METROFILE HOLDINGS LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

2023

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Annual financial statements

CEO and CFO responsibility statement

Each of the directors, whose names are stated below, hereby confirm that:

– The annual financial statements set out on pages 1 to 58, fairly present in all material respects the financial position, financial performance and cash flows of Metrofile Holdings Limited in terms of the International Financial Reporting Standards.
– To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.
– Internal financial controls have been put in place to ensure that material information relating to Metrofile Holdings Limited and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of Metrofile Holdings Limited.
– The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls.
– Where we are not satisfied, we have disclosed to the Audit, Governance and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies.
– We are not aware of any fraud involving directors.

PG Serima
Group Chief Executive Officer

11 September 2023

S Mansingh
Group Chief Financial Officer

11 September 2023

Statement of responsibility and approval

The directors are responsible for the preparation of consolidated and separate annual financial statements (annual 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 2023 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 annual 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 annual financial statements to management.

The directors are responsible for systems of internal control. These are designed to provide reasonable assurance as to the reliability of the annual 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 SA financial reporting requirements 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 annual financial statements have been prepared on a going concern basis, which presumes that assets will be realised and liabilities settled in the normal course of business. No adjustments have been processed to the classification or valuation of assets or liabilities, which may be necessary if the Group and Company are not able to continue as a going concern.

The financial statements have been audited by BDO South Africa Incorporated, which is independent and was 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. The unmodified audit report is presented on pages 8 to 10.

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 BDO South Africa Incorporated as external auditor for the 2024 financial year and Mr M Mantyi as the designated partner, 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 11 to 58 were approved by the Board on 11 September 2023 and are signed on their behalf by:

PG Serima
Group Chief Executive Officer

11 September 2023

S Mansingh
Group Chief Financial Officer

11 September 2023

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.

Elmarie Smuts
Company Secretary

Johannesburg

11 September 2023

Report of the directors

The directors submit their report together with the audited financial statements of Metrofile Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 30 June 2023.

Nature of business

Over the past four decades, Metrofile has established a credible and trusted reputation of being leaders in information governance and management offering quality products and services to organisations of all sizes and sectors across South Africa, Kenya, Botswana, Mozambique and the Middle East. We operate from 70 facilities at 35 locations covering 117 525 square meters of warehousing space. Metrofile's services assist clients in structuring, managing and accessing their information in any format, in any location, at any given time. Our clients are guided to ensure that adherence to all legislative requirements is met and that their most valuable asset, their information, is protected. Whilst retaining our core offerings, such as the physical management of records and information, and our expertise in space optimisation through a vast range of products, we have deepened our digital offerings. These digital offerings include the provision of data management services, including cloud backup, disaster recovery and specialised hosting in a private cloud, as well as business process optimisation through the use of advanced electronic information management systems. By providing end-to-end services across all aspects of the information management life cycle, we are well placed to meet the evolving demands of our clients and to assist them on their digital transformation journey, which includes digitising processes from end-to-end. Empowerment partner and strategic shareholder, Mineworkers Investment Company, owns 38.16% of Metrofile's equity.

Directors and Company Secretary

The directors of the Company as at the date of this report were as follows:

P Langeni^* (Chairman)	LE Mthimunye^*
MS Bomela* (Deputy Chairman)	CS Seabrooke^*
PG Serima (CEO)	STM Seopa^*
S Mansingh (CFO)	DL Storom*
SV Zilwa†*	L Rood^*
A Khumalo^*	(Alternate to CS Seabrooke)

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

Paige Atkins resigned as Company Secretary effective 31 July 2022 and Elmarie Smuts was appointed as the Company Secretary in a permanent capacity, in addition to her role as the Group Risk Officer, effective 1 November 2022.

There were no changes to the Board for the year ended 30 June 2023 and up to the date of this report.

The Board comprises two executive and eight non-executive directors, of whom six are independent directors.

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 22 November 2022.

At 30 June 2023, interests of the directors in the shares of the Company were as per the table on the next page. Subsequent to year end and the publication of these annual financial statements, the interests of the directors in the shares of the Company did not change.

Report of the directors (continued)

Directors and officers	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Total shares
MS Bomela, DL Storom†	–	–	–	165 480 445	165 480 445
A Khumalo	–	–	–	–	–
P Langeni#	–	450 000	–	–	450 000
S Mansingh	150 000	–	–	–	150 000
LE Mthimunye	–	–	–	–	–
CS Seabrooke*	–	–	–	56 000 000	56 000 000
PG Serima	46 035	–	–	–	46 035
STM Seopa	–	–	–	–	–
SV Zilwa	–	–	–	–	–

† *Mary Bomela and Lebohang Storom are CEO and Group Financial Manager of MIC respectively, which owns 165 480 445 shares being an economic interest of 38.16%. As MIC's representatives on Metrofile's Board, they have no economic interest in MIC personally.*

Phumzile Langeni is the CEO of Afropulse (Pty) Limited, which owns 450 000 shares in the Company, being an economic interest of 0.10%, of which she has a 50% beneficial interest.

* *The Seabrooke Family Trust has an indirect interest of 40.50% in this shareholding through Sabvest Capital Limited, i.e. an effective economic interest of 5.23%.*

Directors' interests in transactions

None of the directors, except where indicated in note 26 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, in any respect, remain outstanding.

Financial results

The statements of profit or loss and statements of other comprehensive income set out on pages 11 and 12 reflect the results of the operations of the Company and of the Group for the year ended 30 June 2023.

Statement of financial position

To present a statement of financial position that fairly reflects the financial position, asset values have been tested for impairment and no impairments were identified. 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 and no impairments have been made.

Commitments

Capital investment plans for the 2024 financial year amount to R68 million (FY2023: R73 million).

Significant contracts

Save for those agreements that have been disclosed to shareholders in terms of the Listings Requirements of the JSE Limited, the Group has not entered into any material contracts, other than in the ordinary course of business, during the two years prior to the date of this report.

Litigation

The Company and Group are 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 Company's and Group's financial position.

Dividends

The Board has resolved to declare a final cash dividend of 9 cents per share.

Notice is hereby given that a final gross cash dividend of 9 cents per share in respect of the year ended 30 June 2023 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 6 October 2023. The last day to trade cum-dividend will therefore be Tuesday, 3 October 2023 and Metrofile shares will trade ex-dividend from Wednesday, 4 October 2023. Payment of the dividend will be on Monday, 9 October 2023. Share certificates may not be dematerialised or rematerialised from Wednesday, 4 October 2023 to Friday, 6 October 2023, 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 7.2 cents per share. The Company's issued share capital at the period end is 433 699 958 shares (423 655 204 net of treasury shares) and the Company's tax number is 9375/066/71/0.

Subsidiaries

Details of the Company's operating subsidiaries at 30 June 2023 are set out in note 34.

Report of the directors (continued)

Share capital

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

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

	2023	2022
Opening balance	433 699 958	433 699 958
Closing balance	433 699 958	433 699 958
Treasury shares transaction for the year	(10 044 754)	–
Closing balance net of treasury shares	423 655 204	433 699 958

Further details of share capital can be found in note 17 of the annual financial statement.

Special resolutions

Special resolutions to approve the remuneration of the non-executive directors, a general authority to acquire the Company's own shares, authority to provide financial assistance to related/inter-related parties and to provide inter-Group loans and other financial assistance for purposes of funding the Group and a general authority to allot and issue shares pursuant to the Conditional Share Plan, were approved in the year under review.

Review of operations

MRM South Africa

Revenue from MRM South Africa increased by 14% to R613 million (FY2022: R539 million) mainly as a result of growth in image processing, paper services and improved sales volumes of flat boxes. Operating profit grew by 5% to R208 million (FY2022: R199 million) as a result of revenue growth and includes the additional costs related to the go-to-market industry team. Operating margin reduced due to the change in revenue mix, however we anticipate a recovery in margin as growth in revenue will result in improved utilisation of the investment made in the go-to-market team.

MRM Rest of Africa

MRM Rest of Africa consists of operations in Kenya, Botswana and Mozambique. Revenue increased by 15% to R105 million (FY2022: R91 million) and operating profit decreased by 4% to R27 million (FY2022: R28 million) due to various once-off costs within the region following changes in the operational environment, which we anticipate will improve going forward. Positive operational results were achieved in all territories with growth in net box volumes as well as digital services from existing and new clients.

MRM Middle East

MRM Middle East consists of operations in the United Arab Emirates and Oman. This region continued to grow and expand its digital project pipeline with revenue increasing by 15% to R99 million (FY2022: R86 million). Operating profit increased by 30% to R22 million (FY2022: R17 million).

Products and Services South Africa

Our Products and Services South Africa suite of offerings includes Tidy Files, Cleardata, Metrofile VYSION and IronTree. Overall, revenue increased by 20% to R318 million (FY2022: R264 million) with operating profit increasing by 33% to R38 million (FY2022: R28 million). Tidy Files achieved improved revenue due to increased demand from our clients, notwithstanding a challenging operating environment due to the flooding that occurred during December 2022 and January 2023, which along with extended loadshedding schedules, impacted productivity. Metrofile VYSION, which was launched 24 months ago, has continued to grow significantly with workflow automation related sales improving. IronTree continues to grow ahead of expectations and we are currently planning the expansion of its services into the other geographies in which we operate.

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. It is management's intention to refinance long term debt.
- 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 2024 reflect a continuation of positive trading.
- Key executive management is in place.
- Metrofile (Pty) Ltd is compliant with all aspects of the Common Terms of Agreement of Standard Bank of South Africa Limited and all loan covenant requirements.

Events after the reporting period

Up to the date of issuing this report, there were no material events after the reporting period. Interest-bearing liabilities were refinanced post year-end following a revised debt facilities agreement, with the new term facilities effective on 31 August 2023. This process has resulted in total debt facilities of R852 million comprising R652 million committed and R200 million uncommitted. At year end this was a non-adjusting event.

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 report

The Audit, Governance and Risk Committee (the Committee) comprised the following independent non-executive directors:
- Sindi Zilwa – Chairman
- Andile Khumalo
- Lindiwe Mthimunye
- Thabo Seopa*

* *Thabo Seopa was appointed as a member of the Committee effective 1 July 2023.*

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 BDO South Africa Incorporated as external auditor and Mr Mandisi Mantyi as the designated auditor. For the reporting period, the Committee has confirmed that BDO, the designated auditor and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15 (h) of the JSE Listings Requirements. The Committee further approved the fees to be paid to BDO South Africa Incorporated and its terms of engagement and pre-approved any proposed contract with BDO South Africa Incorporated for the provision of non-audit services to the Company.

As required by the JSE Listings Requirements 3.84(g)(i), 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:
- Ensured and reported on the integrity, reliability and accuracy of the Group's accounting and financial reporting systems.
- Considered and recommended the annual financial statements for approval by the Board.
- Considered that the going concern assertion remains appropriate, as well as the solvency and liquidity requirements of the Company.
- Ensured that it has oversight of the integrated annual report and the factors, risks and sustainability matters that may impact the integrity thereof.
- Reviewed the scope, independence and objectivity of the external auditor and agreed on appropriate fees.
- Reviewed the findings and reports of the external auditor.
- Considered the independence of the external auditor for the financial year ended 30 June 2023 and recommended the reappointment of the external auditor.
- Promoted the overall effectiveness of corporate governance in the Group.
- Reviewed the effectiveness of the design and implementation of internal financial controls, including internal financial reporting controls, and the nature and extent of any significant weaknesses in the design, implementation or execution of these controls that could result in material financial loss, fraud, corruption or error. This review also included requirements as per the JSE Listings Requirements 3.84(k) to enable the CEO and CFO responsibility statement as per page 1 of these annual financial statements.
- Ensured 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.
- Considered the significant risks in the Group's business environment.
- Assisted the Board in reviewing the risk management process.
- Provided oversight of the internal audit function of the Group.
- Monitored compliance with applicable legislation, governance codes and regulations.
- Assisted the Board in carrying out its information and technology governance responsibilities.
- Annual consideration of 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.
- Considered the JSE's most recent report back on proactive monitoring of financial statements, and took 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 2023.
- Evaluated the compliance register against the JSE Listings Requirements to ensure that it supports the certificate to be issued to the JSE by the Company Secretary.

