	**2020**	**2019**
MRM Rest of Africa	97 530	12% - 24%	12% - 17%	3% - 5.5 %	3% - 5%
Products and Services	20 874	13% - 24%	13% -17%	0% - 5%	3% - 5%
Total	118 404				

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
13. INVENTORIES				
Maintenance spares				
Goods available for sale	**16 413**	16 863		
Work in progress	**272**	193		
Consumables	**458**	857		
Total inventory	**17 143**	17 914		
Less: provision for obsolete inventory	**(636)**	(420)		
Net inventory	**16 507**	17 494		

Inventories are carried at cost. The cost of inventories recognised as an expense in respect of write-downs of inventory to net realisable value is R nil (2019: R nil).

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
14. TRADE AND OTHER RECEIVABLES				
Trade receivables	**204 475**	196 896		
Loss allowance	**(14 536)**	(5 238)		
Provision for credit notes	**(4 525)**	(401)		
	185 414	191 257		
Other receivables (includes prepayments and deposits)	**31 946**	35 329	**196**	220
	217 360	226 586	**196**	220
Trade and other receivables are stated after the following loss allowances:				
Expected credit loss allowance and provision for credit notes				
Opening balance	**(5 639)**	(4 909)		
Loss allowance utilised	**402**	–		
Loss allowance recognised	**(13 823)**	(730)		
Closing balance	**(19 060)**	(5 639)		

The carrying value of trade and other receivables approximates its fair value.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties.

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.

There has been a change to the Group's exposure to these risks and has been adequately addressed as detailed below.

These risks are managed and measured year on year. The Board of Directors is responsible for managing these risks.

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Expected credit loss

Management has assessed the expected credit losses for trade receivables. Due to the global financial uncertainty arising from COVID-19, management has increased the expected loss rates for trade receivables based on its judgement as to the impact of COVID-19 on the trade receivables portfolio. In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. This has resulted in a R14.5 million ECL provision (2019: R5.2 million) which represents an increase from 3% to 7% of trade receivables due to the impact of COVID-19.

	2020	2019
Debtors gross carrying amount	**204 475**	196 896
Bad debt provision	**14 536**	5 238
% of debtors	**7%**	3%

Ageing of impaired trade debtors

	Increased due to the COVID-19 impact June 2020		
	Expected credit loss rate	Gross carrying amount R'000	Provision for doubtful debts R'000
0 - 60 days	**1.87%**	**134 104**	**2 512**
60 - 90 days	**13.32%**	**20 865**	**2 779**
90 - 120 days	**10.24%**	**40 487**	**4 145**
120+ days	**56.55%**	**9 019**	**5 100**
		204 475	**14 536**

We expect that the increase in the provision will provide for any unexpected turn of events due to the COVID-19 impact on the economy, as changes have already been observed in the economy and various industries. This also addresses any political or other uncertainties that may arise beyond the Group's control.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Neither past due nor impaired	**186 915**	188 125	**196**	220
Trade receivables	**154 969**	152 796	**–**	–
Other receivables	**31 946**	35 329	**196**	220
Not past due but impaired				
Trade receivables	**5 290**	680		
Past due and impaired				
Trade receivables	**9 245**	4 558		
Total financial assets	**201 450**	193 363	**196**	220
Neither past due nor impaired	**186 915**	188 125	**196**	220
Not past due but impaired	**5 290**	680	**–**	–
Past due and impaired	**9 245**	4 558	**–**	–
Total financial assets	**201 450**	193 363	**196**	220

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
15. ORDINARY SHARE CAPITAL AND SHARE PREMIUM				
15.1 Share capital				
Number of shares				
Authorised				
Authorised ordinary shares at year-end	**500 000**	500 000	**500 000**	500 000
Issued				
Shares issued at year-end	**433 700**	424 906	**443 855**	443 855
Unissued shares at year-end	**66 300**	75 121	**56 145**	56 145
Balance at beginning of year	**424 906**	416 164	**443 855**	435 140
Scrip dividend declared	**8 794**	8 715	**8 794**	8 715
Transfer of treasury shares	**–**	27		
Balance at year-end	**433 700**	424 906	**452 649**	443 855

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 ("the Act"), the Memorandum of Incorporation of the company and the JSE Limited ("JSE") Listings Requirements, where 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.

