

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 6 of this document apply to the cover of this document.

Shareholders are referred to pages 3 and 4 of this document, which set out the action required of them with regard to the transaction, full details of which are set out in this document. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of some or all of your ordinary shares in Metrofile Holdings, then a copy of this document, form of proxy and form of instruction in respect of the renounceable (nil paid) letter of allocation, should be forwarded to the purchaser to whom, or the broker, CSDP or agent through whom you disposed of your Metrofile Holdings shares or your interest in Metrofile Holdings shares except that this document and form of instruction should not be forwarded or transmitted by you to any person in any territory other than the Republic of South Africa unless the rights offer can lawfully be made to such person or in such territory.

The shares issued in terms of this rights offer will not be registered for purposes of the rights offer with the Securities and Exchange Commission, Washington, D.C., the Canadian Provincial Securities Commission, or the Australian Securities Commission under the Australian Corporation Law, as amended. Accordingly, the rights offer will not be made to or be open for acceptance by persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia or in the Dominion of Canada or in the Commonwealth of Australia, its states, territories or possessions. The CSDP or broker will ensure that where such persons are holding Metrofile Holdings shares in dematerialised form that the CSDP or broker adheres to the above restrictions.

Letters of allocation can only be traded in dematerialised form and, accordingly, Metrofile Holdings has issued all letters of allocation in dematerialised form. The electronic record for holders of certificated shares is being maintained by Computershare which has made it possible for holders of certificated shares to enjoy the same rights and opportunities as holders of dematerialised shares in respect of the letters of allocation.

Only whole numbers of Metrofile Holdings shares will be issued in terms of the rights offer and shareholders will be entitled to rounded numbers of shares once the ratio of entitlement has been applied.

The form of instruction in lieu of a letter of allocation enclosed with this document in the case of holders of certificated Metrofile Holdings shares is negotiable and may be traded on the JSE.

This document has been prepared on the assumption that the ordinary and special resolutions proposed in the Notice of General Meeting forming part of this document will be passed at the general meeting of shareholders, to be held at WWB's offices, at 10 Fricker Road, Illovo Boulevard, Johannesburg, 2196, Gauteng at 09:00 on Wednesday, 29 November 2006. A form of proxy (pink) is attached for use by certificated shareholders and dematerialised shareholders with own name registration who cannot attend the general meeting and who wish to vote at the general meeting. It should be properly completed and lodged with the transfer secretaries, Computershare Nominees, to reach it by no later than 09:00 on Monday, 27 November 2006. Dematerialised shareholders, other than those with own name registration, must inform their CSDP or broker of their intention to attend the general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

metrofile

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Metrofile Holdings Limited

Formerly MGX Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727

CIRCULARS TO METROFILE HOLDINGS SHAREHOLDERS

regarding:

- an underwritten renounceable rights offer of 188 897 403 ordinary par value shares in Metrofile Holdings at an issue price of 75 cents per share, in the ratio of 255 rights offer shares for every 100 ordinary shares held in Metrofile Holdings at the close of business on Friday, 3 November 2006;
- the buy-back and cancellation by Metrofile Holdings of the treasury shares currently held by MGX Management Services;
- the placing of 10 000 000 ordinary shares under the control of the directors; and
- a purchase by Metrofile Holdings of the minority shareholders' interests in the issued share capital of Metrofile;

and enclosing:

- revised listing particulars (prepared on the assumption that the resolutions proposed in the notice of general meeting forming part of this document will be passed at the general meeting);
- a notice of general meeting;
- a form of proxy to be completed by holders of certificated shares and holders of dematerialised shares with "own name" registration; and
- a form of instruction in respect of a letter of allocation to be completed by holders of certificated shares only.

Rights offer opens at 09:00 on

Monday, 6 November 2006

Rights offer closes at 12:00 on

Friday, 24 November 2006

Investment bank and sponsor



Reporting accountants and auditors

Deloitte.
Deloitte & Touche
Registered Auditors

Underwriter



Sabvest Financial Services (Pty) Limited

Attorneys



Joint attorneys



Attorney to the Underwriter



Date of issue: Monday, 6 November 2006

Copies of this document, together with the form of instruction and the documents referred to in section 145 of the Act, were lodged with the Registrar and the form of instruction was registered by the Registrar on Friday, 20 October 2006 in terms of section 146A of the Act. Copies of this document are available in English only and may be obtained from the registered office of Metrofile Holdings, the office of Standard Bank and the office of Computershare, the addresses of which are set out on the inside front cover of this document. This document will be available for inspection during normal office hours on any business day from Monday, 6 November 2006 to Wednesday, 29 November 2006, both days inclusive, at the registered offices of Metrofile Holdings, 3 Gowie Road, The Gables, Cleveland, 2049. Metrofile Holdings Ordinary Shareholders are referred to paragraph 8.2 of the rights offer circular and paragraph 7.2 of the revised listing particulars, which outline the responsibility of the directors with respect to this document. All advisers whose names and/or reports are contained in this document, have given and have not, prior to publication of this document, withdrawn their written consents to the inclusion of their names and reports in the form and context in which they appear herein.

CORPORATE INFORMATION AND ADVISERS

Registered office

Metrofile Holdings Limited
Formerly MGX Holdings Limited
(Registration number 1983/012697/06)
3 Gowie Road
The Gables
Cleveland, 2049
(PO Box 40264, Cleveland, 2022)

Company secretary

Leon Thompson
B Compt (Hons), CTA, SAIPA
3 Gowie Road
The Gables
Cleveland, 2049
(PO Box 40264, Cleveland, 2022)

Attorneys

Webber Wentzel Bowens
10 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)

Joint attorneys

RL Daly Du Plessis Incorporated
MDM House
Corner Will Scarlet Road and Hendrik Verwoerd Drive
Randburg, 2194
(PO Box 411546, Craighall, 2024)

Guarantor to the Underwriter

Sabvest Limited
(Registration number 1987/003753/06)
Four Commerce Square
39 Rivonia Road
Sandhurst, 2146
(PO Box 78677, Sandton, 2146)

Attorney to the Underwriter

Edward Nathan Sonnenbergs
150 West Street
Sandown, 2196
(PO Box 783347, Sandton, 2146)

Date of incorporation of Metrofile Holdings

18 November 1983

Registered office of Metrofile

Metrofile (Proprietary) Limited
(Registration number 2003/016054/07)
3 Gowie Road
The Gables
Cleveland, 2049
(PO Box 40264, Cleveland, 2022)

Transfer secretaries

Computershare Investor Services 2004
(Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Investment bank and sponsor

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
3 Simmonds Street
Johannesburg, 2001
(PO Box 61344, Marshalltown, 2107)

Reporting accountants and auditors

Deloitte & Touche
The Woodlands
20 Woodlands Drive
Woodmead, 2146
(Private Bag X6, Gallo Manor, 2052)

Underwriter

Sabvest Financial Services (Proprietary) Limited
(Registration number 1989/003795/07)
Four Commerce Square
39 Rivonia Road
Sandhurst, 2146
(PO Box 78677, Sandton, 2146)

Date of incorporation of Metrofile

9 July 2003

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Form of proxy (<i>pink</i>)	Attached
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Form of instruction	Enclosed
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ACTION REQUIRED BY SHAREHOLDERS

The definitions commencing on page 6 of this document apply, *mutatis mutandis*, to the information on action required by shareholders.

If you are in any doubt as to whether you qualify to participate in the rights offer and/or what action to take, you are advised to consult your banker, CSDP, broker, attorney, legal adviser, accountant or other professional adviser immediately.

1. THE RIGHTS OFFER

1.1 If you hold certificated Metrofile Holdings shares

If you are a qualifying Metrofile Holdings shareholder and hold certificated Metrofile Holdings shares you should note that a form of instruction for completion by holders of certificated Metrofile Holdings shares is enclosed with this document and the relevant procedure for participation in the rights offer is set out below:

- a letter of allocation will be created in electronic form with Computershare to afford holders of certificated Metrofile Holdings shares the same rights and opportunities as those who have already dematerialised their Metrofile Holdings shares;
- if you are a holder of certificated Metrofile Holdings shares and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:
 - if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to Computershare to be received by no later than 12:00 on Friday, 17 November 2006. Note that Computershare will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, Computershare will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
 - if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to Computershare, to be received by no later than 12:00 on Friday, 24 November 2006, together with a cheque or bank draft for the appropriate amount.

If you are a qualifying Metrofile Holdings shareholder holding certificated Metrofile Holdings shares and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it, together with the amount due in Rand, with Computershare as follows:

By hand to:

Metrofile Holdings Limited – Rights offer

c/o Computershare Investor Services 2004
(Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

By post to:

Metrofile Holdings Limited – Rights offer

c/o Computershare Investor Services 2004
(Proprietary) Limited
PO Box 61763,
Marshalltown, 2107

so as to be received by Computershare by no later than 12:00 on Friday, 24 November 2006.

If you are a qualifying Metrofile Holdings shareholder holding certificated Metrofile Holdings shares, after subscribing for any of the rights offer shares that you have been allocated, you will receive such shares in certificated form.

If the required documentation and payment have not been received in accordance with the instructions contained in the enclosed form of instruction (either from the qualifying shareholders or from any person in whose favour the rights have been renounced) by 12:00 on Friday, 24 November 2006, then the rights to those unsubscribed shares will be deemed to have been declined and the rights offer entitlement will lapse.