Key audit matter

The Committee noted the key audit matter set out in the independent auditor's report, which is:
- Recoverability of goodwill.

Internal controls and internal financial control attestation

As part of the year end process, the Committee considered management's methodology, internal financial and financial reporting control environment, assessed these environments and related reporting to support the CEO and CFO responsibility statement, as required by the JSE Listings Requirements 3.84(k).

It was concluded that due process was followed to enable the CEO and CFO responsibility statement, that internal financial control deficiencies were reported to management, the Committee and external audit throughout the year; and that processes are in place to remediate the deficiencies reported, to ensure ongoing enhancement of the internal financial control environment.

The Committee noted that the deficiency reported for the previous financial year, have been remediated during the 2022 year end financial reporting process. For the 2023 financial year, no material deficiencies were noted for reporting.

As a result the Committee noted the CEO and CFO responsibility statement and concluded that Metrofile's internal financial controls may be relied upon as a reasonable basis for the preparation of the annual financial statements.

Audit, Governance and Risk Committee report (continued)

The Committee is satisfied that there was no other material breakdown in the internal financial controls, including internal financial reporting controls, during the financial year. This is based on information, reports and presentations given by management, the outsourced internal audit function and external audit throughout the financial year.

Annual financial statements

The Committee has evaluated the annual financial statements of Metrofile Holdings Limited and the Group for the year ended 30 June 2023 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 SA financial reporting requirements.

We further confirm that the 2022 JSE report on proactive monitoring of financial statements as issued on 4 November 2022, 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.

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 Act of South Africa.

SV Zilwa
Audit, Governance and Risk Committee Chairman

11 September 2023

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
- Thabo Seopa*
- Sindi Zilwa
- Andile Khumalo*

** Thabo Seopa resigned as a member of the Committee effective 1 July 2023 and Andile Khumalo was appointed.*

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.

As part of Metrofile's ongoing development in its contribution as a good corporate citizen for the benefit of all its stakeholders, the Social and Ethics Committee supports the Board in this commitment by monitoring the Group's environmental, social and governance (ESG) performance.

The Committee has a duty to monitor the social, economic, governance, employment and environmental activities of the Group and to bring matters relating to these activities to the attention of the Board when relevant and to report annually to stakeholders on the matters for which it is responsible.

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;
  - no tolerance of fraud or activities related to fraud; and
  - the Group's ESG strategy, roadmap and progress.
- 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, enterprise and supplier development and socio economic 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;
  - 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

11 September 2023

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 11 to 58, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of profit or loss, the consolidated and separate statement of other comprehensive income, 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 as at 30 June 2023, 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 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. 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 judgment, 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 in respect of the separate financial statements to include in our report.

Key audit matter	How the matter was addressed in the audit
Recoverability of goodwill As per note 13, the group recognises material amounts of goodwill. We have determined the work on the impairment calculations across the group as a matter of most significance to our current year audit of the consolidated financial statements, for the following reasons; • A significant amount of audit effort, as well as the involvement of auditor's experts, in auditing the recoverability of the amounts, was required; • Significant estimates and judgments were applied by management in the discounted cash flow model due to the uncertainty and complexity of reliably estimating cash flow in the near and medium term; and • The complexity of the macroeconomic inputs and estimates in each region. The key assumptions with the most significant impact on the cash flow forecasts were: • Revenue growth rates; • Cost growth rates; and • discount rate, which is based on the weighted average cost of capital (WACC). The determination of the WACC is highly complex.	**Our procedures included amongst other:** • We performed a walkthrough to understand the impairment analysis and calculation process (e.g., controls over key inputs and assumptions employed by management), the level of review on forecast data for coming years, as well as how vital inputs were obtained. We assessed the design and implementation of the relevant controls over the impairment calculations. • We assessed that the goodwill has been allocated to the correct CGUs, by obtaining an understanding of the origin of the goodwill balance; • We obtained management's impairment assessment for each cash-generating unit (CGU) as at 30 June 2023. • We evaluated the model's predicted cash flows by; – Performing a retrospective assessment of management's historical forecasts against actuals; – Assessing the external inputs used by management to determine revenue growth rates and expenses versus accessible market data and our analyses of comparable data; – Comparing revenue and cost growth to actual growth rates achieved in past years, considering any adjustments made for macroeconomic variables; – Comparing projected working capital movements to historical performance, as well as considering any adjustments made by management; and – Performing a scenario analysis by considering the impact on the recoverable amount for changes in the inputs to the models. We furthermore assessed the outcomes of each scenario analysis against management's calculation of the recoverable amount.

Independent auditor's report (continued)

Key audit matter	How the matter was addressed in the audit
	• Making use of our corporate finance expertise, we assessed the WACC rates and the valuation model by: – Assessing the methodology used to compute the WACC, by using inputs from comparable peers and determining the WACC rates using the group debt allocation to each CGU; – Assessing the appropriateness of the Beta, market risk premium, cost of debt, capital structure, and tax rate used in the computation of the WACC by using market information for comparable companies; – Checking the mathematical accuracy of the valuation model; – Assessing the adequacy of the model used to compute the value in use. This included an assessment of the methodology used in the model and its suitability in terms of recognised valuation methodologies; and – Performing a sensitivity analysis using our determined WACC ranges to compute a variety of potential outcomes based on the extent of the headroom between carrying value and recoverable amount; and – Calculating the pre-tax rates as required by IAS36. • We evaluated the adequacy of the disclosures in the consolidated financial statements against the requirements of International Financial Reporting Standards, with reference to the results of our assessments and audit procedures over the group's impairment calculations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Metrofile Holdings Limited Annual Financial Statements for the year ended 30 June 2023", which includes the Directors' Report, the Group Chief Executive Officer and Group Finance Director's responsibility statement, the Audit, Governance, and Risk 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 Integrated 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 the 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 the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

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 judgment and maintain professional skepticism 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, Governance, and Risk 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, Governance, and Risk 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, Governance, and Risk 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 BDO South Africa Incorporated has been the auditor of Metrofile Holdings Limited for 1 year.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Mandisi Mantyi
Director
Registered Auditor

11 September 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Statements of profit or loss

For the year ended 30 June 2023

R'000	Notes	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
Revenue	3	**1 134 380**	979 677	**–**	–
Materials and consumables		**(127 594)**	(127 208)	**–**	–
Staff costs		**(379 074)**	(308 917)	**–**	–
Other operating expenses		**(299 022)**	(230 194)	**(1 467)**	(1 693)
Other operating income		**15 992**	11 424	**–**	–
Operating profit/(loss) before interest, taxation, depreciation and amortisation (EBITDA)		**344 682**	324 782	**(1 467)**	(1 693)
Depreciation on property, plant and equipment		**(38 128)**	(36 343)	**–**	–
Depreciation on right-of-use asset		**(38 757)**	(36 286)	**–**	–
Amortisation		**(13 177)**	(11 751)	**–**	–
Operating profit/(loss) before items below		**254 620**	240 402	**(1 467)**	(1 693)
Acquisition related costs		**–**	(5 894)	**–**	–
Operating profit/(loss)	4	**254 620**	234 508	**(1 467)**	(1 693)
Net finance costs		**(57 619)**	(48 780)	**–**	–
Finance income	6	**5 777**	467	**–**	–
Finance costs	7	**(63 396)**	(49 247)	**–**	–
Profit/(loss) before taxation		**197 001**	185 728	**(1 467)**	(1 693)
Taxation	5	**(57 912)**	(46 390)	**–**	–
Profit/(loss) for the year		**139 089**	139 338	**(1 467)**	(1 693)
Attributable to:					
Owners of the parent		**137 914**	133 588	**(1 467)**	(1 693)
Non-controlling interests		**1 175**	5 750	**–**	–
Profit/(loss) for the year		**139 089**	139 338	**(1 467)**	(1 693)
Profit/(loss) attributable to owners of the parent:					
Basic earnings per share (cents)	8.1	**32.1**	30.8	**–**	–
Diluted earnings per share (cents)	8.1	**30.9**	30.0	**–**	–

Statements of other comprehensive income
For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
Profit/(loss) for the year	**139 089**	139 338	**(1 467)**	(1 693)
Other comprehensive (loss)/income for the year#				
Currency movement on translation of foreign subsidiaries	**(1 048)**	5 307	**–**	–
Total comprehensive income/(loss) for the year	**138 041**	144 645	**(1 467)**	(1 693)
Attributable to:				
Owners of the parent	**134 607**	141 338	**(1 467)**	(1 693)
Non-controlling interests	**3 434**	3 307	**–**	–

All items will subsequently be reclassified to profit and loss.

Statements of financial position

As at 30 June 2023

R'000	Notes	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
ASSETS					
Non-current assets					
Property, plant and equipment	10	**606 524**	609 699	**–**	–
Right-of-use asset	11	**111 818**	129 582	**–**	–
Intangible assets	12	**69 794**	67 945	**–**	–
Goodwill	13	**373 542**	372 193	**–**	–
Investment in unlisted subsidiaries	34.1	**–**	–	**264 018**	264 018
Long term vendor consideration		**3 500**	3 500	**–**	–
Amounts owing by subsidiaries – non-interest-bearing	34.1	**–**	–	**13 552**	66 997
Deferred taxation assets	5	**17 080**	13 730	**–**	–
		1 182 258	1 196 649	**277 570**	331 015
Current assets					
Inventories	14	**18 129**	16 209	**–**	–
Trade receivables	16	**243 490**	203 614	**–**	–
Other receivables	16	**65 834**	30 026	**257**	182
Taxation receivable		**6 999**	5 243	**–**	–
Cash and cash equivalents	15	**58 632**	40 541	**–**	269
		393 084	295 633	**257**	451
Total assets		**1 575 342**	1 492 282	**277 827**	331 466
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital and share premium	17	**540 072**	573 833	**875 780**	875 780
Accumulated (loss)/profit		**23 683**	(14 007)	**(627 783)**	(548 250)
Other reserves	18	**(1 196)**	(235)	**–**	–
Equity attributable to owners of the parent		**562 559**	559 591	**247 997**	327 530
Non-controlling interests		**6 069**	18 285	**–**	–
		568 628	577 876	**247 997**	327 530
Non-current liabilities					
Interest-bearing liabilities	20.1	**–**	441 556	**–**	–
Lease liabilities	20.2	**101 902**	114 791	**–**	–
Acquisition related liabilities	33	**–**	72 247	**–**	–
Deferred taxation liabilities	5	**49 313**	49 755	**–**	–
		151 215	678 349	**–**	–
Current liabilities					
Trade and other payables	21.1	**120 193**	115 637	**2 003**	2 036
Provisions	27	**19 193**	13 505	**–**	–
Deferred revenue	28	**22 197**	18 804	**–**	–
Taxation payable		**13 273**	6 354	**–**	–
Bank overdraft	15	**63 039**	5 605	**37**	–
Interest-bearing liabilities*	20.1	**491 313**	39 195	**–**	–
Amounts owing to subsidiaries – non-interest-bearing	34.1	**–**	–	**27 790**	1 900
Lease liabilities	20.2	**34 367**	33 391	**–**	–
Acquisition related liabilities	33	**91 924**	3 566	**–**	–
		855 499	236 057	**29 830**	3 936
Total equity and liabilities		**1 575 342**	1 492 282	**277 827**	331 466

* *Interest-bearing liabilities were refinanced following the finalisation of a revised debt facilities agreement post year-end. Refer to note 30.*