	CONSOLIDATED 2020 R'000	CONSOLIDATED 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Value of shares				
Issued				
Issued at beginning of year	**2 675**	2 675	**2 675**	2 675
Issued at the end of the year	**2 675**	2 675	**2 675**	2 675
15.2 Share premium				
Balance at beginning of year	**552 384**	539 874	**942 475**	929 965
Scrip dividend declared	**18 774**	12 510	**18 774**	12 510
Balance at year-end	**571 158**	552 384	**961 249**	942 475
Total share capital and share premium	**573 833**	555 059	**963 924**	945 150

Capital risk management

The capital structure of the Group is evaluated by the Board of Directors on a regular basis. The Group 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 Group maintained a positive shareholders' equity and there were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed regulatory capital requirements.

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	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
16. OTHER RESERVES				
Balance at the beginning of the year	**2 778**	15 950		
Equity–settled employee benefits reserve	**(236)**	(8 764)		
Foreign currency translation reserve	**2 475**	(4 388)		
Balance at year-end	**5 017**	2 778		
Comprises:				
Equity-settled employee benefits reserve	**3 619**	3 855		
Foreign currency translation reserve	**1 398**	(1 077)		
	5 017	2 778		

17. SHARE-BASED PAYMENTS

In November 2016, shareholders approved the implementation of a Conditional Share Plan ("CSP") to replace the SAR scheme.

The scheme has performance conditions attached to it, which must be achieved in order for vesting to occur.

The scheme is equity settled and the calculated IFRS 2 charge booked to the statements of comprehensive income over the vesting period of the grants; these charges are not revalued. The SAR grants were valued using the Black Scholes model. Expected volatility is based on the historical share price volatility over the past 3 years. The key inputs to the scheme were share price related as well as perfomance conditions. At year-end it was assessed that the vesting conditions were not met, resulting in the shares being cancelled in the current year.

Details of the share-based payment awards under the above scheme are contained in the note below.

The equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan.

Conditional Share Plan (CSP)

Allocation summary	CSP	CSP	CSP	CSP
Grant date of award	15/12/2016	13/10/2017	01/10/2018	01/04/2019
Share price on grant date	4.75	4.30	2.67	1.40
Total number of performance shares	–	2 228 369	3 000 000	170 455
Total number of retention shares	–	–	–	–
Dividend yield (NACC)	4.50%	5.70%	6.50%	7.40%
Percentage vesting due to performance condition	0%	0%	60%	60%
Attrition rate per annum	5%	5%	5%	5%
Outstanding at the beginning of the year	**1 265 814**	**2 501 010**	**3 374 540**	**170 455**
Granted during the year				
Vested during the year	**343 365**	**–**	**–**	**–**
Forfeited during the year	**922 449**	**272 641**	**374 540**	**–**
Cancelled during the year				
Outstanding at year-end	**–**	**2 228 369**	**3 000 000**	**170 455**
Exercisable at year-end	–	–	–	
Weighted average share price at date of exercise*	N/A	N/A	N/A	N/A
Number of remaining participants	8	12	13	16

** During the year no shares were exercised as they were all in their vesting period, therefore the weighted average share price at date of exercise was not applicable at year-end.*

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
18. NON-CURRENT LIABILITIES				
18.1 Interest-bearing liabilities				
Standard Bank bullet loan facility	**200 036**	200 195		
Being a R200 million loan, accruing interest at a rate equal to a three month (Johannesburg interbank agreed rate) ("JIBAR") plus margin as per below interest rate scale. 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 2%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital to be repaid not later than 30 June 2024.				
Less: amounts payable within one year reflected under current liabilities	**200 036**	200 195		
Standard Bank amortising facility	**122 025**	161 757		
Being a R200 million loan, accruing interest at a rate equal to a three month (Johannesburg interbank agreed rate) ("JIBAR") plus margin as per below interest rate scale. 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 2%, 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 consecutive quarterly instalments, starting at 30 September 2019 and ending on 30 June 2024.	**161 220**	200 190		
Less: amounts payable within one year reflected under current liabilities	**(39 195)**	(38 433)		
Standard Bank revolving credit loan facility	**200 036**	200 195		
Being a R200 million loan, accruing interest at a rate equal to a three month (Johannesburg interbank agreed rate) ("JIBAR") plus margin as per below interest rate scale. 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 2%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital to be repaid not later than 14 June 2024.	**200 036**	200 195		
Less: amounts payable within one year reflected under current liabilities				
Less: debt refinancing costs capitalised	**(2 212)**	(2 398)		