1.2 **If you hold dematerialised Metrofile Holdings shares**

If you are a qualifying Metrofile Holdings shareholder and have dematerialised Metrofile Holdings shares, you will not receive a printed form of instruction and you should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

Your CSDP or broker will credit your safe custody account with the number of rights to which you are entitled and will contact you to ascertain:

- whether you wish to follow your rights in terms of the rights offer and, if so, in respect of how many rights offer shares; or
- if you do not follow all or any of your rights:
 - whether you wish to sell your rights and, if so, how many rights you wish to sell; or
 - whether you wish to renounce your rights and, if so, how many rights and in favour of whom you wish to renounce those rights.

CSDPs effect payment in respect of holders of dematerialised shares on a delivery versus payment basis.

If you are a qualifying Metrofile Holdings shareholder holding dematerialised Metrofile Holdings shares and wish to follow your rights pursuant to the rights offer, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the agreement governing the relationship between yourself and your CSDP or broker. If you are not contacted, you should contact your CSDP or broker and provide them with your instructions. If your CSDP or broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you, or if the mandate is silent in this regard, not to subscribe for Metrofile Holdings shares in terms of the rights offer.

Metrofile Holdings does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.

1.3 **General**

If you are in any doubt as to whether you qualify to participate in the rights offer and/or what action to take, you are advised to consult your banker, CSDP, broker, attorney, legal adviser, accountant or other professional adviser immediately.

2. **THE GENERAL MEETING**

2.1 If you are a **registered holder of certificated Metrofile Holdings shares** or **hold dematerialised Metrofile Holdings shares in your own name** and are unable to attend the general meeting, and you wish to be represented thereat, you must complete and return the attached form of proxy (pink) in accordance with the instructions therein so as to be received by Computershare, 70 Marshall Street, Johannesburg, 2001, Gauteng (PO Box 61051, Marshalltown, 2107), by not later than 09:00 on Monday, 27 November 2006.

2.2 If you **do not hold your dematerialised Metrofile Holdings shares in your own name**, you should provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker. If you wish to attend the general meeting in person, then you will need to request your CSDP or broker to provide you with the necessary authority to attend and vote your shares.

2.3 If you **hold certificated Metrofile Holdings shares through a nominee** you should provide your nominee with your voting instructions in terms of the agreement entered into with such nominee. If you wish to attend the general meeting in person, then you will need to request your nominee to provide you with the necessary authority to attend to vote your shares.

IMPORTANT DATES AND TIMES OF THE RIGHTS OFFER AND THE GENERAL MEETING

2006

Declaration data released on SENS	Friday, 13 October
Declaration data released in the press	Monday, 16 October
Last day to trade in Metrofile Holdings shares in order to participate in the rights offer (<i>cum</i> entitlement)	Friday, 27 October
Listing of letters of allocation on the JSE commences	Monday, 30 October
Letters of allocation commence trading on the JSE with effect from commencement of trade	Monday, 30 October
Metrofile Holdings shares commence trading ex-rights on the JSE	Monday, 30 October
Record date for the rights offer	Friday, 3 November
Rights offer opens at 09:00, on	Monday, 6 November
Last day for trading letters of allocation on the JSE	Friday, 17 November
Rights offer closes at 12:00, on (see note 4)	Friday, 24 November
Record date for the letters of allocation	Friday, 24 November
Rights offer shares issued and posted to holders of certificated Metrofile Holdings shares on or about	Monday, 27 November
CSDP or broker accounts in respect of holders of dematerialised Metrofile Holdings shares debited and updated	Monday, 27 November
Last day to lodge forms of proxy for the general meeting by 09:00, on	Monday, 27 November
Results of rights offer announced on SENS	Monday, 27 November
Results of rights offer published in the press	Tuesday, 28 November
Listing of rights offer shares and trading therein on the JSE commences	Tuesday, 28 November
Refund cheques posted to holders of certificated Metrofile Holdings shares, if applicable, in respect of excess applications	Tuesday, 28 November
General meeting of shareholders to be held at 09:00, on	Wednesday, 29 November
Results of the general meeting published on SENS	Wednesday, 29 November
Results of the general meeting published in the press	Thursday, 30 November

Notes:

1. The definitions commencing on page 6 of this document apply, *mutatis mutandis*, to this information on important dates and times regarding the rights offer and the general meeting.
2. In respect of Metrofile Holdings shares, share certificates may not be dematerialised or rematerialised between Monday, 30 October 2006 and Friday, 3 November 2006, both days inclusive.
3. CSDPs effect payment on a delivery versus payment method in respect of qualifying shareholders holding dematerialised Metrofile Holdings shares.
4. If you are a qualifying shareholder holding dematerialised Metrofile Holdings shares you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the agreement governing the relationship between yourself and your CSDP or broker.
5. The above important dates and times in relation to the general meeting are subject to change. Any changes will be released on SENS and published in the press.
6. If the general meeting is adjourned or postponed, forms of proxy must be received by no later than 48 hours prior to the time of the adjourned or postponed general meeting (excluding Saturdays, Sundays and official South African public holidays).
7. Unless otherwise indicated, all times are South African times.

DEFINITIONS

Throughout this document and the annexures hereto, unless otherwise indicated, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing natural persons include corporations and associations of persons and any reference to one gender includes the other gender:

“the acquisition of minority interests”	the acquisition of the interests held by the minority shareholders in the issued share capital of Metrofile, the purchase price of which is to be settled by the issue of shares in Metrofile Holdings;
“the Act”	the Companies Act, No. 61 of 1973, as amended;
“adjusted HEPS”	the adjustment to determine diluted EPS is directly attributable to an interest saving of R11,6 million should the Metrofile Holdings loan notes convert into ordinary shares. The increase in number of ordinary shares in issue is calculated by dividing the outstanding capital amount (excluding any accrued interest) of the Metrofile Holdings loan notes held by third parties (include notes held by third party creditors and excludes any inter-company loan notes, share options and any other payables) by the average market price per share during the period and then adding the calculated increase in shares to the existing weighted average number of ordinary shares in issue;
“Articles”	Articles of Association of the Company;
“BEE”	Black Economic Empowerment, as defined in the Broad-based Black Economic Empowerment Act, No. 53 of 2003;
“the board” or “the directors”	the board of directors of Metrofile Holdings, whose names appear on page 10 of this document;
“Brait Private Equity Funds”	Brait private equity funds that hold an interest in the share capital of Metrofile Holdings, being Capital Africa Limited and South Africa Private Equity Trust II;
“the Code”	the Securities Regulation Code on Takeovers and Mergers;
“Computershare” or “the transfer secretaries”	Computershare Investor Services 2004 (Proprietary) Limited (Registration number 2004/003647/07), a private company registered in South Africa, and transfer secretaries to Metrofile Holdings, whose address is Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107);
“consideration shares”	the new Metrofile Holdings shares, to be issued as consideration for the acquisition of the interests held by the minority shareholders in Metrofile, being in aggregate 137 898 811 Metrofile Holdings shares;
“CSDP”	Central Securities Depository Participant, registered in terms of the Security Services Act, No. 36 of 2004;
“Deloitte & Touche”	Deloitte & Touche, auditors and reporting accountants to Metrofile Holdings;
“this document” or “the document”	this bound document, dated Monday, 6 November 2006, including the rights offer circular, the share buy-back and minorities acquisition circular and revised listing particulars and incorporating a notice of general meeting, a form of proxy and a form of instruction;
“EC-Hold”	EC-Hold Limited (in liquidation), a de-registered and de-listed company (Registration number 1998/020093/06);

“Exchange Control Regulations”	Exchange Control Regulations, 1961 as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933, as amended;
“EPS”	earnings per Metrofile Holdings share;
“foreign shareholders”	Metrofile Holdings shareholders not resident in South Africa;
“form of instruction”	a form of instruction in respect of the letters of allocation;
“the general meeting”	the general meeting of shareholders to be held at WWB’s offices, 10 Fricker Road, Illovo Boulevard, Johannesburg, 2196, Gauteng at 09:00 on Wednesday, 29 November 2006;
“the group”	Metrofile Holdings and its subsidiary companies;
“HEPS”	headline EPS;
“the JSE”	the JSE Limited (Registration number 2005/022939/06), a public company registered in South Africa, licensed as an exchange under the Securities Services Act, No. 36 of 2004;
“the JSE Listings Requirements”	the requirements governing the corporate activities of companies listed on the JSE;
“the last practicable date”	Friday, 29 September 2006, being the last practicable date prior to the finalisation of this document;
“management”	certain directors and members of management of Metrofile Holdings and Metrofile, including Graham Wackrill, Richard Buttle, Roy Midlane, Leon Thompson, Mike Morris, Anthony Eedes, Jill Leite, Guy Kimble, Adrian Wilkins and Keith Blackwell;
“memorandum”	Memorandum of Association of the Company;
“Metrofile”	Metrofile (Proprietary) Limited (Registration number 2003/016054/07), a private company registered in South Africa and a subsidiary company of Metrofile Holdings;
“Metrofile Holdings” or “the Company”	Metrofile Holdings Limited (Registration number 1983/012697/06), a public company registered in South Africa whose issued ordinary shares are listed on the JSE, formerly MGX Holdings Limited, and whose name was changed to Metrofile Holdings Limited in January 2005;
“Metrofile Holdings shares” or “shares”	ordinary shares of 0.6414 cent each in the authorised and issued share capital of Metrofile Holdings;
“MIC”	Mineworkers Investment Company (Proprietary) Limited (Registration number 1994/009420/07), a private company registered in South Africa;
“the minority shareholders” or “the minorities”	the minority shareholders in Metrofile, being MIC, Sabvest Investments and management, who hold 25%, 5% and 5% of the ordinary shares of Metrofile, respectively;
“MGX Management Services”	MGX Management Services (Proprietary) Limited (Registration number 1999/028220/07), a private company registered in South Africa;
“NAV”	net asset value;
“qualifying shareholder”	a registered holder of Metrofile Holdings shares on the register of shareholders of Metrofile Holdings as at 17:00 on the record date for the rights offer and which does not have its registered address in any jurisdiction in which it would be unlawful to make the rights offer;
“Rand” or “R”	the lawful currency in South Africa, being the South African Rand or any successor currency;