Statements of changes in equity

For the year ended 30 June 2023

R'000	Note	Share capital	Share premium	Accumu-lated profit/loss	Other reserves	Attributable to owners of the parent	Non-controlling interests	Total equity
CONSOLIDATED								
Balance at 30 June 2021		2 675	571 158	(4 614)	(10 487)	558 732	11 061	569 793
IFRS 2 expense	18	–	–	–	2 502	2 502	–	2 502
Dividends declared		–	–	(74 168)	–	(74 168)	(878)	(75 046)
Acquisition of business		–	–	–	–	–	4 795	4 795
Redemption liability recognised directly in equity		–	–	(68 813)	–	(68 813)	–	(68 813)
Total comprehensive income for the year ended 30 June 2022		–	–	133 588	7 750	141 338	3 307	144 645
Balance at 30 June 2022		2 675	571 158	(14 007)	(235)	559 591	18 285	577 876
IFRS 2 expense	18	–	–	–	2 346	2 346	–	2 346
Dividends declared		–	–	(77 477)	–	(77 477)	(5 540)	(83 017)
Transactions with NCI		–	–	(22 747)	–	(22 747)	(10 110)	(32 857)
Share buy back	17	–	(33 761)	–	–	(33 761)	–	(33 761)
Total comprehensive income for the year ended 30 June 2023		–	–	137 914	(3 307)	134 607	3 434	138 041
Balance at 30 June 2023		**2 675**	**537 397**	**23 683**	**(1 196)**	**562 559**	**6 069**	**568 628**
COMPANY								
Balance at 30 June 2021		2 675	873 105	(472 828)	–	–	–	402 952
Dividends declared		–	–	(73 729)	–	–	–	(73 729)
Total comprehensive income for the year ended 30 June 2022		–	–	(1 693)	–	–	–	(1 693)
Balance at 30 June 2022		2 675	873 105	(548 250)	–	–	–	327 530
Dividends declared		–	–	(78 066)	–	–	–	(78 066)
Total comprehensive loss for the year ended 30 June 2023		–	–	(1 467)	–	–	–	(1 467)
Balance at 30 June 2023		**2 675**	**873 105**	**(627 783)**	**–**	**–**	**–**	**247 997**

Statements of cash flows

For the year ended 30 June 2023

R'000	Notes	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
Cash flows from operating activities					
Cash generated from/(utilised by) operations before net working capital changes		**344 430**	327 513	**(1 467)**	(1 693)
Increase/(decrease) in net working capital		**(68 520)**	(19 421)	**(107)**	135
Cash generated from/(utilised by) operations	29.1	**275 910**	308 092	**(1 574)**	(1 558)
Net finance costs		**(57 569)**	(48 760)	**–**	–
Finance costs paid		**(63 346)**	(49 227)	**–**	–
Finance income received		**5 777**	467	**–**	–
Normal taxation paid	29.2	**(56 601)**	(42 107)	**–**	–
Net cash inflow/(outflow) from operating activities		**161 740**	217 225	**(1 574)**	(1 558)
Cash flows from investing activities					
Capital expenditure: expansion		**(33 819)**	(47 466)	**–**	–
Capital expenditure: replacement		**(13 223)**	(12 559)	**–**	–
Proceeds on disposal of property, plant and equipment		**511**	484	**–**	–
Proceeds from loans to subsidiaries	29.3	**–**	–	**52 888**	–
Business combination	29.5	**–**	(65 604)	**–**	–
Net cash (outflow)/inflow from investing activities		**(46 531)**	(125 145)	**52 888**	–
Cash flows from financing activities					
Advances of loans from subsidiaries	29.4	**–**	–	**25 890**	74 623
Repayment of interest-bearing liabilities	29.7	**(40 041)**	(39 900)	**–**	–
Proceeds from interest-bearing liabilities	29.7	**50 000**	50 000	**–**	–
Payment of lease liabilities	29.6	**(33 677)**	(29 929)	**–**	–
Acquisition of non-controlling interest	33	**(15 286)**	–	**–**	–
Share buy back		**(33 761)**	–	**–**	–
Dividends paid	29.8	**(82 654)**	(74 989)	**(77 510)**	(73 205)
Net cash (outflow)/inflow from financing activities		**(155 419)**	(94 818)	**(51 620)**	1 418
Net decrease in cash and cash equivalents		**(40 210)**	(2 738)	**(306)**	(140)
Cash and cash equivalents at the beginning of the year		**34 936**	35 558	**269**	409
Effects of exchange rate movement on cash balances		**867**	2 116	**–**	–
Cash and cash (overdraft)/equivalents at the end of the year	15	**(4 407)**	34 936	**(37)**	269
Represented by:		**(4 407)**	34 936	**(37)**	269
Cash and cash equivalents		**58 632**	40 541	**–**	269
Bank overdraft		**(63 039)**	(5 605)	**(37)**	–

Notes to the annual financial statements
For the year ended 30 June 2023

1. New standards and interpretations

1.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/interpretation	Effective date (years beginning on or after):
– IAS 1 Presentation of Financial Statements and IFRS Practice Statement 1 (Amendment – Disclosure of Accounting Policies)	01 January 2023
– IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)	01 January 2023
– IAS 12 Income Taxes (Amendment – International Tax Reform – Pillar Two Model Rules)	Immediately and retrospective
– IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	01 January 2023
– IFRS 16 Leases (Amendment – Lease Liability in a Sale and Leaseback)	01 January 2023

The amendments listed above did not have a material impact on the amounts recognised in the current or prior periods.

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.

Standard/interpretation	Effective date (years beginning on or after):
– IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	01 January 2024
– IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants)	01 January 2024
– IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendment – Supplier Finance Arrangements)	01 January 2024

2. Significant accounting policies

Basis of accounting and reporting

The consolidated and separate annual financial statements (annual financial statements) as set out on pages 11 to 58 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.

The annual 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 Listings Requirements, the Companies Act of South Africa and the SA financial reporting requirements.

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.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.1 Critical accounting judgements and key sources of estimation uncertainty

Significant judgements and estimations/assumptions are exercised by the directors in evaluating the recoverability of the goodwill of MRM Kenya cash-generating unit (CGU) and Tidy Files CGU respectively with the revenue 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 separate and consolidated annual financial statements.

Significant judgements, assumptions and estimation uncertainty

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 CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Refer to note 2.3 for significant judgements made by management for assessing goodwill for impairment.

The input factors most sensitive to change are disclosed in note 13.

Accumulated goodwill impaired as at 30 June 2023 related to the impairment of goodwill in MRM Kenya CGU and Tidy Files CGU. Refer to note 13 for detailed disclosure.

Recoverability of deferred tax assets

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date, based on business plans which include estimates and assumptions regarding economic growth, interest and inflation rates and market conditions. The inputs used in forecasting estimated taxable income, such as growth rates, margins, etc., are consistent with those used in forecasting cash flows for other asset impairment testing and would align with the Group's annual budgets approved by executive management. 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. Buildings are only depreciated if their carrying amounts exceed their anticipated residual values. Management has obtained an open market valuation from an independent expert and where the residual value of the buildings exceed their cost, no depreciation is required. Management has performed residual value assessment and no depreciation was required in the current year. Refer to note 10 for detailed disclosure.

Impairment testing of properties

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

Expected credit loss (ECL) allowances

Expected credit loss (ECL) allowances are raised against trade receivables using the ECL model based on historical credit losses as well as adjusted for forward-looking factors.

The following forward looking factors are considered:
– customers' cashflow forecasting; and
– trading economic environment.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

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

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The Group's IBR ranged between 6% – 15% depending on the region.

Redemption liability recognised directly in equity

The redemption liability represents the remaining 30% to be purchased from the non-controlling shareholders of IronTree.

The amount was determined using a sliding scale based on the estimated growth in revenue of the business up to the 12 month period ending 29 February 2024. The maximum payment will be linked to a revenue target of R100 million for the 12 month period ending 29 February 2024.

The redemption liability will be based on the total purchase price, capped at R140 million reduced by the first two payments, discounted using the current prime lending rate.

Measurement of fair value of properties

Fair value hierarchy

The fair value of properties is determined by an external independent property valuation expert having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, on an annual basis in line with Group policy.

Level 1 inputs – quoted (unadjusted) prices in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement has been categorised as a Level 3 fair value, based on the inputs of the valuation techniques used.

The valuation techniques used in measuring the fair value of the properties are summarised below:

Valuation technique

The Income Capitalisation Approach was used to value properties. The valuation model used the estimated net annual income from the property, capitalised at an investment yield considered suitable for the premises, bearing in mind the type of development, its position as well as the age and condition of the buildings. This approach is the norm in valuing commercial property.

Vacant land has been valued using the direct comparable approach. This is a direct comparison of recent sales of similar properties with necessary adjustments made for the subject property, so as to determine the value that the market would place on it.

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.2 Basis of consolidation

The Group comprises Metrofile Holdings Limited and its subsidiaries.

The consolidated annual financial statements incorporate the annual 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.

In preparing the annual 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 re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

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

	2023		2022	
	Average rate	Spot rate	Average rate	Spot rate
Mozambique	**3.589**	**3.388**	4.191	3.918
Nigeria	**25.840**	**40.402**	25.675	25.486
United Arab Emirates	**0.207**	**0.195**	0.240	0.225
Botswana	**0.734**	**0.715**	0.758	0.757
Kenya	**7.091**	**7.456**	7.414	7.235

Redemption liability

The redemption liability relating to the obligation to pay in cash in the future to purchase non-controlling interest must be recognised by the purchaser, even if the payment is conditional on the option being exercised by the holder.

The redemption liability is recognised as a financial liability at the present value of the redemption amount. On consolidation, the initial redemption liability is recognised as a reduction of the Group's equity, as the risk and rewards remain with the non-controlling interest.

On subsequent measurement, the adjustments to the redemption liability are recognised directly in equity as these are transactions with equity holders as there is no change in control.

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 2.1 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs that are expected to benefit from the synergies of the combination. A CGU 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 CGU 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, growth rates, terminal rates and management's estimates of future cash flows.

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.3 Goodwill (continued)

For the purpose of allocating goodwill, the identified CGUs are as follows:
- MRM South Africa;
- MRM Kenya;
- MRM Botswana;
- MRM Middle East;
- Tidy Files;
- Global Continuity; and
- IronTree Internet Services

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Subsidiaries are consolidated from the date on which the Group acquires effective control of the entity. 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 Employee Benefits 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 measured initially 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 being dividend income received from its subsidiary companies.

Revenues by subsidiary companies comprise the following:
- Secure storage;
- Digital services;
- Products and solutions; and
- 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. This revenue stream includes storage services and other services related to activities around boxes. Storage revenue is recognised when the service is performed as the storage space is available over time. Storage service related revenue is recognised at a point in time when the service is rendered. Storage services are viewed as a single performance obligation. Once the service is provided, the customer is invoiced and the related receivable is recognised by the Group.

Digital services

Digital service revenues comprise cloud hosting, image processing, workflow solutions and the right to use software. Digital service revenues are recognised when the service is performed over time. Once the service is provided, the customer is invoiced and the related receivable is recognised. Digital services are viewed as a single performance obligation.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.5 Revenue recognition (continued)

Products and solutions

Sales of hardware, consumables, spare parts and paper media 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 services are rendered and the right to consideration becomes unconditional. The sale of products and solutions is viewed as a single performance obligation and recognised at a point in time.

Business support services

Business support service revenues comprise shredding and continuity services. Shredding services are viewed as a single performance obligation and are recognised at a point in time. Business continuity services are recognised over time as the services are received by the customer. Once the service is provided, the customer is invoiced and the related receivable is recognised by the Group.

Billing and payment terms

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 principle 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 Lease accounting

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 agreement generally entered into for fixed periods of between two and 10 years, depending on the nature of the 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 re-measurements 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.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.7 Lease accounting (continued)

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.

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 and capitalised lease liabilities in the statements of financial position as its own category.

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 2023.

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 annual 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 the cost of the assets down to their residual values, at the following rates, which are considered to approximate the estimated useful lives of the assets concerned.

Buildings	2%
Plant and equipment	6.7% – 20%
Leasehold improvements	25%
Motor vehicles	16.7%
Furniture and fittings	10%
Office equipment	20%
Computer equipment	14% – 33.3%

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.