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
18. NON-CURRENT LIABILITIES (CONTINUED)				
18.1 Interest-bearing liabilities (continued)				
Finance leases	**225**	305		
Being finance leases over motor vehicles in Abu Dhabi, UAE. The loan is repayable in 48 equal monthly instalments of R17 185 and bears interest at rates between 5% and 6.5% per annum. The final instalment is in February 2022.The Company's obligations under the finance leases are secured by the lesssor's charge over the leased assets. The book value of the assets at 30 June 2020 was R312 560 (2019: R396 990).	**225**	305		
Being various finance leases over operating assets. The average lease term is 36 months and the average effective borrowing rate was 6%. Interest rates are linked to the prime rate at contract date. All leases have repayments which vary with changes in the prime rate and no arrangements have been entered into for contingent rent. The Company's obligations under the finance leases are secured by the lessor's charge over the leased assets. The book value of the assets at 30 June 2019 was R1 480 552. These leases were settled in the current year.		1 948		
Less: amounts payable within one year reflected under current liabilities.		(1 948)		
Total non-current interest-bearing liabilities	**520 110**	560 053		
18.2 Interest-bearing liabilities				
Short-term portion of long-term liabilities				
– Standard Bank amortising facility	**39 195**	38 434		
– Finance leases	**–**	1 948		
Total current liabilities	**39 195**	40 381		
Total non-current liabilities	**559 306**	600 434		

The carrying value of interest bearing liabilities approximate their fair value.

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 Limited and Metrofile (Pty) Ltd as security for its obligations under the guarantees provided by it to the capital providers. Certain land and buildings were provided as security for the above loans.

Interest rate scale

Gross debt/EBIDTA	Bullet/RCF loan (3 month JIBAR plus) %	Amortisation loan (3 month JIBAR plus) %
Greater than 2.5 times	2.95	2.65
Greater than 2.00 times, less than 2.5 times	2.75	2.45
Less than 2.00 times	2.55	2.25

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
18. NON-CURRENT LIABILITIES (CONTINUED)				
18.2 Interest-bearing liabilities (continued)				
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 and are linked to the JIBAR rate and prime rate of interest. The Group manages the exposure to interest rate risk by managing its performance against the interest rate scales provided by the financial institutions.				
Impact on profit/loss and equity if interest rates increase by 50 basis points, as the Group's operates in the environment where interest rates are fairly stable, rate increases are generally around/below 50 base points.	**2 925**	3 559		
Interest rate risk is calculated based on the interest on outstanding long term debt at year-end.				
Liquidity risk				
The Group 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.				
The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continually monitoring forecast and cash flows, by matching the maturity profiles of financial assets, by liabilities maintaining a balance between long-term and short-term debt and ensuring that adequate unutilised borrowing facilities are maintained.				
There has been no change to the Group's exposure to these risks and the manner in which these risks are managed and measured. The Board of Directors is responsible for managing these risks.				
Borrowing capacity:				
Amount approved	**680 000**	720 000		
Amount utilised	**(564 256)**	(633 818)		
Total additional borrowings available	**115 744**	86 182		
The following banking facilities were in place at the end of the current financial year:				
Standard Bank — **R'000**				
– Working capital facility — 120 000	**120 000**	120 000		
First National Bank				
– Settlement facility	**–**	10 000		
Financial liabilities at amortised cost				
Interest-bearing liabilities	**(559 306)**	(600 434)		
Trade and other payables	**(93 829)**	(101 869)	**(2 728)**	(2 400)
Non-interest bearing liabilities	**–**	(582)		
Bank overdraft	**(4 988)**	(36 717)		
Total financial liabilities at amortised cost	**(658 123)**	(739 602)	**(2 728)**	(2 400)