“the ratio of entitlement”	the number of rights offer shares to which shareholders are entitled in terms of the rights offer, being 255 shares for every 100 Metrofile Holdings shares held on the record date for the rights offer, and/or such proportionate lower number of shares in respect of a holdings of less than 100 Metrofile Holdings shares held on the record date for the rights offer;
“the record date for the rights offer”	the last date for shareholders to be recorded in the register of shareholders in order to participate in the rights offer, being close of business on Friday, 3 November 2006;
“the Registrar”	the Registrar of Companies in South Africa;
“the related party”	MIC, a material shareholder as defined in the JSE Listings Requirements in a subsidiary company of Metrofile Holdings;
“the reporting accountants and auditors”	Deloitte & Touche, registered auditors;
“revised listing particulars”	the revised listing particulars contained in this document, dated Monday, 6 November 2006 and set out in this document from page 48;
“rights”	the entitlement to subscribe for Metrofile Holdings’ shares pursuant to the rights offer;
“the rights offer”	the underwritten rights offer of 188 897 403 rights offer shares at an issue price of 75 cents per rights offer share in the ratio of 255 rights offer shares for every 100 Metrofile Holdings shares held on the record date for the rights offer, subject to adjustments for the foreign shareholders to whom the offer will not be made;
“the rights offer circular”	the circular to shareholders regarding the rights offer, dated Monday, 6 November 2006 as set out in this document from page 10 and including the form of instruction;
“the rights offer shares”	the 188 897 403 Metrofile Holdings shares, which are the subject of the rights offer;
“Sabvest”	Sabvest Limited (Registration number 1987/003753/06), a public company registered in South Africa;
“Sabvest Investments”	Sabvest Investments (Proprietary) Limited (Registration number 1988/006250/07), a private company registered in South Africa, and a subsidiary of Sabvest;
“the Securities Act”	the US Securities Act of 1933, as amended;
“SENS”	Securities Exchange News Service, operated by the JSE;
“SFS”	Sabvest Financial Services (Proprietary) Limited (Registration number 1989/003795/07), a private company registered in South Africa and which is wholly owned by Sabvest;
“the share buy-back” or “the buy-back”	the buy-back and cancellation of the existing 6 877 024 treasury shares held by MGX Management Services;
“the share buy-back and minorities acquisition circular”	the circular to shareholders regarding the share buy-back and the acquisition of minority interests, dated Monday, 6 November 2006 and set out in this document from page 42;
“shareholders” or “Metrofile Holdings shareholders”	registered holders of Metrofile Holdings ordinary shares;
“South Africa”	the Republic of South Africa;
“the SRP”	the Securities Regulation Panel, established under the provisions of the Act;

“Standard Bank”	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), a bank registered in South Africa and investment bank and sponsor to Metrofile Holdings in respect of the transaction;
“STRATE”	STRATE Limited (Registration number 1998/022242/06), a registered central securities depository in terms of the Securities Services Act, No. 36 of 2004;
“the swop-up agreements”	the agreements in terms of which the minority shareholders will sell their shares in Metrofile to Metrofile Holdings, the purchase price of which will be settled by the issue of the consideration shares;
“the transaction”	cumulatively, the rights offer, the buy-back, the placing of 10 million Metrofile Holdings shares under the control of the directors to settle contingent liabilities if required and the acquisition of minority interests from the minorities in Metrofile;
“TNAV”	tangible NAV;
“the Underwriter”	SFS and its nominees, guaranteed by Sabvest;
“the underwriting agreement”	the agreement entered into between Metrofile Holdings and SFS, in terms of which SFS agrees to subscribe or to procure to subscribe for such number of rights offer shares that are not taken up by shareholders in terms of the rights offer; and
“WWB”	Webber Wentzel Bowens, attorneys to Metrofile Holdings in respect of the transactions set out in this document.



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Metrofile Holdings Limited

Formerly MGX Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727

DIRECTORS

CS Seabrooke² (*Chairman*)

GD Wackrill³ (*CEO*)

DE Baloyi¹

IN Matthews¹

SR Midlane²

K Pillay²

¹ Independent Non-executive directors

² Non-executive directors

³ Executive directors

RIGHTS OFFER CIRCULAR

1. INTRODUCTION

The purpose of this rights offer circular is to furnish shareholders with relevant information relating to the rights offer and the implications thereof in accordance with the Act and the JSE Listings Requirements.

The enclosed form of instruction contains details of the rights to which holders of certificated Metrofile Holdings shares are entitled in terms of the rights offer, as well as the procedures for sale or renunciation of those rights. Holders of dematerialised Metrofile Holdings shares should be advised by their CSDP or broker of their rights to which they are entitled as well as the procedure for acceptance, sale or renunciation of the rights offer shares.

The JSE has approved the listing of the letters of allocation from 09:00 on Monday, 30 October 2006 to the close of trade on Friday, 17 November 2006. Shareholders recorded in the register of Metrofile Holdings at the close of trade on Friday, 3 November 2006 will receive rights to subscribe for rights offer shares in terms of the rights offer on the basis of the ratio of entitlement at a subscription price of 75 cents per rights offer share. Only whole numbers of shares will be issued and shareholders will be entitled to rounded numbers of Metrofile Holdings shares once the ratio of entitlement has been applied.

2. RATIONALE FOR THE RIGHTS OFFER

Metrofile Holdings owes R89 million to external creditors represented by interest bearing loan notes which are convertible into Metrofile Holdings ordinary shares if they are not repaid by 4 March 2009. These loan notes will total R95 million with interest to early December 2006, which is when it is anticipated that the loan notes will be settled out of the proceeds of the rights offer. In addition, Metrofile Holdings has liabilities of R29.5 million and contingent liabilities of which the Company estimates about R10 million may need to be paid in due course. Further, the costs of the creation of the new capital, the rights offer and the underwriting are expected to be R6.5 million.

The board has accordingly resolved to propose a rights offer to shareholders in order to raise R142 million to settle the loan notes and other liabilities, pay the costs of the capital re-organisation and retain cash to settle the contingent liabilities.

3. BACKGROUND INFORMATION ON METROFILE HOLDINGS

3.1 Incorporation and history

Metrofile Holdings is a public company with its primary listing on the JSE.

Metrofile Holdings commenced business in 1969, as an investment holding company with investments in the information technology sector. Metrofile Holdings was, prior to the disposals that were finalised in 2003 and 2004, a specialist in the information management sector and a leading supplier of products and services for the conversion, storage, retrieval and distribution of documents and information.

Metrofile Holdings' high debt burden, deteriorating trading performance and several legal disputes placed Metrofile Holdings in severe financial difficulty. Between December 2002 and April 2004, a liquidation of the Company was avoided through the disposal of a number of operating businesses and commercial properties.

In December 2002, Metrofile Holdings embarked on a recovery plan, with the support of its capital providers, in terms of which the Company decided to:

- dispose of certain operating subsidiaries and commercial properties and use the proceeds of these disposals to reduce the debt of the Company;
- refinance the interest-bearing debt of the Company to a position which could be sustained by the remaining operations in Metrofile Holdings;
- create a structure for the capitalisation of the remaining debt of the Company, to the extent that the debt is not repaid over a five-year period, thereby avoiding an immediate dilution to Metrofile Holdings shareholders and creating the opportunity for Metrofile Holdings to repay the debt; and
- create a smaller group which could be rebuilt into a profitable business after the refinancing of the Company's interest-bearing debt.

After the disposals, the remaining operating business in Metrofile Holdings was Metrofile, which is involved in document and records storage and management.

3.2 Nature of Metrofile's business

Metrofile is the South African market leader in the management of business records through its 16 storage centres and locations throughout South Africa. It provides full life cycle paper and electronic records management on or offsite, including collation, scanning, digital conversion, physical or electronic preservation and destruction services that satisfy legislative and corporate governance requirements.

3.3 Prospects

The board expects to implement the final restructure of the group during the coming financial year, now that most of the legacy issues of the MGX Holdings Limited era have been resolved. The directors have also proposed to shareholders in this document that Metrofile Holdings acquires the 35% interest in Metrofile not currently owned by it through an exchange of shares. If this is achieved, MIC will still hold 25% of the group thereby ensuring its continued empowerment credentials. The group expects improved revenue and operating results from Metrofile in the coming year. However, the non-recurring items in the current years' results will not be repeated and the rights offer will be dilutive, both of which are expected to result in a reduction in HEPS.

4. PARTICULARS OF THE RIGHTS OFFER

4.1 Terms of the rights offer

Metrofile Holdings hereby offers a total of 188 897 403 Metrofile Holdings shares for subscription, upon the terms and conditions set out in this rights offer circular, and insofar as certificated shareholders are concerned, also as set out in the form of instruction, by way of renounceable

rights, at a subscription price of 75 cents per Metrofile Holdings share on the basis of 255 rights offer shares for every 100 Metrofile Holdings shares held by shareholders at the close of trade on the record date for the rights offer. If fully subscribed, the rights offer will raise R142 million.