Assets not ready for use are included in the cost of the asset. Depreciation is taken into account when the asset is ready for use.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 and loan receivables are classified as amortised cost.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.12 Financial instruments (continued)

Derecognition 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is 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 and loan 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.

Derecognition 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 profit or loss when the liability is derecognised. 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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Intercompany loans receivable and loans payable

The Company recognises intercompany loans receivable as non-current assets due to these loans having no specified terms of repayment and such repayment is not expected to be received in the next 12 months.

The Company recognises intercompany loan payables as current liabilities because the Company does not have the unconditional right to defer settlement for at least 12 months after reporting date.

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.

Bonus provisions relate to bonus plans that are performance based with targets only assessed once the audited annual financial statements are available.

2. Significant accounting policies (continued)

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 Operating profit/(loss) before interest, taxation, depreciation and amortisation (EBITDA)

The measurement of EBITDA is specific to Metrofile Holdings Limited and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements. EBITDA is determined by adjusting operating profit/loss before interest, taxation, depreciation and amortisation, impairments on goodwill, retrenchment and restructuring costs, profit/loss on sale of businesses during the year as well as acquisition costs. The measurement of EBITDA is not comparable to other entities.

	Consolidated		Company	
R'000	**2023**	**2022**	**2023**	**2022**
3. Revenue				
Revenue	1 134 380	979 677	–	–

Disaggregation of revenue is done by revenue streams and geographical region. Refer to the segment reporting note 31 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. Refer to note 28 for details.

	Consolidated		Company	
R'000	**2023**	**2022**	**2023**	**2022**
4. Operating profit/(loss)				
Operating profit/(loss) is stated after accounting for the following:				
Auditors' remuneration	4 201	5 180	427	485
Depreciation and amortisation	51 304	48 094	–	–
Depreciation on right-of-use asset	38 757	36 286	–	–
Managerial, secretarial and technical fees	26 690	29 498	–	–
Materials and consumables	127 594	127 208	–	–
Retirement benefit expenses	20 374	14 177	–	–
IFRS 2 expense	2 346	2 502	–	–
Profit on sale of property, plant and equipment	(293)	(429)	–	–
Acquisition related costs	–	5 894	–	–
Staff costs	379 074	308 917	–	–
Number of employees at year end was 1 234 (2022: 1 230).				

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
5. Taxation				
5.1 Normal taxation				
Current year	52 516	45 030	–	–
Prior year – under provision	9 247	150	–	–
	61 763	45 180	–	–
5.2 Deferred taxation				
Current year	(3 851)	1 210	–	–
	(3 851)	1 210	–	–
	57 912	46 390	–	–
5.3 Taxation reconciliation				
Profit/(loss) before taxation	197 001	185 729	(1 467)	(1 693)
Taxation at statutory taxation rate of 27% (FY22: 28%)	53 190	52 004	(396)	(474)
Non-deductible finance costs	206	205	–	–
Prior year taxation	9 247	(150)	–	–
Deferred tax asset not raised	1 532	474	396	474
Statutory taxation rate difference due to foreign subsidiaries	(5 935)	(3 961)	–	–
ETI deduction already allowed	(162)	(92)	–	–
Withholding tax	902	(908)	–	–
Tax rate change*	–	1 963	–	–
Deductible allowances (learnership allowance)	(1 068)	(3 145)	–	–
Actual taxation charged	**57 912**	46 390	–	–

* *This is as a result of the change in tax rate from 28% to 27%, effective in 2023 and has impacted the rate at which the deferred tax balances were calculated.*

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
5.4 Deferred taxation				
Property, plant and equipment	(44 963)	(41 398)	–	–
Intangible assets	(12 470)	(15 176)	–	–
Right-of-use assets	(13 840)	(18 386)	–	–
Acquisition related costs	1 591	1 591		
IFRS 2 charge relating to share schemes	2 416	1 783	–	–
Prepayments	(445)	(596)	–	–
Provisions	12 284	9 176	–	–
Lease liabilities	19 029	22 863	–	–
Deferred revenue	3 445	3 040	–	–
Assessed losses	720	1 078	–	–
Total	**(32 233)**	(36 025)	–	–

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
5. Taxation (continued)				
5.4 Deferred taxation (continued)				
Net deferred taxation liability				
Opening balance	(36 025)	(31 919)	–	–
Acquisition of subsidiary	–	(3 938)	–	–
Statement of profit or loss movement	3 851	(1 210)	–	–
Foreign currency translation effect	(59)	1 042	–	–
Closing balance	**(32 233)**	(36 025)	–	–
Deferred taxation asset	17 080	13 730	–	–
Deferred taxation liability	(49 313)	(49 755)	–	–
5.5 Taxation losses				
Deferred tax asset raised on estimated taxation losses available for offset against future taxable income amount to:	2 668	1 078	–	–
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	80 281	75 474	76 941	75 474
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.				
6. Finance income				
Other interest income	5 777	467	–	–
	5 777	467	–	–
7. Finance costs				
Interest on bank overdrafts and loans	49 287	33 646	–	–
Finance costs on lease liabilities	14 060	14 278	–	–
Other interest expense	49	1 323	–	–
	63 396	49 247	–	–
8. Earnings per ordinary share				
8.1 Earnings – basic				
Earnings for purposes of earnings per share	137 914	133 588	–	–
Effect of dilutive potential ordinary shares	–	–	–	–
Earnings for purposes of diluted earnings per share	**137 914**	133 588		
Number of shares – earnings per share				
Number of ordinary shares in issue ('000)	423 655	433 700	–	–
Weighted average number of ordinary shares in issue ('000)	429 229	433 700	–	–
Basic earnings per share (cents)	32.1	30.8	–	–
Diluted earnings per share (cents)	30.9	30.0	–	–
Headline earnings per share (cents)	32.1	30.7	–	–

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

8. Earnings per ordinary share (continued)

8.2 Headline earnings

Basis for calculation

The calculation of headline earnings per ordinary share is based on headline earnings of R138 million (2022: R133 million) and a weighted average number of 429.2 million (2022: 433.7 million) ordinary shares in issue during the year.

This basis is a measure of the trading performance and excludes profits and losses of a capital nature.
It is derived, after taxation and non-controlling interests, as follows:

	Consolidated		Company	
R'000	**2023**	**2022**	**2023**	**2022**
Profit attributable to owners of the parent	137 914	133 588	–	–
Profit on disposal of plant and equipment and intangible assets	(293)	(429)	–	–
Tax effect of above items	79	121	–	–
Headline earnings	137 700	133 280	–	–
Headline earning per ordinary share (cents)	**32.1**	30.7	–	–
Weighted average number of shares in issue ('000)	429 229	433 700	–	–
Diluted weighted average number of shares in issue ('000)*	446 426	446 011	–	–
Earnings per share (cents)				
– Basic	32.1	30.8	–	–
– Diluted	30.9	30.0	–	–
Headline earnings per share (cents)				
– Basic	32.1	30.7	–	–
– Diluted	30.8	29.9	–	–
Dividend per share (cents)	18.0	18.0	–	–
– Interim dividend per share paid	9.0	9.0	–	–
– Final dividend per share proposed	9.0	9.0	–	–

* *Dilutive shares for the year ended 30 June 2023 amounted to 17 197 shares (2022: 12 311).*

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

R	Directors' fees approved	Fees for other services	VAT	Directors' fees – total paid	Salary	Bonuses	Retirement benefit contri-butions	Other benefits/ share-based payments	Total
9. Directors' remuneration									
2023									
PG Serima	–	–	–	–	5 705 748	3 803 625	372 600	129 446	10 011 419
S Mansingh	–	–	–	–	3 312 375	1 521 140	393 813	71 722	5 299 050
MS Bomela*▲	–	–	–	–	–	–	–	–	–
DL Storom*▲	–	–	–	–	–	–	–	–	–
A Khumalo*^	537 579	–	80 637	618 216	–	–	–	–	618 216
P Langeni*^	1 450 915	–	217 637	1 668 552	–	–	–	–	1 668 552
LE Mthimunye*^	828 311	–	124 247	952 557	–	–	–	–	952 557
CS Seabrooke*^	847 510	–	127 126	974 636	–	–	–	–	974 636
STM Seopa*^	600 662	–	–	600 662	–	–	–	–	600 662
SV Zilwa*$	1 119 042	267 000	207 906	1 593 948	–	–	–	–	1 593 948
L Rood *^	–	–	–	–	–	–	–	–	–
	5 384 018	**267 000**	**757 553**	**6 408 572**	**9 018 123**	**5 324 765**	**766 413**	**201 168**	**21 719 040**

** Non-executive director*
^ Independent director
$ Lead independent director
▲ An amount of R2.3 million (2022: R2.1 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 L Storom.

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

R	Directors' fees approved	VAT	Directors' fees	Salary	Bonuses	Retirement benefit contri-butions	Other benefits/ share-based payments	Total
9. Directors' remuneration (continued)								
2022								
PG Serima	–	–	–	5 713 200	6 717 900	372 600	–	12 803 700
S Mansingh	–	–	–	3 185 744	2 659 950	385 006	594 888	6 825 588
MS Bomela*▲	–	–	–	–	–	–	–	–
MZ Abdulla*▲	–	–	–	–	–	–	–	–
DL Storom*▲	–	–	–	–	–	–	–	–
A Khumalo*^&	380 363	57 054	437 417	–	–	–	–	437 417
P Langeni*^	1 277 579	191 637	1 469 215	–	–	–	–	1 469 215
LE Mthimunye*^	734 850	110 228	845 078	–	–	–	–	845 078
CS Seabrooke*^@	926 973	139 046	1 066 019	–	–	–	–	1 066 019
STM Seopa*^&	424 997	–	424 997	–	–	–	–	424 997
GD Wackrill*#	–	–	–	170 755	–	–	–	170 755
SV Zilwa*$	985 406	147 811	1 133 217	–	–	–	–	1 133 217
L Rood*^	–	–	–	–	–	–	–	–
	4 730 167	645 775	5 375 942	9 069 699	9 377 850	757 606	594 888	25 175 985

* *Non-executive director*
^ *Independent director*
$ *Lead independent director*
▲ *An amount of R2.1 million (2021: R1.79 million) was paid to Mineworkers Investment Company (Pty) Ltd for services, inclusive of the non-executive and committee roles performed by Mary Bomela, Zaheer Abdulla and Lebohang Storom. Effective 30 June 2022, Zaheer Abdulla resigned, and Lebohang Storom has been appointed as a non-executive director.*
& *Andile Khumalo and Thabo Seopa were appointed as independent non-executive directors, effective 30 September 2021.*
# *Graham Wackrill retired as non-executive director effective 30 September 2021.*
@ *Chris Seabrooke stepped down as independent non-executive Chairman of the Board and Phumzile Langeni was appointed as the new independent non-executive Chairman. Chris continues as an independent non-executive member of the Board effective 30 September 2021.*

CSP Scheme allocation summary

2023	No of rights at beginning of period	Rights granted	Rights exercised	Rights cancelled	No of rights at end of period
PG Serima	5 164 266	1 686 522	–	–	6 850 788
S Mansingh	2 273 789	803 922	–	–	3 077 711
	7 438 055	**2 490 444**	**–**	**–**	**9 928 499**

2022	No of rights at beginning of period	Rights granted	Rights exercised	Rights cancelled	No of rights at end of period
PG Serima	5 036 352	1 494 479	–	(1 366 565)	5 164 266
S Mansingh	1 785 348	658 896	(170 455)*	–	2 273 789
	6 821 700	2 153 375	(170 455)	(1 366 565)	7 438 055