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	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
18. NON-CURRENT LIABILITIES (CONTINUED)				
18.2 Interest-bearing liabilities (continued)				
Maturity profile				
Interest-bearing liabilities				
The maturity profile is based on undiscounted cashflows of financial liabilities				
Capital				
2020	–	40 231		
2021	**39 107**	39 107		
2022	**39 982**	39 982		
2023	**40 912**	40 912		
2024	**442 020**	442 020		
	562 021	602 252		
Interest				
2020	–	58 559		
2021	**54 671**	54 671		
2022	**50 861**	50 861		
2023	**46 954**	46 954		
2024	**43 059**	43 059		
	195 545	254 104		
Other				
2020	–	139 168	–	2 400
2021	**85 809**	–	**2 728**	–
	843 375	995 524	**2 728**	2 400
18.3 Capitalised lease liabilities				
Lease liability comprises:				
IFRS 16 Lease liability	**133 210**			
Lease commitments				
Not later than one year	**29 667**			
Later than one year and not later than five years	**80 150**			
Later than five years	**23 393**			
	133 210			
Non-current liabilities	**103 543**			
Current liabilities	**29 667**			
	133 210			

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
19. CURRENT LIABILITIES				
19.1 Trade and other payables				
Trade payables	**35 501**	44 880	**59**	56
Accrued expenses	**29 728**	19 896	**608**	533
Dividends for shareholders	**2 172**	1 802	**2 035**	1 802
VAT creditor	**6 247**	7 298	**–**	–
Payroll accruals	**6 691**	6 677	**–**	–
Credit balances in debtors	**–**	–	**26**	–
Leave pay accrual	**8 022**	10 525	**–**	–
Lease smoothing liability	**–**	4 048	**–**	–
Sundry creditors	**11 717**	14 042	**–**	9
	100 078	109 168	**2 728**	2 400
The carrying value of trade and other payables approximates its fair value.				
19.2 Non-interest bearing liabilities				
Outside shareholders – current accounts	**–**	582		
These liabilities have no fixed repayment terms and are non-interest bearing.				
The carrying value of non-interest bearing liabilities approximate their fair value.				
	–	582	**–**	–
Total trade and other payables	**100 078**	109 750	**2 728**	2 400
20. COMMITMENTS				
20.1 Authorised capital expenditure				
Authorised capital expenditure for the 2021 year amounts to R67 million (2020: R93 million).				
20.2 Operating leases				
Future leasing charges for premises and vehicles				
Payable within one year	**8 525**	45 435		
Payable within two to five years	**–**	52 678		
Payable within six to ten years	**–**	–		
	8 525	98 113		
The Group entered into various short-term lease agreements related to buildings and vehicles not owned by the Group on which the Group elected not to account for under IFRS 16.				

21. CONTINGENT LIABILITIES

There are no known contingent liabilities to report (2019: R nil).

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
22. FINANCIAL INSTRUMENTS				
22.1 Classification of financial instruments				
Financial assets at amortised cost				
Trade receivables	**185 414**	191 257	**–**	–
Investment in unlisted subsidiaries**	**–**	–	**264 018**	278 998
Vendor consideration*	**3 500**	10 532	**–**	–
Long-term vendor consideration*	**–**	3 500	**–**	–
Amount owing by subsidiaries – non-interest-bearing**			**549 291**	614 160
Other receivables*	**31 946**	35 329	**196**	220
Bank balances*	**37 187**	34 983	**5**	480
	258 048	275 601	**813 510**	893 858
Financial liabilities at amortised cost				
Interest-bearing liabilities	**(559 305)**	(600 434)		
Trade and other payables	**(85 809)**	(101 870)	**(2 728)**	(2 400)
Non-interest-bearing liabilities	**–**	(582)		
Amount owing to subsidiaries – non-interest-bearing			**(318 423)**	(171 534)
Lease liabilities	**(133 210)**	–	**–**	–
Bank overdraft	**(4 988)**	(36 717)		
Total financial liabilities	**(783 312)**	(739 603)	**(321 151)**	(173 934)
Total net financial (liabilities)/assets	**(525 264)**	(464 002)	**492 359**	719 924

* *The expected credit loss is nil and as such this amount is considered to be fully recoverable.*

** *The expected credit loss is as the impairment recognised, referred to note 31 for details of the expected credit loss recognised.*

The carrying value of financial assets and financial liabilities approximate their fair value.

22.2 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.

There has been no change to the Group's exposure to these risks and the manner in which these risks are managed and measured. The Board of Directors is responsible for managing these risks.

As at 30 June 2020 the Group had no open forward exchange contracts in place.

There were no foreign denominated assets/liabilities at 30 June 2020 (2019: nil).

There were no existing foreign currency forward exchange contracts at 30 June 2020 (2019: nil).