The subscription price is payable in full, in Rands, by qualifying shareholders holding certificated Metrofile Holdings shares on acceptance of the rights offer. CSDPs will make payment, on a delivery versus payment basis, in respect of qualifying shareholders holding dematerialised Metrofile Holdings shares who have accepted the rights offer. Qualifying shareholders holding dematerialised Metrofile Holdings shares who have accepted the rights offer must ensure that the necessary funds are deposited with the relevant CSDP or broker.

The rights offer is underwritten as detailed in paragraph 7 of this rights offer circular.

Shareholders recorded in the register of Metrofile Holdings at the close of business on Friday, 3 November 2006 will be entitled to participate in the rights offer. As required by the Act, the offer is also made to the subsidiary of Metrofile Holdings which owns the group's treasury shares, being MGX Management Services. MGX Management Services will not follow its rights in terms of the rights offer and the treasury shares will be cancelled after the rights offer, as explained later in this document.

The rights offer shares will, upon allotment and issue, rank *pari passu* in all respects with the Metrofile Holdings shares that are currently in issue.

4.2 **Opening and closing dates of the rights offer**

The rights offer will open at 09:00 on Monday, 6 November 2006 and will close at 12:00 on Friday, 24 November 2006. If you are a qualifying shareholder and hold dematerialised Metrofile Holdings shares, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the agreement governing the relationship between yourself and your CSDP or broker.

4.3 **Entitlement**

The entitlement of each qualifying shareholder holding certificated Metrofile Holdings shares is reflected in the appropriate block in the form of instruction, which is enclosed with this rights offer circular. If you are a qualifying shareholder and hold dematerialised Metrofile Holdings shares you will not receive a printed form of instruction. You should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

4.4 **Odd-lot holders**

Shareholders holding less than 100 Metrofile Holdings shares, or not a whole multiple of 100 Metrofile Holdings shares, will be entitled to participate in the rights offer in respect of that portion of their holding that is less than or not a whole multiple of 100 Metrofile Holdings shares.

4.5 **Fractional entitlement**

The whole number of rights to subscribe for rights offer shares to which shareholders will become entitled will be determined by the ratio of entitlement. Only whole numbers of shares will be issued and shareholders will be entitled to subscribe for rounded numbers of Metrofile Holdings shares once the ratio of entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

4.6 **Minimum subscription**

The rights offer is underwritten, as discussed in paragraph 7 of this rights offer circular, and is not conditional on a minimum subscription.

4.7 **Excess applications**

All rights offer shares not taken up in terms of the rights offer will be available for allocation to holders of letters of allocation who wish to apply for a greater number of rights offer shares than those offered to them in terms of the rights offer. Accordingly, in addition to the rights offer shares allocated to you in terms of the rights offer, as a holder of a letter of allocation you may also apply

for additional rights offer shares in excess of the rights offer shares allocated to you in terms of the rights offer on the same terms and conditions.

4.7.1 Excess applications by holders of certificated Metrofile Holdings shares

Applications for additional rights offer shares by holders of certificated Metrofile Holdings shares may only be made by completing blocks (7), (8) and (9) of the attached form of instruction. If you are a holder of a letter of allocation and you take up your full entitlement and you wish to apply for additional rights offer shares you should complete the attached form of instruction in accordance with the instructions contained therein and remit sufficient funds to cover such applications in accordance with paragraph 4.8.3 below.

4.7.2 Excess applications by holders of dematerialised shares

If you, as a holder of dematerialised Metrofile Holdings shares, wish to apply for excess shares you should instruct your CSDP or broker, in terms of the agreement entered into between yourself and your CSDP or broker, as to the number of excess shares for which you wish to apply.

4.7.3 Allocation of available rights offer shares

The pool of rights offer shares available to meet excess applications will be dealt with as set out below:

- if all the rights offer shares are taken up in the rights offer no additional rights offer shares will be made available for allocation to applicants; or
- if the rights offer shares taken up in the rights offer and the excess applications together are less than or equal to 100% of the number of rights offer shares available, the directors of Metrofile Holdings will allocate any or all excess applications in an equitable manner; or
- if the rights offer shares taken up in the rights offer and the excess applications together exceed 100% of the number of rights offer shares available, the directors of Metrofile Holdings reserve the right to abate any or all excess applications in such a manner as they may, in their sole and absolute discretion, determine. The allocation of rights offer shares in respect of excess applications will be equitable and will take cognisance of the number of Metrofile Holdings shares held by each applicant prior to such allocation and the number of rights offer shares for which application is made.

An announcement will be published on SENS on Monday, 27 November 2006 and in the press on the following business day, stating the results of the rights offer and the basis of allocation of any additional rights offer shares for which application is made.

Cheques refunding monies in respect of unsuccessful applications by holders of certificated Metrofile Holdings shares for additional rights offer shares will be posted to the relevant applicants, at their risk, on or about Tuesday, 28 November 2006. No interest will be paid on monies received in respect of unsuccessful applications.

4.8 **Action required by holders of certificated Metrofile Holdings shares**

4.8.1 If you are a holder of certificated Metrofile Holdings shares to whom the rights offer is made, and/or have had rights renounced in your favour, and you wish to accept the number of rights offer shares offered, you must complete the attached form of instruction in accordance with the instructions contained therein and forward it to the transfer secretaries at the addresses set out in paragraph 4.8.3 of this rights offer circular, so as to be received by no later than 12:00 on Friday, 24 November 2006. Once received by the transfer secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received on or before 12:00 on Friday, 24 November 2006, the day of the closing of the rights offer, the shareholder or renouncee concerned will be deemed to have declined the offer to acquire rights offer shares pursuant to the rights offer.

4.8.2 The amount due on acceptance of the rights offer is payable in Rand.

- 4.8.3 A banker's draft drawn on a registered bank or a cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**Metrofile Holdings – Rights offer**" in respect of the amount due, together with a properly completed form of instruction should be clearly marked "**Metrofile Holdings – Rights offer**", and delivered to:

Metrofile Holdings – Rights offer

c/o Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg

so as to be received by no later than 12:00 on Friday, 24 November 2006, or may be posted, at the risk of the shareholder or his renounee, to:

Metrofile Holdings – Rights offer

c/o Computershare Investor Services 2004 (Proprietary) Limited
PO Box 61763
Marshalltown 2107

so as to be received by no later than 12:00 on Friday, 24 November 2006

Qualifying shareholders holding certificated Metrofile Holdings shares are advised to take into consideration postal delivery times when posting their forms of instruction, as no late postal deliveries will be accepted. Shareholders are advised to deliver their completed forms of instruction together with their cheques or bankers' drafts by hand or by courier, where possible.

- 4.8.4 All cheques or bankers' drafts received by the transfer office will be deposited immediately for payment. The payment as referred to in paragraph 4.8.3 will constitute an irrevocable acceptance of the rights offer upon the terms and conditions set out in this rights offer circular and in the attached form of instruction. In the event that any cheque or banker's draft is dishonoured, Metrofile Holdings, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant rights offer shares to which it relates against payment in cash of the issue price for such shares.

Money received in respect of an application that is rejected or otherwise treated as void by Metrofile Holdings, or which is otherwise not validly received in accordance with the terms stipulated, will be posted by registered post by way of a cheque drawn (without interest) in Rand to the applicant concerned, at the applicant's risk, on or about Tuesday, 28 November 2006. If the applicant concerned is not a shareholder and gives no address in the attached form of instruction, then the relevant refund will be held by Metrofile Holdings until collected by the applicant and no interest will accrue to the applicant in respect thereof.

- 4.8.5 If you are a qualifying Metrofile Holdings shareholder holding certificated Metrofile Holdings shares and do not wish to acquire all of the rights offer shares allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- if you wish to sell all or part of your entitlement, you must complete Form A in the attached form of instruction and return it to the transfer office to be received by no later than 12:00 on Friday, 17 November 2006. Note that Computershare will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. However, the transfer secretaries will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the attached form of instruction, and the renounee must complete Form C in the attached form of instruction and return it to the transfer office to be received by no later than 12:00 on Friday, 24 November 2006, together with a cheque or bank draft for the appropriate amount.

- 4.8.6 Certificates in respect of rights offer shares will be posted by registered post by the transfer office, at the risk of the holders of certificated Metrofile Holdings shares concerned, on or about Monday, 27 November 2006.

Qualifying shareholders holding certificated Metrofile Holdings shares and receiving the rights offer shares must note that such certificated Metrofile Holdings shares are not good for delivery in respect of trades concluded on the JSE until they have been dematerialised.

4.9 Action required by holders of dematerialised Metrofile Holdings shares

4.9.1 The CSDP or broker appointed by qualifying shareholders holding dematerialised Metrofile Holdings shares will contact you to ascertain:

- whether you wish to follow your rights in terms of the rights offer and, if so, in respect of how many shares; or
- if you do not wish to follow all or any of your rights:
 - whether you wish to sell your rights and, if so, how many rights you wish to sell; and
 - whether you wish to renounce your rights and, if so, how many rights and in favour of whom you wish to renounce those rights.

Should a CSDP or broker not obtain instructions from you, a qualifying Metrofile Holdings shareholder holding dematerialised Metrofile Holdings shares, they are obliged to act in terms of the mandate granted to them by you, or, if the mandate is silent in this regard, not to accept the rights.

4.9.2 Payment will be effected on the shareholder's behalf in Rand by the CSDP or broker. The CSDP or broker will make payment in respect of qualifying shareholders holding dematerialised Metrofile Holdings shares on a delivery versus payment basis.

