METROFILE HOLDINGS LIMITED

AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

2023

Salient features

Revenue
R1 134m
▲ 16%

EBITDA
R345m
▲ 6%

EPS
32.1c
▲ 4%

HEPS
32.1c
▲ 5%

DPS
18c
(maintained)

Share buy-back
R33.8m
(10m shares)

Summarised consolidated statement of profit and loss

R'000	Notes	Audited 12 months ended 30 June 2023	Audited 12 months ended 30 June 2022
Revenue		1 134 380	979 677
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	6	**344 682**	324 782
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		**254 620**	240 402
Acquisition related costs		–	(5 894)
Profit before finance costs		**254 620**	234 508
Net finance costs		**(57 619)**	(48 780)
Finance income		5 777	467
Finance costs		(49 336)	(34 969)
Finance costs on lease liabilities		(14 060)	(14 278)
Profit before taxation		**197 001**	185 728
Taxation		(57 912)	(46 390)
Profit for the year		**139 089**	139 338
Attributable to:			
Owners of the parent		137 914	133 588
Non-controlling interest		1 175	5 750
Profit for the year		**139 089**	139 338
Profit attributable to owners of the parent:			
Basic earnings per share (cents)	4	**32.1**	30.8
Diluted earnings per share (cents)	4	**30.9**	30.0

Summarised consolidated statement of other comprehensive income

R'000	Audited 12 months ended 30 June 2023	Audited 12 months ended 30 June 2022
Profit for the year	**139 089**	139 338
Other comprehensive income for the year		
Currency movement on translation of foreign subsidiaries	(1 048)	5 307
Total comprehensive income for the year	**138 041**	144 645
Attributable to:		
Owners of the parent	134 607	141 338
Non-controlling interest	3 434	3 307

Summarised consolidated statement of financial position

R'000	Notes	Audited 12 months ended 30 June 2023	Audited 12 months ended 30 June 2022
ASSETS			
Non-current assets		**1 182 258**	1 196 648
Property, plant and equipment		606 524	609 699
Right-of-use asset		111 818	129 582
Intangible assets		69 794	67 945
Goodwill	12	373 542	372 193
Long term vendor consideration		3 500	3 500
Deferred taxation asset		17 080	13 730
Current assets		**393 084**	295 633
Inventories		18 129	16 209
Trade receivables		243 490	205 395
Other receivables		65 834	30 026
Taxation receivable		6 999	5 243
Cash and cash equivalents		58 632	40 541
Total assets		**1 575 342**	1 492 282
EQUITY AND LIABILITIES			
Equity		**568 628**	577 876
Equity attributable to owners of the parent		562 559	559 591
Non-controlling interest		6 069	18 285
Non-current liabilities		**151 215**	678 349
Interest-bearing liabilities		–	441 556
Lease liabilities		101 902	114 791
Acquisition related liabilities		–	72 247
Deferred taxation liabilities		49 313	49 755
Current liabilities		**855 499**	236 057
Trade and other payables		120 193	115 637
Provisions		19 193	13 505
Deferred revenue		22 197	18 804
Taxation payable		13 273	6 354
Bank overdraft		63 039	5 605
Interest-bearing liabilities*	5	491 313	39 195
Lease liabilities		34 367	33 391
Acquisition related liabilities	8	91 924	3 566
Total equity and liabilities		**1 575 342**	1 492 282

* *Interest-bearing liabilities were refinanced following the finalisation of a revised debt facilities agreement post year-end. Refer to note 11 in this regard.*

Summarised consolidated statement of changes in equity

R'000	Notes	Share capital and share premium	Accumu-lated loss	Other reserves	Attributable to owners of the parent	Non-controlling interest	Total equity
Balance at 30 June 2021		**573 833**	**(4 614)**	**(10 487)**	**558 732**	**11 061**	**569 793**
IFRS 2 expense		–	–	2 502	2 502	–	2 502
Dividends declared		–	(74 168)	–	(74 168)	(878)	(75 046)
Acquisition of subsidiary		–	–	–	–	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		**573 833**	**(14 007)**	**(235)**	**559 591**	**18 285**	**577 876**
IFRS 2 expense		–	–	2 346	2 346	–	2 346
Dividends declared		–	(77 477)	–	(77 477)	(5 540)	(83 017)
Transactions with non-controlling interests	8	–	(22 747)	–	(22 747)	(10 110)	(32 857)
Share buy-back		(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		**540 072**	**23 683**	**(1 196)**	**562 559**	**6 069**	**568 628**