Total foreign purchases for the year amounted to R7.30 million (2019: R6.03 million). A 10% increase/decrease on the exchange rate would have resulted in a R0.73 million (2019: R 0.6 million) increase/decrease in purchases respectively resulting in an increase/decrease in profit/loss and equity. Foreign currency risk is calculated by taking 10% of the total foreign purchases for the year. All purchases are receipted into stock and booked out against sales invoices, maintenance contracts or as direct inputs in the conversion bureaus. Direct sales to customers of foreign sourced goods are adjusted daily to cater for exchange rate fluctuations.

23. 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 one defined contribution retirement benefit plan administered by 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 R17.5 million (2019: R10.6 million) represents contributions paid to the scheme.

24. 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. There were no significant transactions with non-controlling interests in subsidiaries. Significant related party transactions are detailed below.

Group management fees

Management fees of R1.792 million (2019: R1.706 million) were paid to Mineworkers Investment Company (RF) Proprietary Limited. Mineworkers Investment Company (RF) Proprietary Limited is a shareholder of Metrofile Holdings Limited.

Please refer to note 8 for directors' remuneration.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
25. PROVISIONS				
Opening balance	**9 233**	4 093		
Provisions raised	**12 332**	17 481		
Provisions utilised	**(8 268)**	(12 341)		
Closing balance	**13 297**	9 233		
The above provision relates to bonuses. The bonus provision is calculated as the estimated liability for the year-end bonuses to employees. The amount is paid out within the next 12 months.				
26. CASH FLOW STATEMENT				
26.1 Reconciliation of profit before taxation to cash generated by operations				
Profit/(loss) before taxation	**17 348**	52 010	**(196 987)**	(54 492)
Adjusted by:	**264 376**	198 604	**195 284**	53 004
Profit on disposal of property, plant and equipment	**(217)**	–	**–**	–
Depreciation and software amortisation	**84 422**	48 933	**–**	–
Finance cost	**67 317**	69 375	**–**	–
Expense recognised in respect of equity-settled shared-based payments	**(236)**	(8 784)	**–**	–
Impairments	**118 404**	85 870	**195 284**	16 130
Interest income	**(2 004)**	–	**–**	–
Loss on sale of subsidiary	**222**	3 210	**–**	36 874
Loss on disposal of business	**4 199**	–	**–**	–
Foreign exchange gains/losses	**(7 731)**	–	**–**	–

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		CONSOLIDATED		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
26.	**CASH FLOW STATEMENT (CONTINUED)**				
26.1	**Reconciliation of profit before taxation to cash generated by operations (continued)**				
	Operating cash flows before working capital changes	**281 724**	250 614	**(1 703)**	(1 488)
	Changes in working capital	**2 541**	2 910	**118**	35
	Decrease/(increase) in inventories	**959**	(1 423)	**–**	–
	Decrease/(increase) in receivables	**5 261**	(15 392)	**24**	(62)
	(Decrease)/increase in payables, provisions and deferred income	**(3 679)**	19 725	**93**	97
	Cash generated by/(utilised in) operations	**284 265**	253 524	**(1 585)**	(1 453)
26.2	**Taxation paid**				
	Taxation balance at beginning of the year	**(4 340)**	(3 788)		
	Current tax expense for the year	**(40 321)**	(54 038)		
	Subsidiaries acquired	**–**	–		
	Non-income statement adjustments	**1 938**	(3 846)		
	Taxation balance at year-end	**3 323**	4 340		
	Total taxation paid	**(39 400)**	(57 332)		
26.3	**Increase/(decrease) in loans with subsidiaries**				
	Loans advanced to subsidiaries	**–**	–	**31 452**	43 600
	Loans repaid by subsidiaries				
26.4	**Disposal of subsidiary**				
	The net book value of assets disposed in the sale of Metrofile Zambia are as follows:				
	Net asset value	**397**	–		
	Goodwill	**6 308**	–		
		6 705	–		
	Less: bank balances	**(940)**	–		
		5 765	–		
	Loss on disposal	**(222)**	–		
	Proceeds on disposal of subsidiary	**5 543**	–		

27. EVENTS AFTER REPORTING DATE

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

28. SEGMENTAL REPORT

Segmental disclosure is based on the geographical areas and consists of Metrofile Records Management ("MRM") South Africa, MRM Rest of Africa, MRM Middle East, Products and Services South Africa and Central and Eliminations. Operating profit is the key measure of segmental performance.