4.9.3 If you are a qualifying Metrofile Holdings shareholder and have dematerialised your Metrofile Holdings shares and you wish to participate in the rights offer by selling some or all of the rights allocated to you as a holder of dematerialised Metrofile Holdings shares, you should make the necessary arrangements with your CSDP or broker before the final time and date stated in the advice sent to you by the CSDP or broker in this regard.

4.9.4 If you are a qualifying Metrofile Holdings shareholder holding dematerialised Metrofile Holdings shares and you exercise your rights in terms of the rights offer you will have your safe custody account held with your CSDP or broker updated on Monday, 27 November 2006.

If you are a qualifying Metrofile Holdings shareholder and have dematerialised your Metrofile Holdings shares you will not receive a printed form of instruction. You should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

Metrofile Holdings does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.

4.10 Exchange Control Regulations

An outline of the applicable Exchange Control Regulations is available in Annexure 8 to this rights offer circular.

4.11 Sale of rights

The letters of allocation to shareholders that are not qualifying shareholders will be offered for sale on the market and any proceeds received in respect of such letters of allocation will be distributed to such non-qualifying shareholders on an equitable basis net of any costs, taxes and duties.

5. JSE LISTINGS

The JSE has granted the listing of the:

- letters of allocation in respect of all of the 188 897 403 rights offer shares with effect from the commencement of trade on Monday, 30 October 2006 to the close of trade on Friday, 17 November 2006, both days inclusive; and
- 188 897 403 rights offer shares with effect from the commencement of trade on Tuesday, 28 November 2006.

6. **SHAREHOLDER SPREAD**

The shareholder spread of Metrofile Holdings will still comply with paragraphs 4.28(e) and (f) of the JSE Listings Requirements after implementing the rights offer.

7. **COMMITMENT BY THE UNDERWRITER**

In terms of the underwriting agreement, the Underwriter has agreed to underwrite the rights offer to a maximum of 188 897 403 shares.

In terms of the underwriting agreement, an underwriting fee equal to 2.75% of the underwriting amount, being R3 896 750, is payable by the Company to the Underwriter. The Underwriter is solely responsible for the fees payable to the sub-underwriter and any such fees are not payable by the Company. Other than the underwriting fee and commission outlined above, no other commissions or fees were paid within the past three years in respect of the issue of Metrofile Holdings shares.

Standard Bank as sponsor to Metrofile Holdings has considered the terms of the underwriting agreement and confirms that, based on the market conditions and the financial position of the Company, the underwriting commission, in the context of the terms of the underwriting agreement, is market related. Standard Bank has confirmed as such to the JSE.

Sabvest has indicated that the maximum value of rights offer shares it will take up under the underwriting is R41 250 000 represented by 55 million rights offer shares. The balance of the underwriting has been sub-underwritten by a number of parties of which two have underwritten R50 million (66.67 million rights offer shares) and R41.8 million (55.73 million rights offer shares), respectively.

Sabvest has discussed the sub-underwriting with the SRP which has confirmed that they will not regard Sabvest and any of the sub-underwriters or MIC as acting in concert.

The relevant guarantees and documentation regarding the underwriting commitment have been furnished to the JSE in terms of paragraph 5.29 of the JSE Listings Requirements and are as follows:

- R78 million in the form of a bank commitment letter issued by Standard Bank on behalf of SFS and Sabvest;
- R14 million in the form of an agreement of set off against Metrofile Holdings loan notes due to Sabvest Finance and Guarantee Corporation Limited; and
- R50 million in the form of an agreement of set off against Metrofile Holdings loan notes due to Eurevest Leasing (Proprietary) Limited.

In addition, the directors have received irrevocable undertakings from shareholders to follow their rights in respect of 35 723 685 Metrofile Holdings shares, equivalent to R68.3 million of the rights offer proceeds.

The Underwriter is entitled to terminate the underwriting agreement prior to the date on which the rights offer opens in certain circumstances and in accordance with standard terms usually included in agreements of this nature.

Particulars of the Underwriter are set out in Annexure 3 to this rights offer circular.

8. **INFORMATION RELATING TO THE DIRECTORS**

8.1 **Names, portfolios and business addresses**

The details of the directors are set out in Annexure 7 to this rights offer circular.

8.2 **Directors' responsibility statement**

The directors, whose names appear on page 10 of this rights offer circular:

- have considered all statements of fact and opinion in this rights offer circular;
- accept, individually and collectively, full responsibility for such statements;
- certify that, to the best of their knowledge and belief, there are no omissions of material facts or considerations, which would make any statements of fact or opinion contained in this rights offer circular false or misleading and have made all reasonable enquiries in this regard; and
- that the rights offer circular contains all information required by the JSE Listings Requirements and the Act.

8.3 Directors' emoluments

All remuneration paid to the directors of Metrofile Holdings by the group is set out in the table below. There will be no variation in the remuneration paid to the directors as a result of the rights offer. Other than as disclosed below, no remuneration, in what ever form, was paid to any of the directors of the Company.

Name	Directors' fees	Salary	Bonuses	Pension contribution	Other benefits	Total
DE Baloyi ¹	200 000	–	–	–	2 940	202 940
K Pillay ^{2*}	–	–	–	–	–	–
IN Matthews ¹	27 917	–	–	–	110	28 027
SR Midlane ^{2†}	–	707 733	550 000	84 479	143 682	1 485 894
CS Seabrooke ²	500 000	–	–	–	7 350	507 350
GD Wackrill ³	–	977 946	861 082	173 340	166 588	2 178 956
Total	727 917	1 685 679	1 411 082	257 819	320 670	4 403 167

¹ Independent Non-executive directors

² Non-executive directors

³ Executive director

† An amount of R0.7 million (2005: R0.5 million) was also paid to SFS, of which Mr Seabrooke is a director, for time spent by Mr Seabrooke on the affairs of the group in his capacity as Chairman, outside of board and committee forums.

* Mr K Pillay does not receive any emoluments, but he and Mr P Nkuna are directors of Metrofile as well. MIC receives R624 000 per annum in terms of a service agreement.

† Mr S R Midlane was an executive director until 30 June 2006 and thereafter became a Non-executive director.

8.4 Directors' interests in the capital of Metrofile Holdings

At the last practicable date, the directors held, in aggregate, 100 204 (0.13%) Metrofile Holdings shares beneficially, non-beneficially, directly and indirectly, in the issued share capital of the Company. Details of their individual shareholdings are set out in the table below.

Name	Direct		Indirect		Total	Percentage of shares issued
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
DE Baloyi	–	–	8 000	–	8 000	0.01
IN Matthews	–	–	–	–	–	–
SR Midlane	–	–	–	–	–	–
K Pillay	–	–	–	–	–	–
CS Seabrooke	–	–	–	–	–	–
GD Wackrill	92 204	–	–	–	92 204	0.12

In terms of the rights offer, the directors will be allocated the same rights as other shareholders and will be able to follow such rights under the same terms and conditions as other shareholders.

8.5 Directors' dealings

The directors of Metrofile Holdings have not entered into any transactions in respect of their Metrofile Holdings shares since 30 June 2006 up to the last practicable date.

8.6 Directors' share options

The directors of Metrofile Holdings held no share options as at the last practicable date.

8.7 Directors' interests in the rights offer

Chris Seabrooke, the Chairman of the Company, is the Chief Executive Officer of and a material shareholder in Sabvest and SFS. SFS is underwriting the rights offer at a market-related commission. SFS's undertakings are guaranteed by Sabvest.

Standard Bank as sponsor to Metrofile Holdings has considered the terms of the underwriting agreement and confirms that, based on the market conditions and the financial position of the Company, the underwriting commission, in the context of the terms of the underwriting agreement, is market related. Standard Bank has confirmed as such to the JSE.

9. SHARE CAPITAL

9.1 Authorised and issued share capital prior to the rights offer

The authorised and issued share capital of Metrofile Holdings prior to the rights offer is as set out below:

	ZAR'000
Authorised	
500 000 000 ordinary shares of 0.6146 cents each	3 073
Issued	
74 077 413 ordinary shares of 0.6146 cents each	456
Less: Treasury shares offset	(46)
Share premium	195 654
Total issued share capital	196 064

9.2 Authorised and issued share capital after the rights offer

The authorised and issued share capital of Metrofile Holdings after the rights offer is as set out below:

	ZAR'000
Authorised	
500 000 000 ordinary shares of 0.6146 cents each	3 073
Issued	
262 974 816 ordinary shares of 0.6146 cents each	1 616
Less: Treasury shares offset	(46)
Share premium	329 660
Total issued share capital	331 230

10. MAJOR SHAREHOLDERS

10.1 Major shareholders prior to the rights offer

The names of persons who are reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings as at the last practicable date, is set out below:

Shareholder	Holding (%)
Brait Private Equity Funds	11.7
MGX Management Services (Treasury shares)	9.2
Prudential Portfolio Managers (South Africa)	7.3
Oryx Investment Management	7.0

10.2 Major shareholders after the rights offer on the basis that all shareholders follow their rights

On the basis that all shareholders, except for MGX Management Services, follow their rights in terms of the rights offer and Metrofile Holdings issues 188 897 403 rights offer shares, the names of the persons who will be reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings is set out below:

Shareholder	Holding (%)
Brait Private Equity Funds	11.7
Prudential Portfolio Managers (South Africa)	7.3
Oryx Investment Management	7.0

10.3 After the rights offer on the basis that no qualifying shareholders take up their rights

On the basis that no qualifying shareholders take up their rights in terms of the rights offer and that all the rights offer shares are issued to the Underwriter or its nominees, the names of the persons who will be reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings, is set out below:

Shareholder	Holding (%)
Eurevest Leasing (Proprietary) Limited ²	25.4
SFS ¹	21.7
Haroon Habib Family Trust ³	21.2

¹ Underwriter, or other subsidiaries of Sabvest nominated by the Underwriter

² Sub-underwriter 1

³ Sub-underwriter 2

Sabvest has indicated that the maximum value of shares it will take up under the underwriting is R41 250 000 represented by 55 million rights offer shares. The balance of the underwriting has been sub-underwritten by a number of parties of which two have underwritten R50 million (66.67 million rights offer shares) and R41.8 million (55.73 million rights offer shares), respectively.