Summarised consolidated statement of cash flows

R'000	Notes	Audited 12 months ended 30 June 2023	Audited 12 months ended 30 June 2022
Cash flows from operating activities			
Cash generated from operations before net working capital changes		344 430	327 513
Decrease in net working capital		(68 520)	(19 421)
Cash generated by operations		275 910	308 092
Net finance costs		(57 569)	(48 760)
Normal taxation paid		(56 601)	(42 107)
Net cash inflow from operating activities		**161 740**	217 225
Cash flows from investing activities			
Capital expenditure: expansion		(33 819)	(47 466)
Capital expenditure: replacement		(13 223)	(12 559)
Proceeds from sale of property, plant and equipment		511	484
Acquisition of subsidiaries		–	(65 604)
Net cash outflow from investing activities		**(46 531)**	(125 145)
Cash flows from financing activities			
Repayment of interest-bearing borrowings		(40 041)	(39 900)
Interest-bearing liabilities raised		50 000	50 000
Payment of lease liabilities		(33 677)	(29 929)
Acquisition of non-controlling interest		(15 286)	–
Dividends paid		(82 654)	(74 989)
Share buy-back		(33 761)	–
Net cash outflow from financing activities		**(155 419)**	(94 818)
Net decrease in cash and cash equivalents		(40 210)	(2 738)
Cash and cash equivalents at the beginning of the year		34 936	35 558
Effects of exchange rate movement on cash balances		867	2 116
Net cash and cash (overdraft)/equivalents at the end of the year		**(4 407)**	34 936
Represented by:			
Cash and cash equivalents		58 632	40 541
Bank overdraft		(63 039)	(5 605)

Notes to the financial statements

1. Basis of preparation and accounting policies

The directors take full responsibility for the preparation of these audited summarised consolidated financial statements. The Group audited summarised consolidated financial statements and the full set of consolidated financial statements have been prepared under the supervision of Mr S Mansingh, CA(SA), MBA. The summarised financial information has been prepared in accordance with the framework concepts, measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SA financial reporting requirements and as a minimum contain the information as required by IAS 34: Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies and basis of preparation for the financial statements are in all respects consistent with those applied in the 2022 annual financial statements and in terms of International Financial Reporting Standards (IFRS).

2. Audit opinion

The independent auditor, BDO, has issued its unmodified audit opinion, on the consolidated financial statements for the year ended 30 June 2023, in accordance with International Standards on Auditing. These summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects, with the consolidated financial statements. The unmodified audit report thereon is available in Appendix A of this report.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a full copy of the auditor's report, together with the accompanying consolidated financial information, from the issuer's registered office or on the Company's website: https://www.metrofile.com/investor–relations/. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Company's auditor.

3. Summarised segmental information

Segmental disclosure consists of Metrofile Records Management (MRM) South Africa, MRM Rest of Africa, MRM Middle East, Products and Services South Africa and Central and Eliminations. The segmental information is based on information provided to the chief operational decision makers and operating profit is the key measure of segmental performance.

	Revenue		EBITDA	
R'000	**Audited 12 months ended 30 June 2023**	**Audited 12 months ended 30 June 2022**	**Audited 12 months ended 30 June 2023**	**Audited 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

	Operating profit		Tangible assets	
R'000	**Audited 12 months ended 30 June 2023**	**Audited 12 months ended 30 June 2022**	**Audited 12 months ended 30 June 2023**	**Audited 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

Notes to the financial statements (continued)

3. Summarised segmental information (continued)

R'000	Revenue streams	
	Audited 12 months ended 30 June 2023	Audited 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**

4. Reconciliation of headline earnings

R'000	Audited 12 months ended 30 June 2023	Audited 12 months ended 30 June 2022
Reconciliation of headline earnings		
Profit attributable to owners of the parent	137 914	133 588
Profit on disposal of plant and equipment	(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 (cents)	9.0	9.0
– Final dividend per share proposed/paid (cents)	9.0	9.0

Notes to the financial statements (continued)

5. Financial risk

The Group is exposed to fixed and variable interest rates (3 month JIBAR interest rate benchmark plus interest rate scale) within its debt profile.