R'000	Revenue		EBITDA	
	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2019	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2019
MRM South Africa	**543 027**	555 885	**254 151**	233 652
MRM Rest of Africa	**106 030**	104 612	**48 160**	39 249
MRM Middle East	**54 666**	41 869	**4 692**	(5 602)
Products and Services South Africa	**199 549**	211 049	**25 115**	29 707
Central and Eliminations	**–**	–	**(30 422)**	(25 833)
Total	**903 272**	913 415	**301 696**	271 173
South African operations	**742 576**	766 934	**248 844**	237 526
Non-South African operations	**160 696**	146 481	**52 852**	33 647

R'000	Operating profit		Tangible Assets*	
	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2019	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2019
MRM South Africa	**207 280**	204 165	**708 403**	669 190
MRM Rest of Africa	**30 345**	34 539	**149 293**	81 136
MRM Middle East	**1 997**	(8 286)	**59 537**	37 290
Products and Services South Africa	**7 726**	19 338	**98 837**	87 532
Central and Eliminations	**(30 074)**	(26 022)	**(17 168)**	(941)
Total	**217 274**	223 734	**998 902**	874 207
South African operations	**184 932**	197 481	**790 072**	755 781
Non-South African operations	**32 342**	26 253	**208 830**	118 426

** Tangible assets comprises property, plant and equipment, right-of-use asset, inventories, trade and other receivables, loan receivables and cash and cash equivalents.*

R'000	Revenue streams	
	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2019
Secure storage	**588 160**	566 684
Digital services	**124 708**	135 351
Products and solutions	**133 404**	157 527
Business support services	**57 001**	53 853
Total	**903 272**	913 415

The segmental report is based on the information provided to the chief operating decision makers, Pfungwa Serima and Shivan Mansingh.

29. DISCONTINUED OPERATIONS

Effective 30 June 2019 Metrofile disposed of the shares in CSX Customer Services (Pty) Ltd ("CSX") for a total purchase consideration of R14 million. This disposal met the recognition criteria to be classified as a discontinued operation at 30 June 2019. The first cash payment of R0.5m was paid on 1 July 2019 and the second cash payment of R10 million on 30 September 2019. The third payment of R3.5 million is due on 30 June 2021, and is interest-bearing compounded monthly in arrears, at a rate of prime from the effective date of sale.

	CONSOLIDATED		COMPANY	
R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
STATEMENT OF PROFIT AND LOSS				
Revenue	–	93 246		
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	–	5 393		
Depreciation and amortisation	–	(1 182)		
Operating profit/(loss)	–	4 211		
Disposal of goodwill	–	(30 076)		
Loss on sale of business	–	(3 210)		
(Loss) before finance costs	–	(29 075)		
Net finance costs	–	–		
(Loss) before taxation	–	(29 075)		
Taxation credit/(expense)	–	1 226		
(Loss) for the year from discontinued operations	–	(30 301)		
STATEMENT OF CASH FLOWS				
Cash flows attributable to operating activities	–	6 448		
Cash flows attributable to investing activities	–	(191)		
Cash flows attributable to financing activities	–	(5 605)		
Cash flow for the period from discontinued operations	–	652		
STATEMENT OF FINANCIAL POSITION				
Plant and equipment	–	4 311		
Deferred tax asset	–	2 050		
Inventories	–	18 676		
Trade receivables	–	9 065		
Other receivables	–	717		
Cash and cash equivalents	–	1 442		
Deferred taxation liability	–	(115)		
Trade and other payables	–	(9 775)		
Deferred revenue	–	(6 505)		
Provisions	–	(2 623)		
Net assets disposed	–	17 242		
Vendor purchase consideration	–	14 032		
Loss on disposal	–	(3 210)		

R'000	CONSOLIDATED 2020 R'000	CONSOLIDATED 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
30. INVESTMENT IN UNLISTED ASSOCIATE				
Unlisted associate				
Al Bidda Metrofile				
Shares at cost	**449**	449		
Loan account advanced in 2017	**5 337**	5 337		
The above loan is unsecured, interest free and has no specified terms of repayment				
Impairment of unlisted associate	**(5 786)**	(5 786)		
	–	–		