11. PRO FORMA FINANCIAL EFFECTS OF THE RIGHTS OFFER

The *pro forma* financial effects set out below have been prepared to assist shareholders to assess the impact of the rights offer on the earnings, headline earnings, adjusted headline earnings, net asset value and tangible net asset value per Metrofile Holdings ordinary share. The material assumptions are set out in the notes following the table. These *pro forma* financial effects have been disclosed in terms of the JSE Listings Requirements for illustrative purposes only and do not constitute a representation of the future financial position of Metrofile Holdings on completion of the rights offer.

	Before the rights offer (cents)	After the rights offer (cents)	Change (%)
EPS	27.5 ¹	12.7 ²	(53.8)
HEPS	24.1 ¹	11.8 ²	(51.0)
Adjusted EPS	15.5 ¹	9.5 ²	(38.7)
Adjusted HEPS	12.1 ¹	8.6 ²	(28.9)
Net liability per share	(412.8) ³	(55.6) ⁴	86.5
Tangible net liability per share	(412.8) ³	(55.6) ⁴	86.5

Notes:

- The EPS, HEPS, adjusted EPS and adjusted HEPS in the "Before the rights offer" column of the table are based on the income statement of Metrofile Holdings for the financial year ended 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (being the weighted average number of shares in issue for the year ended 30 June 2006, net of the treasury shares).
HEPS were 24.1 cents. Included in the headline earnings of R16.2 million are non recurring dividends received of R2 million and tax reversals of R6.4 million. If these non recurring amounts are excluded from headline earnings, HEPS would be 12.1 cents. Shareholders are referred to the financial review section of the annual results announcement.
Headline earnings have been adjusted with an interest charge that will no longer be applicable if these liabilities have been settled at the holding company level after the rights offer. There is no tax effect for the adjustment as there was no income at the holding company level against which to deduct the interest charge and no deferred tax asset was raised.
- The EPS, HEPS, adjusted EPS and adjusted HEPS in the "After the rights offer" column of the table are based on 256 097 792 Metrofile Holdings shares in issue and on the following assumptions that:
 - the rights offer is effective from 1 July 2005;
 - the total amount of R142 million was raised through the rights offer; and
 - estimated rights issue costs of R6.5 million were set off against the share premium that was raised through the rights offer.
- The net liability per share and tangible net liability per share in the "Before the rights offer" column of the table are based on the balance sheet of Metrofile Holdings at 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (excluding the treasury shares).
- The net liability per share and tangible net liability per share in the "After the rights offer" column of the table are based on the issue of 188 897 403 Metrofile Holdings shares in terms of the rights offer on the assumption that the rights offer is effective 30 June 2006.
- The *pro forma* financial effects have been reviewed by Metrofile Holdings' auditors, Deloitte & Touche.
- Metrofile shareholders are reminded that while, for the purposes of the calculations set out above, it has been assumed that the rights offer occurs at the beginning of the financial period, the actual implementation of the transaction will only take place at the end of November 2006.

The *pro forma* balance sheet and income statement of Metrofile Holdings showing the impact of the rights offer is set out in Annexure 5 to the rights offer circular.

The *pro forma* financial information is the responsibility of the directors. The *pro forma* balance sheet and income statement have been prepared for illustrative purposes only in order to provide information on how the rights offer might have affected the results, changes in equity and results of operations or cash flows of Metrofile Holdings and, because of their nature, may not give a true reflection of the actual financial effects of the rights offer.

The *pro forma* balance sheet and income statement have been reviewed and reported on by the reporting accountants and auditors and their report in this regard is contained in Annexure 4 to the rights offer circular and is open for inspection as set out in paragraph 23 of the rights offer circular.

12. **MANDATORY OFFER**

The SRP has agreed that the underwriters, sub-underwriters and MIC are independent of each other for the purposes of aggregating shareholdings had they been deemed to be concert parties. On this basis, no party will exceed a shareholding of 35% after the underwriting in any scenario and no mandatory offer is therefore required.

13. **AUTHORISATIONS**

The necessary resolutions and authorities for the creation of 188 897 403 Metrofile Holdings shares relating to the rights offer and placing of the rights offer shares under the control of the directors for the purpose of implementing the rights offer were passed by shareholders at a general meeting of shareholders held on Monday, 9 October 2006.

14. **DOCUMENTS OF TITLE**

New share certificates to be issued to qualifying shareholders holding certificated Metrofile Holdings shares in respect of those rights offer shares to which they were entitled and for which they have subscribed, will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Monday, 27 November 2006.

Qualifying shareholders holding dematerialised Metrofile Holdings shares who have applied for, and been allotted, Metrofile Holdings shares under the rights offer will have their safe custody accounts updated with the rights offer shares to which they are entitled and in respect of which they have accepted the rights offer, on Monday, 27 November 2006.

15. **REGISTRATION OF DOCUMENTS**

The following documents have been lodged with and registered, in English, by the Registrar of Companies in terms of section 146A of the Act:

- a copy of the form of instruction with respect to the letters of allocation to be issued in relation to the rights offer;
- a signed copy of this rights offer circular;
- a copy of the underwriting agreement and the sworn declarations in terms of section 153(2) of the Act;
- a copy of the swop-up agreements;
- the audited financial information relating to Metrofile Holdings as at 30 June 2006;
- signed copies of the auditors report on the financial information of Metrofile Holdings as at 30 June 2006;
- the letters of consent from the reporting accountants and auditors, attorneys and sponsor to act in their respective capacities and to their names being stated in this rights offer circular;
- powers of attorney signed by each of the directors of Metrofile Holdings;
- a copy of the application for listing of the rights offer shares to be issued pursuant to the rights offer; and
- a copy of the letter from the JSE agreeing to the listing of the rights offer shares and the letters of allocation.

16. **TAXATION**

Metrofile Holdings shareholders are advised to consult their tax and financial advisers regarding any taxation implications pertaining to them pursuant to the acceptance of their rights in terms of the rights offer.

17. **SHARE TRADING HISTORY**

A table setting out the history of the performance of Metrofile Holdings shares on the JSE has been included as Annexure 2 to this rights offer circular.

18. **MATERIAL ACQUISITIONS AND DISPOSALS**

Other than the acquisition of minority interests as proposed in this document and the acquisitions and disposals as disclosed in previous circulars to shareholders, there have been no material acquisitions or disposals as defined in the JSE Listings Requirements by Metrofile Holdings in the last three years.

19. **LITIGATION**

In the last 12 months, Metrofile Holdings settled with the SRP and made a cash offer to EC Hold Limited shareholders. On 18 March 2002, the SRP ruled that Metrofile Holdings acted in concert with the MRP Trust, to conclude an affected transaction by purchasing EC-Hold shares in the market, thus increasing the combined stake beyond the 35% level at which an offer to minorities is triggered in terms of the SRP Code. Metrofile Holdings and the MRP Trust disputed the finding.

In January 2006, the directors of Metrofile Holdings and the SRP acknowledged their common intention and the desirability and urgency of bringing this matter to a speedy conclusion. Metrofile Holdings therefore decided to settle with the SRP and make a cash offer to the EC-Hold shareholders. The costs of the offer were borne by Metrofile Holdings but the payments to shareholders were recovered from third parties under indemnities held.

Other than as disclosed above, the group is not involved in any, and is not aware of any pending, legal or arbitration proceedings, that has had in the past 12 months, or may have, a material effect on the group's financial position.

20. **CORPORATE GOVERNANCE**

The board has made every effort to ensure sound corporate governance. The board now comprises six directors, five of whom are non-executive. Audit, risk and governance, and remuneration and nominations committees are in place and the board and each committee have written charters.

The board is committed to high standards of corporate governance, supports the principles as set out in the King II Report and is satisfied that Metrofile Holdings' practices and policies are in compliance with these principles.

Refer to Annexure 6 to this rights offer circular for further information on Corporate Governance.

21. **CONSENTS**

Each of the advisers whose names appear on the front cover of this document have consented in writing to act in the capacities stated and to their names being stated in this document and have not withdrawn such consent prior to the publication of this document.