The interest rate exposure of the existing facilities is as follows:

	Total facilities	Unutilised as at 30 June 2023	Capital outstanding as at 30 June 2023	Variable interest rate	Fixed interest rate
RCF loan facility – variable	250 000 000	–	250 000 000	3 month JIBAR plus margin premium	–
Bullet loan facility – fixed	200 000 000	–	200 000 000	–	4.65% plus margin premium
Amortisation facility – fixed	30 000 000	–	30 000 000	–	4.16% plus margin premium
Amortisation facility – variable	11 659 711	–	11 659 711	3 month JIBAR plus margin premium	–
Working capital facility	107 000 000	43 961 224	63 038 776	Prime interest rate minus 1%	–

Interest rate scale – margin premium

	Bullet/RCF loan (3 month JIBAR plus) %	Amortisation loan (3 month JIBAR plus) %
Gross debt/EBITDA		
Greater than 2.5 times	2.95	2.65
Greater than 2.0 times, less than 2.5 times	2.75	2.45
Less than 2.0 times	2.55	2.25

6. Operating profit before interest, taxation, depreciation and amortisation (EBITDA)

R'000	Audited 12 months ended 30 June 2023	Audited 12 months ended 30 June 2022
Items included in EBITDA for the year are as follows:		
Materials and consumables	(127 594)	(127 208)
Staff costs	(379 074)	(308 917)
Other operating expenses	(299 022)	(230 194)
Other operating income	15 992	11 424

Notes to the financial statements (continued)

7. Statement of financial position movements

Trade and other receivables increased as a result of higher revenue as well as a longer than expected payment cycle experienced from our customers. The provision for doubtful debt has increased in line with the expected credit loss model. Interest-bearing liabilities and acquisition related liabilities are due within 12 months and as a result have been classified as current. Please refer to note 11 in relation to the debt refinance concluded post year-end.

8. 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.

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) and are represented by the balances below as at 30 June 2023.

R'000	2023
Contingent consideration linked to earnings – IronTree	4 944
Redemption liability recognised in equity – IronTree	74 155
Acquisition related liability – 15% purchased in E-file Masters LLC	12 825
	91 924

9. Fair value estimate

The carrying value of financial instruments estimates their fair value.

10. Commitments

Metrofile owns or leases premises based on the prevailing economic realities in each country in which we operate. Capital investment plans for the next 12 months are expected to be R68 million (FY2023: R53 million).

11. Subsequent events

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 as follows:

- Committed facilities
  - R352 million bullet facility (5-year term)
  - R150 million revolving credit facility ("RCF") (5-year term)
  - R150 million general borrowing facility (on demand);
- Uncommitted facility
  - R200 million accordion RCF, reducing to R150 million after 1 year, thereafter, expiring on the second anniversary date of the facilities agreement.

In line with Metrofile's continued focus on cash management, the new efficient debt structure will result in the group's effective cost of debt improving by 0.25% to the following:

Net debt/EBITDA	Bullet/RCF (3-month JIBAR plus)
>2.50x	2.75%
>2.00 < 2.50x	2.50%
<2.00x	2.25%

Notes to the financial statements (continued)

12. Goodwill

In line with the annual requirement to assess goodwill for impairment, the various cash generating units (CGUs) were assessed accordingly using the discounted cash flow method to determine the value in use; and the economic impact of recovering from the lockdown measures across the various territories was also considered. 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%).