31. SUBSIDIARIES

31.1 Investment in unlisted subsidiaries

Subsidiary	Nature of Business	Percentage holding 2020 %	Percentage holding 2019 %	Cost of investment 2020 R'000	Cost of investment 2019 R'000	Net indebtedness 2020 R'000	Net indebtedness 2019 R'000
Metrofile (Pty) Ltd♦	Records management	**100**	100	**173 753**	173 753	**10 281**	14 032
Metrofile Management Services (Pty) Ltd♦	Management services	**100**	100	**–**	–	**569 155**	596 858
Tidy Files (SA) (Pty) Ltd	Filing systems	**100**	100	**78 105**	78 105	**–**	–
Dexterity Solutions (Pty) Ltd	Services	**100**	68	**–**	–	**–**	–
Global Continuity (SA) (Pty) Ltd	Business continuity	**100**	100	**4 000**	4 000	**3 270**	3 270
Cleardata (Pty) Ltd	Confidential records destruction	**100**	100	**23 140**	23 140	**(1 900)**	(1 900)
				278 998	278 998	**580 806**	612 260
Provision for impairment*				**(14 980)**	–	**(349 938)**	(169 634)
				264 018	278 998	**230 868**	442 626
Reflected as: Amounts owing by subsidiaries – non-interest-bearing						**549 291**	614 160
Amounts owing to subsidiaries – non-interest-bearing						**(318 423)**	(171 534)

At 30 June 2020, 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 2020, Metrofile Holdings Limited had ceded and pledged all its interests in the claims and shares of the subsidiaries to the capital providers.*
* *The provision for impairment relates to the investment in Tidy Files and the loan between Metrofile Holdings Limited and Metrofile Management Services (Pty) Ltd.*
The carrying value of the unlisted investment in subsidiaries approximates their fair value.

31. SUBSIDIARIES (CONTINUED)

31.2 Subsidiaries – Group

The following subsidiaries are held by Metrofile Management Services (Pty) Ltd and have been consolidated into Metrofile Holdings Limited:

		Percentage holding		Cost of investment	
		2020	2019	2020	2019
Subsidiary	Nature of Business	%	%	R'000	R'000
Metrofile Records and Information Management Botswana (Pty) Ltd	Records management	**100**	100	**–**	–
Metrofile Records and Information Management Services Ltd – Zambia*/♦	Records management	**–**	60	**–**	5 768
Metrofile Mozambique LDA*	Records management	**51**	51	**–**	–
E-File Masters LLC#	Records management	**80**	60	**5 094**	–
Metrofile Nigeria (Pty) Ltd #	Records management	**100**	62	**3 864**	700
Metrofile Records Management (Kenya) Ltd*	Records management	**100**	100	**278 814**	278 814
				287 772	285 282
Provision for impairment**				**(145 744)**	–
				142 028	285 282

** The above entities have a 31 December year-end.*
♦ Metrofile Zambia was disposed of in the current year.
 # The Group increased its shareholding in E-file Masters LLC and Metrofile Nigeria (Pty) Ltd.
*** Provision for impairment relating to the investment in Kenya and Nigeria was due to the impact of the COVID-19 pandemic.*

The carrying value of the unlisted investment in subsidiaries approximates their fair value.

32. BENEFICIAL SHAREHOLDERS

Beneficial shareholders holding 5% or more as extracted from the shareholder's register as at 30 June 2020:

	2020 %
Mineworkers Investment Company (RF) (Pty) Ltd	**33.7**
Sabvest Investment (Pty) Ltd	**11.08**
Ninety One	**7.91**

33. GOING CONCERN

The Group and Company's annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the Group and Company will not remain a going concern for the foreseeable future.

Performance

As reflected in these results, some of our businesses have seen impacts on volumes due to lockdown restrictions. April was the worst affected month with South Africa trading under level 5 lockdown restrictions. South Africa and other African markets continue to be impacted by various stages of lockdown restrictions, however we are observing a ramp-up in our operations and thus expect the impact of the COVID-19 pandemic not to significantly affect our operations and performance in the short-term.

Trading cash flows remain positive and are closely monitored whilst the Group cash reserves amount to R32 million.

For the 2021 financial year, subject to stable currencies, a steady recovery in revenue on the back of easing COVID-19 restrictions and a recovery in economies in which we operate, we expect our operations to deliver operating profit growth compared to the prior year and improved free cash flow generation.