* *Gain of R594 888. Refer to note 19 for further details of the CSP.*

Consolidated R'000	Land and buildings	Plant and equipment	Computer equipment	Motor vehicles	Furniture & fittings and office equipment	Total
10. Property, plant and equipment						
Cost						
At 1 July 2022	388 235	426 602	90 466	78 372	31 285	1 014 960
Additions	5 319	11 543	9 371	3 508	2 257	31 998
Effect of foreign exchange differences	101	7 284	1 292	421	543	9 641
Disposals	–	(433)	–	(962)	(4)	(1 399)
At 30 June 2023	**393 655**	**444 996**	**101 129**	**81 339**	**34 081**	**1 055 200**
Accumulated depreciation and impairments						
At 1 July 2022	17 758	251 245	52 360	58 215	25 683	405 261
Depreciation	2 254	18 994	11 970	2 543	2 367	38 128
Effect of foreign exchange differences	136	4 874	452	318	480	6 260
Disposals	–	(188)	–	(781)	(4)	(973)
At 30 June 2023	**20 148**	**274 925**	**64 782**	**60 295**	**28 526**	**448 676**
Net book value						
At 30 June 2023	**373 507**	**170 071**	**36 347**	**21 044**	**5 555**	**606 524**
Cost						
At 1 July 2021	386 641	409 385	70 639	72 920	30 517	970 102
Additions	1 808	22 033	15 256	3 778	1 065	43 940
Acquisition of subsidiary	197	–	11 442	–	483	12 122
Effect of foreign exchange differences	66	3 319	(117)	424	297	3 989
Reallocation	–	(3 964)	–	3 964	–	–
Disposals	(477)	(4 171)	(6 754)	(2 714)	(1 077)	(15 193)
At 30 June 2022	**388 235**	**426 602**	**90 466**	**78 372**	**31 285**	**1 014 960**
Accumulated depreciation						
At 1 July 2021	16 751	231 491	46 178	55 677	24 551	374 648
Depreciation	1 155	22 350	6 648	4 397	1 793	36 343
Acquisition of subsidiary	19	–	5 990	–	221	6 230
Effect of foreign exchange differences	58	1 522	205	350	185	2 320
Reallocation	–	–	–	–	–	–
Disposals	(225)	(4 118)	(6 661)	(2 209)	(1 067)	(14 280)
At 30 June 2022	**17 758**	**251 245**	**52 360**	**58 215**	**25 683**	**405 261**
Net book value						
At 30 June 2022	**370 477**	**175 357**	**38 106**	**20 157**	**5 602**	**609 699**

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 20.1.
Land and buildings include leasehold improvements of R6.4 million (2022: R3.50 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 2023 and amounted to R767 million (2022: R725 million).

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

Consolidated **R'000**	**Land and buildings**
11. Right-of-use asset	
Cost	
At 1 July 2022	224 322
Additions*	20 674
Effect of foreign exchange differences	2 787
At 30 June 2023	**247 783**
Accumulated depreciation and impairments	
At 1 July 2022	94 740
Depreciation	38 757
Effect of foreign exchange differences	2 468
At 30 June 2023	**135 965**
Net book value	
At 30 June 2023	**111 818**
Cost	
At 1 July 2021	172 758
Additions*	52 268
Additions: business combinations (Refer to note 32)	1 211
Disposals	(6 118)
Effect of foreign exchange differences	4 203
At 30 June 2022	224 322
Accumulated depreciation and impairments	
At 1 July 2021	59 421
Depreciation	36 286
Business combinations	135
Disposals	(6 118)
Effect of foreign exchange differences	5 016
At 30 June 2022	94 740
Net book value	
At 30 June 2022	129 582

Right-of-use asset relates to property leased by the Group in terms of IFRS 16.
The related lease liability is presented in note 20.2.

* *Included in additions are leases revised in the current year due to extension options becoming reasonably certain as at 30 June 2023 to the amount of R9.6 million (2022 – R41 million). Leased liability and right-of-use assets were both increased by this amount.*
Total lease payments for the year amounted to R48 million (FY2022: R44 million).

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

Consolidated R'000	Customer based intangible asset	Computer software	Total
12. Intangible assets			
Cost			
At 1 July 2022	80 182	49 965	130 147
Additions	–	15 044	15 044
Effect of foreign exchange differences	–	186	186
At 30 June 2023	**80 182**	**65 195**	**145 377**
Accumulated depreciation			
At 1 July 2022	29 607	32 595	62 202
Amortisation	9 335	3 842	13 177
Effect of foreign exchange differences	–	204	204
At 30 June 2023	**38 942**	**36 641**	**75 583**
Net book value			
At 30 June 2023	**41 240**	**28 554**	**69 794**
Cost			
At 1 July 2021	61 692	32 889	94 581
Additions	–	16 085	16 085
Additions : business combinations	18 490	–	18 490
Effect of foreign exchange differences	–	991	991
At 30 June 2022	80 182	49 965	130 147
Accumulated depreciation			
At 1 July 2021	21 591	29 123	50 714
Amortisation	8 016	3 735	11 751
Effect of foreign exchange differences	–	(263)	(263)
At 30 June 2022	29 607	32 595	62 202
Net book value			
At 30 June 2022	50 575	17 370	67 945

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

13. Goodwill

In line with the annual requirement to assess goodwill for impairment, the various groups of CGUs were assessed accordingly using the discounted cash flow method to determine the value in use.

Goodwill attributable to these CGUs was assessed for impairment and the following key assumptions were applied:
- Revenue growth rates of between 5% and 16% (2022: 5% – 16%).
- Cost growth rates of between 4% and 12% (2022: 6% – 12%).
- Discount rates (pre-tax WACC) of between 14% and 30% (2022: 14% – 30%).

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
Net carrying value of goodwill attributable to the following CGUs#:				
MRM South Africa	132 323	132 323	–	–
MRM Kenya	100 719	100 719	–	–
MRM Botswana	27 116	25 767	–	–
Tidy Files	53 566	53 566	–	–
Global Continuity	1 696	1 696	–	–
IronTree Internet Services	58 122	58 122	–	–
	373 542	372 193	–	–
Opening balance	372 193	313 947	–	–
Goodwill recognised in the reporting period*	1 349	124	–	–
Goodwill – acquisition of IronTree**	–	58 122	–	–
Closing balance	**373 542**	372 193	–	–

 # CGUs were split out in order to improve disclosure to the users.
** This relates to the foreign currency translation effect on foreign denominated goodwill.*
*** This relates to the acquisition of IronTree – refer note 32.*

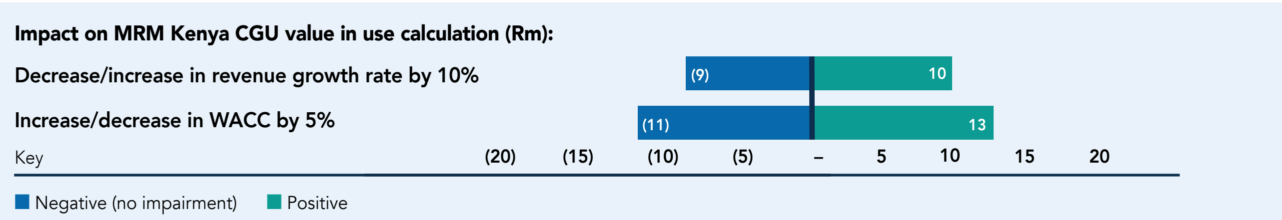
13.1 Goodwill impairment testing

Goodwill is allocated to the appropriate CGU 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 within each CGU. Various economies have traded under challenging circumstances. The goodwill assessments have included consideration of these factors in the growth rate and discount rates. As at 30 June 2023 no impairments were identified (2022: R nil).

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. The value in use method is used to assess the goodwill for impairment.

The sensitivity analysis performed by management on the MRM Kenya CGU identified that the following changes in certain key assumptions, individually, will not result in any impairment. A negative movement in the input factors below will result in a reduced level of headroom that is marginally above the impairment threshold.



A sensitivity analysis was performed on the other CGUs by reasonably changing the key assumptions in 13.2 below to their high and low end ranges and no impairment was identified on any of the CGUs.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

13. Goodwill (continued)

13.2 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 the 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 were 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 was 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. The cash flows were determined in foreign currency and discounted using rates appropriate for that currency. The present value was then translated at the spot exchange rate on the date of reporting.

Operating margins reflect past experience but were 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 inputs used in arriving at projected cash flows were as follows:

Growth rates
Growth rates applied were 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 operate.

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 were derived from the CGUs' weighted average cost of capital being the cost of debt and the cost of equity.

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 was based on the cost of interest–bearing borrowings and lease obligations the CGU has to service. The cost of debt increased across all markets.

The debt–to–equity ratio applied by 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 lease obligations into cost of debt has increased the debt weighting in the cost of capital. The increase in the cost of equity and cost of debt across all markets as well as the increase in equity weighting to align to comparable entities resulted in an increase in discount rates applied. The Group believes that the key assumptions used in the goodwill impairment test, as disclosed above, remain appropriate.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

13. Goodwill (continued)

13.3 Impairment of goodwill

The goodwill accumulated impairments by CGUs were as follows:

CGU	Accumulated impairment of goodwill R'm	Discounted rates Pre-tax WACC 2023	Discounted rates Pre-tax WACC 2022	Growth rates 2023	Growth rates 2022
MRM South Africa	–	**16% – 20%**	14% – 18%	**9% – 12%**	5% – 8%
MRM Kenya	97.5	**25% – 30%**	25% – 30%	**9% – 12%**	9% – 12%
MRM Botswana	–	**14% – 20%**	14% – 20%	**6% – 10%**	6% – 10%
Tidy Files	20.9	**17% – 22%**	17% – 22%	**6% – 14%**	8% – 16%
Global Continuity	–	**17% – 22%**	17% – 22%	**6% – 14%**	8% – 16%
IronTree Internet Services	–	**19% – 23%**	18% – 22%	**8% – 16%**	8% – 16%
Total	**118.4**				

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
14. Inventories				
Goods available for sale	18 026	16 183	–	–
Work in progress	150	170	–	–
Consumables	463	425	–	–
Total inventory	18 639	16 778	–	–
Less: provision for obsolete inventory	(510)	(569)	–	–
Net inventory	**18 129**	16 209	–	–

Inventories are recognised at the lower of cost or net realisable value. The cost of inventories recognised as an expense in respect of write-downs of inventory to net realisable value is R nil (2022: R nil).

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
15. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	43	160	–	–
Bank balances	58 589	40 381	–	269
Bank overdraft	(63 039)	(5 605)	(37)	–
	(4 407)	34 936	(37)	269
Current assets	58 632	40 541	–	269
Current liabilities	(63 039)	(5 605)	(37)	–
	(4 407)	34 936	(37)	269

The Group has a R107 million (FY22: R108 million) overdraft facility with Standard Bank of South Africa Limited. The unutilised portion amounted to R44 million (FY22: R102 million).

Furthermore the Group has a R19.7 million (FY22: R12 million) bank performance guarantee facility with Standard Bank of South Africa Limited which was fully utilised as at 30 June 2023.

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
16. Trade and other receivables				
Trade receivables	258 960	212 369	–	–
Estimated credit loss allowance	(15 470)	(8 755)	–	–
	243 490	203 614	–	–
Other receivables (includes prepayments and deposits)	65 834	30 026	257	182
	309 324	233 640	257	182
Expected credit loss allowance				
Opening balance	(8 755)	(11 721)	–	–
Loss allowance utilised	–	59	–	–
Loss allowance recognised	–	2 907	–	–
Loss allowance raised	(6 715)	–	–	–
Closing balance	**(15 470)**	(8 755)	–	–

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

Credit risk

Trade receivables inherently expose the Group to credit risk, being 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 considers 90 days past due as a default definition.

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 statements of financial position.

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

Expected credit loss

The Group recognises a loss allowance on trade receivables 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 trading economic environment.

The expected loss rates are based on historical losses over a period of five years preceding 30 June 2023. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customer to settle the receivables.

The lifetime ECL of trade receivables was assessed at reporting date and no significant changes have been noted by management.

Trade receivables have increased in the current year due to an increase in the debtors book as a result of increased revenue. Historical credit loss rate has been applied accordingly.