22. ESTIMATED EXPENSES OF THE RIGHTS OFFER

It has been estimated that the expenses to the transaction, of which the rights offer forms an indivisible part, will amount to approximately R6.5 million. The expenses (excluding value-added tax) relating to the transaction will be paid from the rights offer proceeds and have been detailed below. The estimated expenses of the transaction are as follows:

Expenses	R
Printing, publication and distribution	250 000
JSE documentation and inspection fee	89 376
JSE listing fee	79 176
Share creation and issue expenses	6 327
Advisers	
Investment bank and sponsor	900 000
Attorneys	450 000
Joint attorneys	100 000
Reporting accountants	70 000
Fair and reasonable opinion	250 000
Underwriting commission	3 896 750
Other and contingency	408 371
Estimated total	6 500 000

23. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof, will be available for inspection during normal office hours on any business day from Monday, 6 November 2006 to Wednesday, 29 November 2006 both days inclusive, at the registered offices of Metrofile Holdings, 3 Gowie Road, The Gables, Cleveland, 2049:

- Metrofile Holdings' memorandum and Articles;
- a signed copy of the underwriting agreement;
- the audited annual financial statements of Metrofile Holdings for the three years ended 30 June 2006;
- copies of the service agreements with directors, managers and/or secretaries, the Underwriter and vendors entered into by Metrofile Holdings during the last three years;
- the signed reporting accountant's report on the unaudited *pro forma* financial information, the text of which is included in Annexure 3 to this rights offer circular;
- the written consents of Metrofile Holdings' professional advisers;
- a copy of the Exchange Control approval for the rights offer;
- a copy of this rights offer circular signed by the directors of Metrofile Holdings; and
- the details of material contracts that have been entered into by Metrofile Holdings, other than in the ordinary course of business, within the two years prior to the date of this rights offer circular.

By order of the board

METROFILE HOLDINGS LIMITED

Leon Thompson
Company Secretary

Johannesburg
6 November 2006

TABLE OF ENTITLEMENT

Holding of Metrofile Holdings shares before the rights offer	Holding of Metrofile Holdings shares after the rights offer	Cost of rights (Rand)	Holding of Metrofile Holdings shares before the rights offer	Holding of Metrofile Holdings shares after the rights offer	Cost of rights (Rand)
1	4.00	2.25	53	188.00	101.25
2	7.00	3.75	54	192.00	103.50
3	11.00	6.00	55	192.00	102.75
4	14.00	7.50	56	199.00	107.25
5	18.00	9.75	57	202.00	108.75
6	21.00	11.25	58	206.00	111.00
7	25.00	13.50	59	209.00	112.50
8	28.00	15.00	60	213.00	114.75
9	32.00	17.25	61	217.00	117.00
10	36.00	19.50	62	220.00	118.50
11	39.00	21.00	63	224.00	120.75
12	43.00	23.25	64	227.00	122.25
13	46.00	24.75	65	231.00	124.50
14	50.00	27.00	66	234.00	126.00
15	53.00	28.50	67	238.00	128.25
16	57.00	30.75	68	241.00	129.75
17	60.00	32.25	69	245.00	132.00
18	64.00	34.50	70	249.00	134.25
19	68.00	36.75	71	252.00	135.75
20	71.00	38.25	72	256.00	138.00
21	75.00	40.50	73	259.00	139.50
22	78.00	42.00	74	263.00	141.75
23	82.00	44.25	75	266.00	143.25
24	85.00	45.75	76	270.00	145.50
25	89.00	48.00	77	273.00	147.00
26	92.00	49.50	78	277.00	149.25
27	96.00	51.75	79	280.00	150.75
28	99.00	53.25	80	284.00	153.00
29	103.00	55.50	81	288.00	155.25
30	107.00	57.75	82	291.00	156.75
31	110.00	59.25	83	295.00	159.00
32	114.00	61.50	84	298.00	160.50
33	117.00	63.00	85	302.00	162.75
34	121.00	65.25	86	305.00	164.25
35	125.00	67.50	87	309.00	166.50
36	128.00	69.00	88	312.00	168.00
37	132.00	71.25	89	316.00	170.25
38	135.00	72.75	90	320.00	172.50
39	138.00	74.25	91	323.00	174.00
40	142.00	76.50	92	327.00	176.25
41	146.00	78.75	93	330.00	177.75
42	149.00	80.25	94	334.00	180.00
43	153.00	82.50	95	337.00	181.50
44	156.00	84.00	96	341.00	183.75
45	160.00	86.25	97	344.00	185.25
46	163.00	87.75	98	348.00	187.50
47	167.00	90.00	99	351.00	189.00
48	170.00	91.50	100	355.00	191.25
49	174.00	93.75	200	710.00	382.50
50	178.00	96.00	500	1,775.00	956.25
51	181.00	97.50	1000	3,550.00	1,912.50
52	185.00	99.75			

TRADING HISTORY OF METROFILE HOLDINGS SHARES ON THE JSE

The trading history of Metrofile Holdings shares on the JSE is set out below.

			High (cents)	Low (cents)	Volume	
Quarterly						
2003	December	31	12	6	401 466	
2004	March	31	–	–	–	
	June	30	9	3	1 102 605	
	September	30	15	4	5 101 526	
	December	31	14	8	9 996 826	
2005	March	31	44	10	9 012 807	
	June	30	40	24	10 687 070	
	September	30	68	32	6 732 064	
Monthly						
2005	October	31	75	58	2 450 590	
	November	30	80	65	3 785 225	
	December	31	95	78	1 919 318	
2006	January	31	130	90	5 976 968	
	February	28	150	109	5 775 802	
	March	31	135	80	9 955 155	
	April	30	165	125	2 806 148	
	May	31	165	133	1 939 453	
	June	30	201	150	2 445 151	
	July	31	231	165	4 554 039	
	August	31	205	161	4 506 211	
	September	30	171	138	6 377 845	
Daily						
2006	August	21	184	181	83 500	
		22	190	185	156 000	
		23	190	185	58 713	
		24	190	190	10 855	
		25	190	181	13 432	
		28	181	161	207 068	
		29	175	169	139 150	
		30	175	162	291 188	
		31	170	163	355 506	
		September	1	171	162	468 569
			4	165	160	2 500 446
			5	163	161	122 329
			6	163	161	180 262
	7		163	161	88 793	
	8		–	–	–	
	11		163	160	369 200	
	12		164	159	135 907	
	13		162	160	48 861	
	14		160	158	224 408	
	15		159	158	216 495	
	18		156	138	222 280	
	19		155	151	314 735	
	20		157	147	58 480	
	21		150	147	1 070 472	
	22		170	149	232 592	
	25	–	–	–		
	26	160	155	14 038		
	27	156	156	11 000		
	28	157	156	9 183		
29*	160	156	89 795			

*Last practicable date

INFORMATION ON THE UNDERWRITER

Sabvest Financial Services (Proprietary) Limited

Directors and Managers	Details
Chief Executive Officer	Mr CS Seabrooke
Directors	Ms M Becker Mr NSH Hughes Mr R Pleaner Mr CS Seabrooke
Company Secretary	Mr R Pleaner
Registration number	1989/003795/07
Date and place of incorporation	30 June 1989 – Pretoria
Registered office	Four Commerce Square, 39 Rivonia Road, Sandhurst
Auditors	Deloitte & Touche
Bankers	Standard Bank
Merchant bankers	Rand Merchant Bank
Authorised share capital	20 000 shares of R1.00 each
Issued share capital	5 000 ordinary shares of R1.00 each

Information of the guarantor to the Underwriter
Sabvest Limited

Directors and Managers	Details
Chairman	Mr H Habib
Deputy Chairman	Mr P Coutts-Trotter
Chief Executive Officer	Mr CS Seabrooke
Chief Financial Officer	Mr R Pleaner
Other Non-executive directors	Mr P Coutts-Trotter Mr NSH Hughes Ms DNM Mokhobo Mr GE Nel Mr BJT Shongwe
Company secretary	Mr R Pleaner
Registration number	1987/003753/06
Date and place of incorporation	11 August 1987 – Pretoria
Registered office	Four Commerce Square, 39 Rivonia Road, Sandhurst
Auditors	Deloitte & Touche
Bankers	Standard Bank
Merchant bankers	Rand Merchant Bank
Authorised share capital	24 000 000 ordinary shares of 5 cents each 80 000 000 N ordinary shares of 0,01 cent each
Issued share capital	17 326 549 ordinary shares 28 979 854 N ordinary shares
JSE market capitalisation 1/9/06	R277 million

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED
PRO FORMA FINANCIAL INFORMATION**

"17 October 2006
The Directors
Metrofile Holdings Limited
3 Gowie Road
The Gables
Cleveland
2049

Dear Directors

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PRO FORMA
FINANCIAL INFORMATION OF METROFILE HOLDINGS LIMITED ("METROFILE")**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 11 and Annexure 5 of the rights offer circular, paragraph 11 and Annexure 3 of the circular regarding the acquisition of the minority shareholders' interest in the issued share capital of Metrofile (Proprietary) Limited (collectively "the capital reorganisation"), dated on or about 6 November 2006 ("the circular"). The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the capital reorganisation might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* information financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Metrofile; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Metrofile shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Metrofile Holdings Limited, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the capital reorganisation.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Metrofile and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of the Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Metrofile; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Deloitte & Touche

Registered Auditors

Per **M H Holme**

Partner

UNAUDITED *PRO FORMA* BALANCE SHEET AND INCOME STATEMENT

Set out below is the unaudited *pro forma* income statement and balance sheet of Metrofile Holdings after the rights offer compiled from the audited consolidated results of Metrofile Holdings for year ended 30 June 2006. The unaudited *pro forma* income statement and balance sheet is provided for illustrative purposes only to show the effect of the rights offer as if the rights offer had occurred on 1 July 2005 in the case of the unaudited *pro forma* income statement and 30 June 2006 in the case of the unaudited *pro forma* balance sheet and, because of its nature, may not give a fair reflection of Metrofile Holdings' financial position subsequent to the rights offer.