	Consolidated	
R'000	**2023**	**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 arising from acquisition of subsidiary**	–	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 to note 8.*

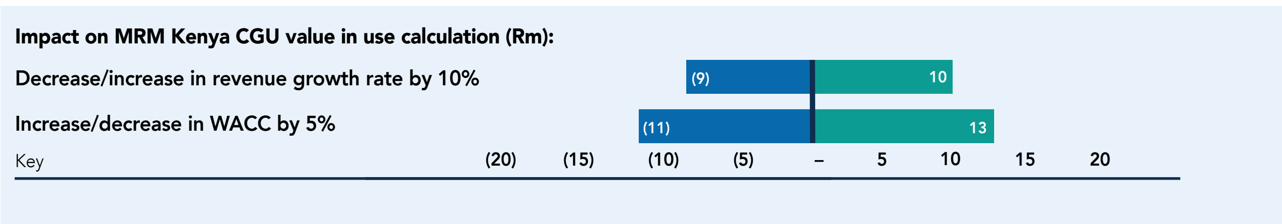
12.1 Goodwill impairment testing

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

The carrying amount of goodwill is subject to an impairment test. The impairment tests are carried out on all goodwill and indeterminate life intangible assets within each CGU. Various economies have traded under challenging circumstances. The goodwill assessments have included consideration of these factors in the growth rates and discount rates. As at 30 June 2023 no impairments were identified.

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. Therefore 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 12.2 below to their high and low end ranges and no impairment was identified on any CGUs.

Notes to the financial statements (continued)

12. Goodwill (continued)

12.2 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 in revenue and margins were determined based on future trends within the industry, references to economic indicators eg inflation rates, annual GDP growth rates, 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 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 discounted rates applied.

The Group believes that the key assumptions used in the goodwill impairment test, as disclosed above, remain appropriate.

Notes to the financial statements (continued)

12. Goodwill (continued)

12.3 Impairment of goodwill

The goodwill accumulated impairments by CGUs were as follows:

CGU	Accumulated impairment of goodwill R'm	Discount rate (pre-tax WACC) 2023	Discount rate (pre-tax WACC) 2022	Growth rate 2023	Growth rate 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**				

13. Going concern

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 5 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.

Commentary on the results

The Group in context

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.

Results overview

Results overview for the year:
- Revenue increased by 16% to R1 134 million.
- EBITDA increased by 6% to R345 million and operating profit increased by 6% to R255 million.
- EPS and HEPS increased by 4% and 5% respectively to 32.1c.
- Dividend per share was maintained at 18c for the year, with a final dividend of 9c declared.
- Purchased 10 044 754 shares (R33.8 million) under the share buy-back programme.

Financial review

Revenue

Revenue increased by 16% to R1 134 million (FY2022: R980 million). Metrofile concluded the acquisition of IronTree Internet Services (Pty) Ltd (IronTree) in the prior period and this acquisition has now been included for the full twelve months under review. Excluding the acquisition related revenue growth of IronTree, organic revenue increased by 13% primarily as a result of significant growth in digital services. The 2023 financial year saw the return to offices by some of our clients which has increased the demand for both our products and services. Furthermore, actions taken in the last quarter of the prior financial year, including the investment in the go-to-market industry team, yielded positive results with growth in storage, image processing and products and solutions. Outside South Africa, Botswana and Middle East traded in line with expectations, however, Kenya and Mozambique experienced challenges in their respective operating environments.

Secure storage contributed 52% to Group revenue and was up 4% due to increased paper services following additional requests from our clients as they continued to return to their offices. Closing box volumes for the Group as at 30 June 2023 were 11.1 million (30 June 2022: 11.4 million) as net box volume decreased by 3%. Gross box volumes intake increased by 6% from new and existing clients and was offset by destructions and withdrawals of 9%. Net box volumes decreased in South Africa by 4% but showed growth in the Rest of Africa and the Middle East of 3% and 10% respectively.

Digital services contributed 26% to Group revenue and was up 44%. Excluding acquisition related growth from the full inclusion of IronTree, digital services increased by 32% following the increase in the digitisation of physical records across the various geographical territories. Furthermore, significant growth was achieved in our workflow automation solutions through Metrofile VYSION, including increased deployment of electronic document management systems, specifically DataStor. Digital services continued to be our second largest revenue contributor and largest growth area over the recent years. This has also demonstrated the effect of the Group's introduction of relevant digital service offerings.

Products and solutions increased by 24% as demand returned for filing solutions through Tidy Files, as well as growth in the number of flat boxes sold. Business support services increased by 7% following an increase in confidential destruction which was offset by a reduction in our work area recovery services. Products and solutions and business support services contributed 16% and 6% respectively to Group revenue.