This has resulted in a R15.5 million ECL provision (FY2022 – R8.7 million) which represents 6% of trade receivables (FY2022 – 4%).

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

16. Trade and other receivables (continued)

ECL provision

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
Debtors gross carrying amount	258 960	212 369	–	–
Expected credit loss allowance	15 470	8 755	–	–
% of debtors	6%	4%	–	–

Provision matrix

	June 2023			June 2022		
	Expected credit loss rate	Gross carrying amount R'000	Expected credit loss allowance R'000	Expected credit loss rate	Gross carrying amount R'000	Expected credit loss allowance R'000
0 – 60 days	0.24%	164 884	402	0.18%	162 028	297
60 – 90 days	0.85%	21 184	184	0.19%	9 917	19
90 – 120 days	1.52%	15 696	198	15.79%	28 037	4 426
120+ days	20.49%	57 196	14 686	32.40%	12 387	4 013
		258 960	**15 470**		212 369	8 755

Other receivables include prepayments and deposits and other insignificant amounts which do not expose the Group to signficant additional credit risk.

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
17. Ordinary share capital and share premium				
17.1 Share capital				
Number of shares				
Authorised				
Authorised ordinary shares at the end of the year	**500 000**	500 000	**500 000**	500 000
Issued				
Shares issued at the end of the year	**433 700**	433 700	**433 700**	433 700
Unissued shares at the end of the year	**66 300**	66 300	**66 300**	66 300
Balance at the beginning of the year	**433 700**	433 700	**433 700**	433 700
Share buy-back*	**(10 045)**	–	**–**	–
Balance at the end of the year	**423 655**	433 700	**433 700**	433 700

* *The Group purchased 10 million shares at an average price of R3.36 per share.*

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.

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
17. Ordinary share capital and share premium (continued)				
17.2 Share premium				
Value of shares				
Issued				
Issued at the beginning of the year	2 675	2 675	2 675	2 675
Issued at the end of the year	**2 675**	2 675	**2 675**	2 675
Share premium				
Balance at the beginning of the year	571 158	571 158	873 105	873 105
Share buy back	(33 761)	–	**–**	–
Balance at the end of the year	**537 397**	571 158	**873 105**	873 105
Total share capital and share premium	**540 072**	573 833	**875 780**	875 780

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.

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
18. Other reserves				
Balance at the beginning of the year	(235)	(10 487)	–	–
Equity-settled employee benefits reserve	2 346	2 502	–	–
Foreign currency translation reserve	(3 307)	7 750	–	–
Balance at the end of the year	**(1 196)**	(235)	**–**	–
Comprises:				
Equity-settled employee benefits reserve	8 948	6 602	–	–
Foreign currency translation reserve	(10 144)	(6 837)	–	–
	(1 196)	(235)	**–**	–

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

19. Share-based payments

In November 2016, shareholders approved the implementation of a CSP to replace the SAR scheme. The plan has performance conditions attached to it which must be achieved in order for vesting to occur. The plan is equity-settled and the calculated IFRS 2 charge is booked to the statements of profit or loss over the vesting period of the grants; these charges are not revalued. Expected volatility is based on the historical share price volatility over the past three years. The key inputs to the plan were share price related as well as performance conditions. Details of the share based payment awards under the above plan are contained in the note below.

The Company intends to settle share options with equity, however, a cash settlement choice, only as a fall back provision, is included. The Company therefore does not have a present obligation to settle in cash and accordingly has classified the arrangement as equity-settled.

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

Conditional share plan (CSP)

Allocation summary	CSP	CSP	CSP	CSP
Grant date of award	**19/10/2020**	**03/12/2020**	**15/09/2021**	**28/09/2022**
Share price on grant date	2.52	2.65	3.08	3.15
Total number of performance shares	9 918 320	765 512	3 880 160	5 228 104
Total number of retention shares	–	–	–	–
Dividend yield (NACC)	4.80%	4.80%	4.60%	4.80%
Percentage vesting due to performance condition	40%	40%	50%	60%
Attrition rate per annum	5%	5%	5%	5%
Outstanding at the beginning of the year	**9 918 320**	**765 512**	**3 880 160**	**–**
Granted during the year	–	–	–	5 228 104
Vested during the year	–	–	–	–
Forfeited during the year*	1 306 472	–	–	–
Cancelled during the year	–	–	–	–
Outstanding at the end of the year	8 611 848	765 512	3 880 160	5 228 104
Exercisable at the end of the year	–	–	–	–
Weighted average share price at date of exercise**	N/A	N/A	N/A	N/A
Number of remaining participants	11	1	11	13

* *At year end of every year an assessment is performed on the vesting conditions. If vesting conditions are not met, the shares are forfeited in that year.*

** *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.*

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
20. Interest-bearing liabilities				
20.1 Interest-bearing liabilities				
Standard Bank bullet loan facility	–	200 041	–	–
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.	200 061	200 041	–	–
Less: Amounts payable within one year reflected under current liabilities	(200 061)	–	–	–
Standard Bank Amortising facility	–	42 580	–	–
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 the end of the first quarter and ending on 30 June 2024.	41 672	81 775	–	–
Less: Amounts payable within one year reflected under current liabilities	(41 672)	(39 195)	–	–
Standard Bank revolving credit loan facility	–	200 041	–	–
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. In the prior year, capital to the amount of R50m was advanced.	250 076	200 041	–	–
Less: Amounts payable within one year reflected under current liabilities	(250 076)	–	–	–
Less: Debt refinancing costs capitalised	–	(1 106)	–	–
To be realised in the next 12 months	–	–	–	–
Total non-current interest-bearing liabilities	–	441 556	–	–
Short term portion of long term liabilities				
– Debt refinancing costs capitalised	(496)	–	–	–
– Bullet loan facility	200 061	–	–	–
– Revolving credit loan facility	250 076	–	–	–
– Amortising facility	41 672	39 195	–	–
Total current liabilities*	**491 313**	39 195	–	–
Total interest-bearing liabilities	**491 313**	480 751	–	–

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

* *Interest-bearing liabilities were refinanced following the finalisation of a revised debt facilities agreement post year-end.*

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

20. Interest-bearing liabilities (continued)

20.1 Interest-bearing liabilities (continued)

Security for the Metrofile facilities is provided to Micawber 305 (Proprietary) Limited (the Guarantor), a special purpose vehicle created by Standard Bank of South Africa Limited 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, Standard Bank of South Africa Limited.

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

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 that 2.5 times	2.75	2.45
Less than 2.00 times	2.55	2.25

	Consolidated		Company	
R'000	**2023**	**2022**	**2023**	**2022**
Interest rate risk				
Financial assets and liabilities that are exposed 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 operates in an environment where interest rates are fairly stable and interest rate increases are generally around/ below 50 basis points. This assumes all other variables remain constant.	**2 456**	2 403	–	–
Interest rate risk is calculated based on the interest on outstanding interest-bearing liabilities at year-end.				

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
20. Interest-bearing liabilities (continued)				
20.1 Interest-bearing liabilities (continued)				
Borrowing capacity:				
Amount approved	600 000	600 000	–	–
Amount utilised	(554 848)	(487 462)	–	–
Total additional borrowings available	**45 152**	112 538	–	–
The following banking facilities were in place at the end of the current financial year:				
Standard Bank	**126 780**	120 000	–	–
– Working capital facility	107 000	108 000	–	–
– Bank performance guarantees	19 780	12 000	–	–
Maturity profile				
Interest-bearing liabilities				
The maturity profile is based on undiscounted cashflows of financial liabilities				
Capital				
2023	–	78 175	–	–
2024	594 650	473 696	–	–
2025	28 689	27 845	–	–
2026	23 990	20 173	–	–
2027	11 852	7 594	–	–
2028	8 721	5 783	–	–
2029	10 084	7 031	–	–
2030	12 124	8 450	–	–
2031	6 418	5 791	–	–
	696 528	634 538	–	–

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
20. Interest-bearing liabilities (continued)				
20.1 Interest-bearing liabilities (continued)				
Interest				
2023	–	45 319	–	–
2024	51 241	40 976	–	–
2025	9 569	7 691	–	–
2026	7 341	5 631	–	–
2027	5 597	4 249	–	–
2028	4 454	3 481	–	–
2029	2 868	2 635	–	–
2030	1 878	1 682	–	–
2031	285	386	–	–
	83 233	112 050	–	–
	779 761	746 588	–	–
20.2 Capitalised lease liabilities				
Lease liability comprises:				
IFRS 16 lease liability	136 269	148 182	–	–
Non-current liabilities	101 902	114 791	–	–
Current liabilities	34 367	33 391	–	–
	136 269	148 182	–	–
Lease commitments				
Not later than one year	46 481	46 400	–	–
Later than one year and not later than five years	100 213	124 931	–	–
Later than five years	33 657	25 646	–	–
	180 351	196 977	–	–

The Group entered into various lease agreements (short term) related to buildings, office equipment, furniture and fittings and motor vehicles owned by the Group, on which the Group elected to account under the exemption application of IFRS 16. This amounted to R8 million (2022: R11 million).

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
21. Current liabilities				
21.1 Trade and other payables				
Trade payables	50 762	54 004	198	198
Accrued expenses	17 682	27 095	–	589
Dividends for shareholders	1 800	1 437	1 805	1 249
VAT creditor	10 858	7 831	–	–
Payroll accruals	16 139	9 304	–	–
Leave pay accrual	13 637	11 962	–	–
Sundry creditors	9 315	4 004	–	–
	120 193	115 637	**2 003**	2 036

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

22. Commitments

22.1 Authorised capital expenditure

Authorised capital expenditure for the 2024 year amounts to R68 million (2023: 53 million).

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
22.2 Short term leases				
Future leasing charges for premises, office equipment, furniture and fittings and vehicles				
Payable within one year	10 218	8 184	–	–
	10 218	8 184	–	–

The Group entered into various short term lease agreements related to buildings, office equipment, furniture and fittings and vehicles not owned by the Group on which the Group elected to account for under the exemption application of IFRS 16.

23. Contingent liabilities

There are no known contingent liabilities to report (2022: R nil).

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
24. Financial instruments				
24.1 Classification of financial instruments				
Financial assets at amortised cost				
Trade receivables	243 490	203 614	–	–
Long term vendor consideration*	3 500	3 500	–	–
Amount owing by subsidiaries – non-interest bearing**	–	–	13 552	66 997
Bank balances*	58 632	40 541	–	269
Total financial assets	**305 622**	247 655	**13 552**	67 266

** The expected credit loss is nil and as such this is considered to be fully recoverable.*
*** The expected credit loss is as per the impairment loss recognised, refer to note 34 for details of the expected credit loss recognised.*
The carrying value of the financial liabilities approximates their fair value balances.
The risk of default occurring on bank and vendor consideration has not increased significantly since initial recognition, therefore there is no estimated credit loss on these items.

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
24. Financial instruments (continued)				
24.1 Classification of financial instruments (continued)				
Financial liabilities at amortised cost				
Interest-bearing liabilities	(491 313)	(480 751)	–	–
Trade and other payables	(102 542)	(95 844)	(2 003)	(2 036)
Amount owing to subsidiaries – non-interest-bearing	–	–	(27 790)	(1 900)
Lease liabilities	(136 269)	(148 182)	–	–
Bank overdraft	(63 039)	(5 605)	–	–
Total financial liabilities	**(793 163)**	(730 382)	**(29 793)**	(3 936)
Total net financial (liabilities)/assets	**(487 541)**	(482 727)	**(16 241)**	63 330

Liquidity risk

Group

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 facilities puts pressure on the liquidity of the Group, however the additional facilities are required due to the growth of business.

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.

Company

The risk that the Company will not be able to meet its financial commitments is minimised through sufficient borrowing facilities by the Group. In addition, detailed cash flow forecasts are regularly prepared and reviewed so that the cash needs of the Company are managed according to its requirements.