33. GOING CONCERN (CONTINUED)

Solvency and liquidity

As at 30 June 2020, the consolidated statement of financial position reflects total equity of R508 million. The total borrowing facilities established at the reporting date amount to R680 million of which the unutilised capacity was R116 million.

The Group has externally imposed capital requirements in terms of debt covenants. The covenants, which are calculated on a basis pre IFRS 16, requires the Group to maintain a net debt to EBITDA of 2.75 times and an EBITDA to net interest expense ratio of no less than 3.5 times.

At 30 June 2020, the Group's covenant requirements were met and are expected to continue to be met in the foreseeable future.

Capital expenditure for the 2021 financial year will be limited to essential and committed expenditure. The focus for the immediate future will be operating cash flows aided by strict working capital management. These measures, all within management control and not impeding the ability to meet client demands, will provide greater liquidity and financial flexibility.

Structural changes

Other than the reduction in workforce in South Africa, no significant structural changes to the business, due to the COVID-19 pandemic, were required.

Conclusion

On the basis outlined above the directors consider it appropriate for the going concern basis to be adopted in preparing the annual financial statements.

CORPORATE INFORMATION

DIRECTORS

Christopher Stefan Seabrooke (67)*
BCom, BAcc, MBA, FCMA
Independent non-executive Chairman
17 years' service (Appointed 28 January 2003)
Chairman of the Nominations Committee

Mary Sina Bomela (47) ‡*
BCom (Hons), CA(SA), MBA
Non-executive director and deputy Chairman
10 years' service (Appointed 8 September 2010)
Chairman of the Social, Ethics and Transformation Committee

Pfungwa Gore Serima (55)#
BSC (CompSc) and Business Studies
Group Chief Executive Officer
Three years' service (Appointed 1 February 2016)

Shivan Mansingh (34)#
BaccSci, HDipAcc, CA(SA), MBA
Group Chief Financial Officer
18 months' service (Appointed 1 April 2019)

Phumzile Langeni (46)†‡#
BCom (Acc), BCom (Hons) MCom
Lead independent non-executive director
Chairman of Remuneration Committee
Eight years' service (Appointed 30 March 2012)

Muhammed Zaheer Abdulla (33)
BSc (Actuarial Science) Honours
Non-executive director
Two years' service (Appointed 15 September 2018)

Lindiwe Evarista Mthimunye (46)†#
BCom, CA(SA), MCom, H Dip Tax Law
Independent non-executive director
Three years' service (Appointed 1 July 2017)

Graham Dunbar Wackrill (66)
BCompt
Non-executive director
16 years' service (Appointed 1 July 2004)

Sindiswa Victoria Zilwa (53)#
BCompt (Hons), CA(SA), CD(SA)
Advanced Diploma in Financial Planning (UFS)
Advanced Diploma in Taxation (UNISA)
Advanced Diploma in Banking (RAU)
Independent non-executive director
Eight years' service (Appointed 17 October 2012)
Chairman of the Audit, Governance and Risk Committee

Leon Rood (43)
BCom, LLB
20 months' service (appointed 1 February 2019)
Independent non-executive alternate director to Christopher Seabrooke

SECRETARY AND REGISTERED OFFICE

Paige Atkins
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COMPANY REGISTRATION NUMBER

1983/012697/06

DATE OF INCORPORATION

18 November 1983

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Gauteng, South Africa
P O Box 61051, Marshalltown, 2107, Gauteng, South Africa
Telephone +27 11 370 5000
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AUDITOR

Deloitte & Touche
5 Magwa Crescent, Waterfall City, Waterfall, 2090, Gauteng, South Africa
Private Bag X6, Gallo Manor, 2052, Gauteng, South Africa

BANKERS

The Standard Bank of South Africa Limited

INVESTMENT BANK AND JSE SPONSOR

The Standard Bank of South Africa Limited
30 Baker Street, Rosebank, 2196, Gauteng, South Africa
P O Box 61344, Marshalltown, 2107, Gauteng, South Africa
P O Box 61771, Marshalltown, 2107, Gauteng, South Africa

INVESTOR RELATIONS

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† Audit, Governance and Risk Committee member
‡ Nominations Committee member
** Remuneration Committee member*
 # Social, Ethics and Transformation Committee member

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