Operating profit

Operating profit, before acquisition related costs, grew by 6% to R255 million (FY2022: R240 million) as a result of increased revenue. Operating margin was lower 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 inflationary pressure, investment in the go-to-market industry team and an increase in IT related costs following the upgrades to our IT infrastructure and application environment, which are now complete.

Cash and debt

Net finance costs were 18% higher at R58 million (FY2022: R49 million) following an increase in interest rates and net debt. Net debt rose by 11% to R496 million (FY2022: R446 million). This was due to increased working capital mainly attributable to higher trade and other receivables as well as capital allocated to the share buy-back programme and the increase in the investment in our Middle East operation. 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.

Commentary on the results (continued)

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.

Share buy-back programme

The Board has authorised the continuation of the share buy-back programme under the general authority of the Company. During FY2023 the Company purchased 10 044 754 shares (R33 761 399) at an average price of R3.36 per share, which we anticipate will achieve an accretive return. The Board considers the value-add to shareholders of the capital allocation decisions relating to acquisitions, expansion, share buy-backs and dividends, as well as the judicious use of available cash and debt resources.

Dividend declaration and final dividend

The dividend cover policy range of between 1.5x and 2.0x remains in place. The Board declared a final cash dividend of 9 cents per share, bringing the total dividend for the year to 18 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 was 433 699 958 shares (423 655 204 net of treasury shares) and the Company's tax number is 9375/066/71/0.

Changes to the Board of Directors

Further to the changes described in the Group interim results for the six months ended 31 December 2022, there were no changes to the Board for the six months ended 30 June 2023.

Commentary on the results (continued)

Outlook

We are pleased to announce the successful award of a significant contract in the South African public sector to the value of R417 million over three years, which is currently being contested by one of the unsuccessful bidders. Furthermore, we have also been awarded a significant contract in the United Arab Emirates to the value of R180 million over two years. These contracts are subject to the finalisation of various service level agreements and the successful on-boarding of our relevant services, which we anticipate to be the key focus area for the 2024 financial year. We expect continued organic growth in all regions with enhanced profitability.

The expansion of our core capabilities in digital and cloud services has distinguished Metrofile from traditional competitors. Continued growth in the revenue contribution from digital services has validated our strategy of innovating across our core offerings. We are transforming our Company and preparing it for accelerated digital and cloud adoption by shifting our investments to strategic growth areas that will allow us to focus on accelerated market growth opportunities. Metrofile continues to be well positioned, capable and ready to be at the core of this exciting journey.

Forward-looking statement

Statements on future financial performance have not been reviewed or audited by the Group's external auditors. The Group cannot guarantee that any forward-looking statement will materialise, and accordingly, readers are cautioned not to place undue reliance on them. The Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement, even if new information becomes available as a result of future events or for any other reason other than as stipulated by the JSE Listings Requirements.

Phumzile Langeni
Chairman of the Board

Pfungwa Serima
Group Chief Executive Officer

Illovo
11 September 2023

Corporate information

Directors

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

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

Company Secretary

EM Smuts

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Sponsor

The Standard Bank of South Africa Limited

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Gauteng, South Africa

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METROFILE HOLDINGS LIMITED:
Incorporated in the Republic of South Africa
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727
("Metrofile" or "the Company" or "the Group")

Appendix A

BDO

Independent Auditor's Report on the Summarised Consolidated Financial Statements to the shareholders of Metrofile Holdings Limited

Opinion

The summarised consolidated financial statements of Metrofile Holdings Limited , set out on pages 3 to 13, which comprise the summarised consolidated statement of financial position as at 30 June 2023, the summarised consolidated statements of profit and loss and summarised consolidated statement of other comprehensive income, the summarised consolidated statement of changes in equity and the summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Metrofile Holdings Limited for the year ended 30 June 2023.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for summarised financial statements, as set out in note 1 to the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised Consolidated Financial Statements

The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 11 September 2023. That report also includes:

- The communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements, set out in the note 1 to the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditor

Mandisi Mantyi
Director
Registered Auditor

11 September 2023

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Illovo, 2196