R'000	Within 1 year	2 – 5 years	Beyond 5 years	Total
Group				
Financial assets				
2023				
Amortised cost				
Trade receivables	243 490	–	–	243 490
Long term vendor consideration	–	3 500	–	3 500
Fair value				
Bank balances	58 632	–	–	58 632
	302 122	3 500	–	305 622
2022				
Amortised cost				
Trade receivables	203 614	–	–	203 614
Long term vendor consideration	–	3 500	–	3 500
Fair value				
Bank balances	40 541	–	–	40 541
	244 155	3 500	–	247 655

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

24. Financial instruments (continued)

24.1 Classification of financial instruments (continued)

R'000	Within 1 year	2 – 5 years	Beyond 5 years	Total
Company				
2023				
Amount owing by subsidiaries – non-interest-bearing	–	–	13 552	13 552
	–	–	13 552	13 552
2022				
Amount owing by subsidiaries – non-interest-bearing	–	–	66 997	66 997
Bank balances	269	–	–	269
	269	–	**66 997**	67 266

R'000	Within 1 year	2 – 5 years	Beyond 5 years	Total
Group				
Financial liabilities – at amortised cost				
2023				
Interest bearing liabilities*	(491 313)	–	–	(491 313)
Trade and other payables	(95 698)	–	–	(95 698)
Lease liabilities	(34 367)	(73 253)	(28 649)	(136 269)
Bank overdraft	(63 039)	–	–	(63 039)
	(684 417)	(73 253)	**(28 649)**	(786 319)
2022				
Interest bearing liabilities*	(39 195)	(441 556)	–	(480 751)
Trade and other payables	(95 844)	–	–	(95 844)
Lease liabilities	(33 391)	(93 745)	(21 046)	(148 182)
Bank overdraft	(5 605)	–	–	(5 605)
	(174 035)	(535 301)	**(21 046)**	(730 382)

R'000	Within 1 year	2 – 5 years	Beyond 5 years	Total
Company				
2023				
Trade and other payables	(2 003)	–	–	(2 003)
Amount owing to subsidiaries – non-interest-bearing	–	–	(27 790)	(27 790)
Bank overdraft	(37)	–	–	(37)
	(2 040)	–	(27 790)	(29 830)
2022				
Trade and other payables	(2 036)	–	–	(2 036)
Amount owing to subsidiaries – non-interest-bearing	–	–	(1 900)	(1 900)
	(2 036)	–	**(1 900)**	(3 936)

** Included in this ageing is the repayment of the Standard Bank interest-bearing liabilities as they become due in 2024, however management entered into a refinancing agreement which was concluded at the date of signing of these annual financial statements.*

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

24. Financial instruments (continued)

24.2 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.

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.

Foreign denominated assets

AED '000	2023	2022
Amount owing by Group companies	3 008	3 475

A 10% strengthening/weakening of foreign currency against the South African Rand at 30 June 2023 would have increased/(decreased) profit or loss and equity by the amounts shown below. This assumes all other variable inputs remains constant.

	2023		2022	
Increase or decrease in rate	**10% decrease**	**10% increase**	**10% decrease**	**10% increase**
Impact on profit/(loss)				
R'000	(1 543)	1 543	(1 540)	1 540

Foreign currency risk is calculated by taking 10% of the total foreign goods and services purchased for the year. Total foreign purchases for the year amounted to R20.6 million (2022: R9.8 million). A 10% increase/decrease on the exchange rate would have resulted in a R2.06 million (2022: R0.98 million) increase/decrease in purchases respectively resulting in an increase/decrease in profit/loss and equity. All goods purchased 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.

This assumes all other variables stay constant, in particular interest rates.

25. 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 R20.3 million (2022: R14 million) represents contributions paid to the scheme.

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

26. 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. Refer to note 34 for disclosure of subsidiaries within the Group.

Intercompany dividends

In the current year, no intercompany dividends were declared between Metrofile Holdings Limited and its subsidiaries (FY2022 – R nil dividends were declared to Metrofile Holdings Limited by Metrofile (Pty) Limited).

Group management fees

Management fees of R2.3 million (2022: R2.1 million) were paid to Mineworkers Investment Company (Pty) Ltd which is a shareholder of Metrofile Holdings Ltd.

Refer to note 9 for directors' remuneration.

	Consolidated		Company	
R'000	**2023**	**2022**	**2023**	**2022**
27. Provisions				
Opening balance	13 505	22 366	–	–
Provisions raised	17 857	18 142	–	–
Provisions utilised	(12 169)	(27 003)	–	–
Closing balance	**19 193**	13 505	–	–

The above provision relates to the bonus plan that is performance based with targets only assessed once the audited annual financial statements are available. The bonus provision is calculated as the estimated liability for the year end bonuses to employees. The amount will be paid out within the next 12 months.

	Consolidated		Company	
R'000	**2023**	**2022**	**2023**	**2022**
28. Deferred revenue				
Opening balance	18 804	11 154	–	–
Subsidiary acquired	–	3 422	–	–
Raised during the year	56 123	45 211	–	–
Released during the year	(52 730)	(40 983)	–	–
Closing balance	**22 197**	18 804	–	–

Deferred revenue is expected to be recognised as revenue within the next 12 months as and when performance obligations are carried out.

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
29. Cash flow statement				
29.1 Reconciliation of profit before taxation to cash generated from/(utilised by) operations				
Profit /(loss) before taxation	197 001	185 728	(1 467)	(1 693)
Adjusted by:	147 429	–	–	–
Profit on disposal of property, plant and equipment	(293)	(429)	–	–
Depreciation and software amortisation	90 062	84 380	–	–
Finance cost	63 396	49 247	–	–
Expense recognised in respect of equity-settled shared based payments	2 346	2 502	–	–
Interest income	(5 777)	(467)	–	–
Acquisition related costs	–	5 894	–	–
Foreign exchange (losses)/gains	(2 305)	658	–	–
Operating cash flows before working capital changes	**344 430**	327 513	**(1 467)**	(1 693)
Changes in working capital	(68 520)	(19 421)	(107)	135
Increase in inventories	(2 010)	(2 400)	–	–
Increase in receivables	(83 601)	(9 691)	(75)	(61)
Increase/(decrease) in payables, provisions and deferred income	17 091	(7 330)	(32)	196
Cash generated from/(utilised by) operations	**275 910**	308 092	**(1 574)**	(1 558)
29.2 Taxation paid				
Taxation balance at the beginning of the year	(1 111)	(1 131)	–	–
Current tax expense for the year	(61 763)	(45 180)	–	–
Subsidiaries acquired	–	(1 554)	–	–
Non statement of profit or loss adjustments	–	4 647	–	–
Taxation balance at the end of the year	6 273	1 111	–	–
Total taxation paid	**(56 601)**	(42 107)	**–**	–

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

R'000	Consolidated 2023	Consolidated 2022	Company 2023	Company 2022
29. Cash flow statement (continued)				
29.3 Movements in loans to subsidiaries				
Opening balance	–	–	66 997	141 620
Non-cash movement	–	–	(557)	–
Investing cashflows	–	–	–	–
Loans repaid	–	–	(52 888)	(74 623)
Closing balance	**–**	–	**13 552**	66 997
29.4 Movements in loans from subsidiaries				
Opening balance	–	–	**1 900**	1 900
Financing cashflows	–	–	–	–
Loans advanced	–	–	25 890	–
Closing balance	**–**	–	**27 790**	1 900
29.5 Acquisition of subsidiary – refer to note 32 Business combination				
Fair value of consideration transferred				
Amount settled in cash	–	48 918	–	–
Contingent consideration paid	–	13 137	–	–
Less: cash and cash equivalent acquired	–	(2 345)	–	–
Acquisition costs charged to expenses	–	5 894	–	–
Net cash paid relating to the acquisition	**–**	65 604	**–**	–
29.6 Lease liabilities				
Opening balance	**148 182**	121 833	–	–
Lease liabilities – non-current	114 791	97 741	–	–
Lease liabilities – current	33 391	24 092	–	–
Operating cash flows				
Interest paid	(14 060)	(14 278)	–	–
Financing cash flows				
Lease liabilities repaid – capital portion	(33 678)	(29 929)	–	–
Non-cash changes				
Interest accrued	14 060	14 278	–	–
Acquisition of subsidiary	–	1 098	–	–
Lease liabilities raised	11 034	11 250	–	–
Lease modification	9 639	41 018	–	–
Translation differences	1 092	2 912	–	–
Closing balance	**136 269**	148 182	–	–
Lease liabilities – non-current	101 902	114 791	–	–
Lease liabilities – current	34 367	33 391	–	–

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

R'000	Group 2023	Group 2022	Company 2023	Company 2022
29.7 Movements in interest-bearing liabilities				
Opening balance	**481 857**	471 757	–	–
Non cash item				
Capitalised debt refinance cost	(553)	(1 106)	–	–
Interest accrued	57	–	–	–
Financing activities				
Repayment of interest-bearing liabilities	(40 048)	(39 900)	–	–
Interest-bearing liabilities raised	50 000	50 000	–	–
Closing balance	**491 313**	480 751	–	–
29.8 Dividends paid				
Opening balance	1 437	1 380	1 249	725
Dividends declared	83 017	75 046	78 066	73 729
Dividends paid	(82 654)	(74 989)	(77 510)	(73 205)
Closing balance	**1 800**	1 437	1 805	1 249

30. Events after reporting date

Interest-bearing liabilities were refinanced following the finalisation of a revised debt facilities agreement post year-end. The revised debt facilities agreement is for a debt package of R852 million, comprising R652 million committed facilities and a R200 million uncommitted facility.

Other than the refinancing of the facilities, no other material events occurred between the year-end and the date of this report.

31. 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 12 months ended 30 June 2023	Revenue 12 months ended 30 June 2022	EBITDA 12 months ended 30 June 2023	EBITDA 12 months ended 30 June 2022
MRM South Africa	613 322	539 083	250 796	249 534
MRM Rest of Africa	104 651	91 077	44 288	43 401
MRM Middle East	98 646	85 540	27 239	18 884
Products and Services South Africa	317 761	263 977	57 426	47 245
Central and eliminations	–	–	(35 066)	(34 282)
Total	**1 134 380**	979 677	**344 682**	324 782
South African operations	931 083	803 060	273 156	262 497
Non-South African operations	203 297	176 617	71 526	62 285

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

31. Segmental report (continued)

R'000	Operating profit*		Tangible assets**	
	12 months ended 30 June 2023	12 months ended 30 June 2022	12 months ended 30 June 2023	12 months ended 30 June 2022
MRM South Africa	207 750	198 692	750 380	704 370
MRM Rest of Africa	27 096	28 156	144 143	136 690
MRM Middle East	22 288	17 091	101 058	69 356
Products and Services South Africa	37 552	28 190	135 595	151 595
Central and eliminations	(40 067)	(31 727)	(16 249)	(23 597)
Total	**254 620**	240 402	**1 114 927**	1 038 414
South African operations	205 235	195 155	869 726	832 368
Non–South African operations	49 384	45 247	245 200	206 046

* *Operating profit before acquisition costs.*

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

R'000	Revenue streams	
	12 months ended 30 June 2023	12 months ended 30 June 2022
Secure storage	592 382	567 104
Digital services	295 685	204 637
Products and solutions	178 087	143 957
Business support services	68 225	63 979
Total	**1 134 380**	979 677

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

32. Business combination

Effective 1 December 2021, the Group acquired control by purchasing 70% of the issued share capital and 70% of the voting rights of IronTree Internet Services (Pty) Ltd ("IronTree"), a company incorporated and based in South Africa. IronTree is a leading provider of data management services including cloud backup, disaster recovery and specialised hosting in a private cloud. IronTree also offers cybercrime and ransomware prevention, ongoing privacy law compliance management and business continuity planning services. The objective of the acquisition is to further increase the Group's market share in providing digital solutions and services. IronTree strengthens Metrofile's core capabilities in virtual storage and digital risk management. IronTree also provides access to products in high growth segments such as cybersecurity and digital compliance.

The settlement for the acquisition is as follows:

- An upfront cash amount of R48 918 295 for 70% of the shares in and claims against IronTree payable to the sellers on the effective date.
- A top-up payment (contingent consideration) of R13 136 731 payable should IronTree achieve an adjusted EBITDA of R18 719 464 for the 12-month period ending 28 February 2022. As at 30 June 2022, the target was achieved by IronTree and the full R13 136 731 was settled.
- The remaining 30% of the shares (redemption liability) will be purchased in 2024 and will be determined using a sliding scale based on the growth in revenue of the business up to the 12-month period ending 29 February 2024 ("final payment"). The final payment will be based on revenue, rather than EBITDA, in order to simplify the integration of IronTree into Metrofile as integration initiatives are likely to consolidate costs of both Metrofile and IronTree.

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

32. Business combination (continued)

Redemption liability recognised directly in equity

The redemption liability represents the remaining 30% to be purchased from the minority interest of IronTree.

The amount was determined using a sliding scale based on the estimated growth in revenue of the business up to the 12-month period ending 29 February 2024. The maximum payment will be linked to a revenue target of R100 million for the 12 month period ending 29 February 2024.

The redemption liability will be based on the total purchase price, capped at R140 million reduced by the first two payments, discounted using the current prime lending rate.

33. Acquisition related liabilities

During the period the Group acquired an additional 15% in E-file Masters LLC (UAE) for a purchase consideration of R28 million which comprised an initial consideration of R15.3 million (AED 3 million) as well as a top-up payment should E-file Masters LLC (UAE) achieve AED 6.1 million EBITDA at the earlier of 30 June 2023 or 30 June 2024. This was disclosed as a transaction with non-controlling interest.

The top-up payment is capped at a maximum of R12.8 million (AED 2.5 million) which the Group raised as an acquisition related liability as at 30 June 2023.

Acquisition related liabilities consist of the Group's remaining commitment to purchase the additional 30% in IronTree, as well as the acquisition related liability relating to the purchase of the additional 15% in E-file Masters LLC (UAE).

R'000	2023
Opening balance	75 813
Contingent consideration linked to earnings – IronTree	7 000
Redemption liability recognised in equity – IronTree	68 813
Contingent consideration recognised	(2 056)
Redemption liability unwinding	5 342
Acquisition related liability recognised – 15% purchase in E-file Masters LLC	12 825
Closing balance	**91 924**
Contingent consideration linked to earnings – Iron Tree	4 944
Redemption liability recognised in equity – Iron Tree	74 155
Acquisition related liability – 15% purchase in E-file Masters LLC	12 825
Non-current	–
Current	91 924

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

Subsidiary	Nature of business	Percentage holding 2023 %	Percentage holding 2022 %	Cost of investment 2023 R'000	Cost of investment 2022 R'000	Net indebtedness 2023 R'000	Net indebtedness 2022 R'000
34. Subsidiaries							
34.1 Investment in unlisted subsidiaries							
Metrofile (Pty) Ltd▲	Records management	100	100	173 753	173 753	10 282	10 282
Metrofile Management Services (Pty) Ltd▲	Management services	100	100	–	–	324 048	403 383
– Loan from subsidiary						403 383	403 383
– Loan to subsidiary						(79 335)	–
Tidy Files (SA) (Pty) Ltd	Filing systems	100	100	78 105	78 105	–	–
Metrofile VYSION (Pty) Ltd	Services	100	100	–	–	–	–
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	335 700	415 035
Provision for impairment*				(14 980)	(14 980)	(349 938)	(349 938)
				264 018	264 018	**(14 238)**	65 097
Reflected as:							
Amounts owing by subsidiaries – non-interest-bearing						13 552	66 997
Amounts owing to subsidiaries – non-interest-bearing						(27 790)	(1 900)

▲ *At 30 June 2023, 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 loan from Metrofile Management Services (Pty) Ltd to Metrofile Holdings Ltd.*

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

34. Subsidiaries (continued)

34.2 Subsidiaries – Group

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

		Percentage holding		Cost of investment	
Subsidiary	**Nature of business**	**2023 %**	**2022 %**	**2023 R'000**	**2022 R'000**
Metrofile Records and Information Management Botswana (Pty) Ltd #	Records management	100	100	28 541	28 541
Metrofile Moçambique LDA	Records management	51	51	–	–
E-File Masters LLC ***	Records management	95	80	33 205	5 094
Metrofile Nigeria (Pty) Ltd$	Records management	100	100	3 864	3 864
Metrofile Records Management (Kenya) Ltd	Records management	100	100	278 814	278 814
IronTree Internet Services (Pty) Ltd &		70	70	67 949	67 949
				412 373	384 262
Provision for impairment**				(145 744)	(145 744)
				266 629	238 518

** *The provision for impairment relating to the investment in Kenya and Nigeria.*
*** *This business is in the business of records management.*
$ *Liquidation process still in progress.*
& *This business is in the business of data management services. IronTree was acquired in 2022.*
*** *In the current year, 15% was purchased from NCI in E-File Masters LLC increasing Metrofile's shareholding to 95%.*
# *Prior period disclosure has been updated to reflect the cost of the investment.*

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

Notes to the annual financial statements (continued)

For the year ended 30 June 2023

35. Shareholder analysis

Public and non-public shareholders	Number of shareholders	Percentage %	Number of shares	Percentage %
Non-public shareholders	**11**	**0.20**	**231 731 499**	**53.43**
Directors, management and associates of the Company	5	0.09	56 496 035	13.03
Treasury stock	1	0.02	9 755 019	2.25
Strategic holdings*	5	0.09	165 480 445	38.16
Public shareholders	**5 381**	**99.80**	**201 968 459**	**46.57**
Total	**5 392**	**100.00**	**433 699 958**	**100.00**

** Mineworkers Investment Company, with a shareholding of 38.16% of the share equity, is the largest and most significant shareholder. The company provides strategic direction, BEE and transformation guidance and has two directors on the Board.*

Beneficial shareholders holding 5% or more	Number of shares	Percentage %
Mineworkers Investment Company	165 480 445	38.16
Sabvest Investments (Pty) Ltd	56 000 000	12.91
NinetyOne	36 211 920	8.35
Total	**257 692 365**	**59.42**

Directors' interest in shares	Beneficial		Non-beneficial		Percentage %
	Direct	Indirect	Direct	Indirect	
MS Bomela, DL Storom†	–	–	–	165 480 445	38.16
P Langeni#	–	450 000	–	–	0.10
S Mansingh	150 000	–	–	–	0.03
CS Seabrooke*	–	–	–	56 000 000	12.91
PG Serima	46 035	–	–	–	0.01
Total	**196 035**	**450 000**	**–**	**221 480 445**	**51.21**

† Mary Bomela and Lebohang Storom are CEO and Group Financial Manager of MIC respectively, which owns 165 480 445 shares being an economic interest of 38.16%. As MIC's representatives on Metrofile's Board, they have no economic interest in MIC personally.

 # Phumzile Langeni is the CEO of Afropulse (Pty) Ltd which owns 450 000 shares in the Company, being an economic interest of 0.10% of which she has a beneficial interest of 50%.

** The Seabrooke Family Trust has an indirect interest of 40.50% in this shareholding through Sabvest Capital Limited, i.e. an effective economic interest of 5.23%.*

Notes to the annual financial statements (continued)
For the year ended 30 June 2023

36. 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

During 2023 the Group invested in its go-to-market industry team which boosted growth in the Group's storage, digital and product revenue streams. Operating profit increased due to the increase in revenue, however margins were affected due to additional costs as well as a change in revenue mix, mainly as a result of lower margin related to image processing. Additional costs were driven mainly by the increased payroll costs, IT related costs due to infrastructure upgrades and general inflationary pressures.

Significant growth continued in the Group's digital offerings relating to workflow automation solutions and electronic documentation management systems as the Group focused on enhancing its digital service offerings.

Solvency and liquidity

As at 30 June 2023, the consolidated statements of financial position reflected total equity of R569 million. The total borrowing facilities established at the reporting date amounted to R600 million of which the unutilised capacity was R45 million.

Current liabilities exceed current assets at reporting date due to the classification of the remaining long term liability as current as they become due in June 2024.

Post year end, interest-bearing liabilities were refinanced following the finalisation of a revised debt facilities agreement. This agreement is for a debt package of R852 million, comprising R652 million committed facilities and a R200 million uncommitted facility for a period of five years.

The Group has externally imposed capital requirements in terms of debt covenants. These covenants, which are calculated on a basis pre IFRS 16 Leases, require the Group to maintain a net debt to EBITDA of 2.5 times and an EBITDA to net interest expense ratio of no less than 3.5 times.

At 30 June 2023, the Group's covenant requirements were met.

Capital expenditure for the 2024 financial year will be limited to essential and committed expenditure. Working capital levels will be strictly monitored. These measures, all within management's control and not impeding the ability to meet client demands, will provide greater liquidity and financial flexibility.

Conclusion

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

Corporate information^

Directors

Phumzile Langeni (49)*#@
BCom (Acc), BCom (Hons), MCom
Independent non-executive Chairman
Eleven years' service (Appointed 30 March 2012)
Chairman of Nominations Committee

Mary Sina Bomela (50)‡*
BCom (Hons), CA(SA), MBA
Non-executive director and deputy Chairman
Thirteen years' service (Appointed 8 September 2010)
Chairman of Social, Ethics and Transformation Committee
Chairman of Strategy and Investment Committee

Pfungwa Gore Serima (58)#@
BSC (CompSc) and Business Studies
Group Chief Executive Officer
Seven years' service (Appointed 1 February 2016)

Shivan Mansingh (37)#@
BaccSci, HDipAcc, CA(SA), MBA
Group Chief Financial Officer
Four years' service (Appointed 1 April 2019)

Sindiswa Victoria Zilwa (56)#‡
BCompt (Hons), CA(SA), CD(SA)
Advanced Diploma in Financial Planning (UFS)
Advanced Diploma in Taxation (UNISA)
Advanced Diploma in Banking (RAU)
Lead independent non-executive director
Eleven years' service (Appointed 17 October 2012)
Chairman of Audit, Governance and Risk Committee

Andile Khumalo (45)#†
BCom (Accounting), Post Graduate Diploma in Accounting, CA(SA)
Independent non-executive director
Two years' service (Appointed 30 September 2021)

Lindiwe Evarista Mthimunye (49)†#
BCom, CA(SA), MCom, HDip Tax Law
Independent non-executive director
Six years' service (Appointed 1 July 2017)
Chairman of Remuneration Committee

Christopher Stefan Seabrooke (70)*‡@
BCom, BAcc, MBA, FCMA
Independent non-executive director
Twenty years' service (Appointed 28 January 2003)

Stanley Thabo Moloko Seopa (59)†@
BCom (Accounting), Higher Diploma in Tax Law
Diploma in Finance, Diploma in Management
Independent non-executive director
Two years' service (Appointed 30 September 2021)

Dominic Lebohang Storom (35)
BCom (Hons), CTA, MCom, MBA
Non-executive director
Two years' service (appointed 26 March 2021)

Leon Rood (46)
BCom, LLB
Four years' service (appointed 1 February 2019)
Independent non-executive alternate director to Christopher Seabrooke

^ As at date of issuing this integrated annual report
† Audit, Governance and Risk Committee member
‡ Nominations Committee member
** Remuneration Committee member*
 # Social, Ethics and Transformation Committee member
@ Strategy and Investment Committee member

Company Secretary and registered office

Elmarie Smuts
First Floor, 28 Fricker Road, Illovo, 2196, Gauteng, South Africa
P O Box 40264, Cleveland, 2022, Gauteng, South Africa
Telephone: +27 10 001 6380

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
Private Bag X9000, Saxonwold, 2132, Gauteng, South Africa
Telephone: +27 11 370 5000 or +27 86 11 00 933

Auditor

BDO South Africa Incorporated
Wanderers Office Park, 52 Corlett Drive, Illovo, 2196
Private Bag X60500, Houghton, 2041, Gauteng, South Africa

Banker

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

Investor relations

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