The unaudited *pro forma* income statement and balance sheet are the responsibility of the directors. Reference should be made to Annexure 4, which contains the reporting accountants' report on the unaudited *pro forma* income statement and balance sheet at 30 June 2006.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

R'000	Before the rights offer Note 1, 2	Effect of the rights offer Note 3	After the rights offer Note 4
ASSETS			
Non-current assets	167 836		167 836
Property, plant and equipment	167 836		167 836
Current assets	67 840	12 746	80 586
Inventories	9 248		9 248
Trade receivables	36 193		36 193
Other receivables	8 504		8 504
Bank balances	13 895	12 746	26 641
Total assets	235 676	12 746	248 422
EQUITY AND LIABILITIES			
Equity capital and deficits	(265 271)	135 170	(130 101)
Ordinary share capital and share premium	196 064	135 170	331 234
Accumulated losses	(473 497)		(473 497)
Ordinary shareholders' deficit	(277 433)	135 170	(142 263)
Minority interest	12 162		12 162
Non-current liabilities	430 789	(122 424)	308 365
Interest-bearing provisions	32 981	(32 981)	
Interest-bearing liabilities	301 610		301 610
Interest-bearing subordinated redeemable convertible loans	89 443	(89 443)	
	424 034	(122 424)	301 610
Deferred taxation liability	6 755		6 755
Current liabilities	70 158		70 158
Trade payables	10 266		10 266
Other payables	24 680		24 680
Provisions	5 432		5 432
Deferred revenue	3 374		3 374
Taxation	8 944		8 944
Interest-bearing liabilities	17 462		17 462
Total equity and liabilities	235 676	12 746	248 422
Net liability per share (cents)	(412.8)		(55.6)
Tangible net liability per share (cents)	(412.8)		(55.6)

Notes:

1. Extracted from the audited published results of Metrofile Holdings for year ended 30 June 2006.
2. The net liability value per share and tangible net liability value per share in the "Before the rights offer" column of the table are based on 67 200 389 Metrofile Holdings shares in issue (excluding the treasury shares).
3. The adjustments represent the effect of the R33 million interest-bearing provisions of R89.4 million interest-bearing redeemable convertible loans settled with funds raised from the rights offer, net of the transaction costs as set out in paragraph 22 of the rights offer circular, which were set off against share premium, together with R12 million of surplus cash raised through the rights offer.
Metrofile shareholders are reminded that the actual implementation of the transaction will only take place at the end of November 2006 and that the surplus cash raised will be used to settle accrued interest on the loans mentioned above.
4. The net liability value per share and tangible net liability value per share in the "After the rights offer" column of the table are based on the issue of 188 897 403 Metrofile Holdings shares in terms of the rights offer on the assumption that the rights offer is effective 30 June 2006.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

R'000	Before the rights offer Note 1, 2	Effect of the rights offer Note 3	After the rights offer Note 4
Revenue	276 246		276 246
Cost of sales	(107 974)		(107 974)
Gross profit	168 272		168 272
Other income	2 342		2 342
Gross profit before operating expenditure	170 614		170 614
Selling, distribution and administration costs	(84 103)		(84 103)
Operating income before depreciation, amortisation, exceptional items and net finance costs	86 511		86 511
Depreciation	(12 760)		(12 760)
Operating profit before exceptional items and finance costs	73 751		73 751
Exceptional items	2 121		2 121
Operating income before finance costs	75 872		75 872
Finance costs	(49 335)	13 946	(35 389)
Finance income	1 072		1 072
Fair value adjustments on financial instruments	1 568		1 568
Dividends received			
Profit before taxation	29 177	13 946	43 123
Taxation	(9 843)		(9 843)
Profit for year	19 334	13 946	33 280
Attributable to:			
Equity holders of the parent	10 384	13 946	24 330
Minority interest	8 950		8 950
	19 334	13 946	33 280
EPS (cents)	27.5		12.7
HEPS (cents)	24.1		11.8
Adjusted EPS (cents)	15.5		9.5
Adjusted HEPS (cents)	12.1		8.6

Notes:

1. Extracted from the audited published results of Metrofile Holdings for the year ended 30 June 2006.
2. The EPS, HEPS, adjusted EPS and adjusted HEPS in the "Before the rights offer" column of the table are based on 67 200 389 Metrofile Holdings shares in issue (being the weighted average number of shares in issue for the year ended 30 June 2006, net of the treasury shares).
HEPS were 24.1 cents. Included in the headline earnings of R16.2 million are non recurring dividends received of R2 million and tax reversals of R6.4 million. If these non recurring amounts are excluded from headline earnings, HEPS would be 12.1 cents. Shareholders are referred to the financial review section of the annual results announcement.
3. Headline earnings have been adjusted with an interest charge that will no longer be applicable if these liabilities have been settled at the holding company level after the rights offer. There is no tax effect for the adjustment as there was no income at the holding company level against which to deduct the interest charge and no deferred tax asset was raised.
4. The EPS, HEPS, adjusted EPS and adjusted HEPS in the "After the rights offer" column of the table are based on 256 097 792 Metrofile Holdings shares in issue on the assumption that the rights offer is effective from 1 July 2005.
5. Metrofile shareholders are reminded that while, for the purposes of the calculations set out above, it has been assumed that the rights offer occurs at the beginning of the financial period, the actual implementation of the transaction will only take place at the end of November 2006.

CORPORATE GOVERNANCE

The board believes that corporate governance is a critical element of the group. The systems put in place serve to enhance transparency and accountability by providing checks and balances throughout the organisational structure. The directors are of the opinion that the group currently complies with all the significant requirements as set out in the King Code and the JSE Listings Requirements.

THE BOARD

Details of the directors are contained in Annexure 7 to the circular regarding the rights offer. The board currently comprise one Executive director and five Non-executive directors. The Chief Executive Officer does not hold the position of Chairman. All of the Non-executive directors other than Mr SR Midlane who was previously CFO of the group were previously deemed to be independent. However, due to their involvement in these specific transactions, Mr CS Seabrooke as CEO of Sabvest which is underwriting the rights offer, and Mr K Pillay who is CFO of MIC which may become the largest minority shareholder in the group, are for the present time regarded as non-executive but not independent.

All director appointments are formal and transparent. The Executive director, being involved with the day-to-day business activities of the group, is responsible for ensuring that decisions, strategies and views of the board are implemented.

To fulfil their responsibilities, board members have full and unrestricted access to relevant information and have access to the services and advice of the Company Secretary. Directors may also obtain independent professional advice at the expense of the Company.

BOARD MEETINGS AND RESOLUTIONS

The board meets at least three times per annum and is responsible for group strategy, policy and performance as well as the management, control, compliance and ethical behaviour of the group companies under its direction.

BOARD COMMITTEES

The board has established a number of standing committees to enable it to properly discharge its duties and responsibilities and to effectively fulfil its decision-making process.

The following information reflects the composition and activities of these committees:

Audit Committee

IN Matthews (chairman), DE Baloyi, K Pillay, SR Midlane, CS Seabrooke

The group's audit committee comprises five Non-executive directors, one of whom is responsible for chairing the committee. The external auditors have unrestricted access to the audit committee, which meets at least twice a year. These meetings are also attended by the appropriate members of financial management. The main functions of the audit committee, which they have adhered to, are:

- to ensure and report on the integrity, reliability and accuracy of the group's accounting and financial reporting systems;
- to promote the overall effectiveness of corporate governance in the group;
- to review the findings and reports of the external auditors;
- to consider and recommend the annual and interim financial statements for approval by the full board of directors; and
- to consider the independence of and recommend the re-appointment of the external auditors.

The audit committee met four times during the past year.

Remuneration committee

CS Seabrooke (chairman), DE Baloyi, IN Matthews, K Pillay

The group has a remuneration committee consisting of four Non-executive directors, one of whom is responsible for chairing the committee. The committee meets at least twice a year, and is responsible for formulating a remuneration strategy for senior executives in the group. This strategy includes the determination of incentive pay structures for directors and senior executives in both the short and long term, and the positioning of these levels in accordance with competitive practice locally and internationally.

The committee's main objective is to provide the board with an assurance that the directors and senior executives of the group are fairly rewarded for their individual contributions to the group's performance. The remuneration committee reviews existing and proposed share incentives. A formal and transparent procedure for determining executive and director remuneration has been created. It is the group's aim to have a remuneration policy that enables it to recruit, retain and motivate executive talent in its main business unit, Metrofile and in its head office.

Non-executive directors receive fees for their roles as directors, their roles on board subcommittees and for functions performed by them in their capacities as directors but outside of board and committee forums.

The remuneration committee met twice last year.

Group executive committee

The group executive committee includes the Group Financial Manager of Metrofile Holdings, the Chief Executive Officer of Metrofile and the Chief Financial Officer of Metrofile.

External advisors are invited to attend on an *ad hoc* basis. The committee meets regularly and on an *ad hoc* basis for urgent matters of business. The function of the group executive committee is to develop the group's strategy, its business plan and corporate policies for board approval, and to implement and monitor these in accordance with the board's directives.

The appropriate emphasis placed by the King II Report on strategic, operational, financial, information technology and fraud risk management, including whistle blowing, is fully supported by the board of directors. Comprehensive risk management assessments of the group's remaining operations has been introduced during the coming year. Management has engaged an external facilitator to assist with this process.

The Executive committee reviews current operations in detail, develops strategy and policy proposals for consideration by the board and implements its directives. Management has engaged an external facilitator to assist with this process.

REMUNERATION REPORT

Executive directors' remuneration

The remuneration of the Executive directors comprises a basic salary, an annual performance bonus, participation in the share option or share scheme and other optional benefits. The total Executive directors' remuneration for year-ended 30 June 2006 was R4.4 million.

- **Basic salary:** Each Executive director receives a basic salary as recommended by the Remuneration Committee in accordance with the remuneration policy. All salaries of Executive directors are benchmarked to external market surveys.
- **Annual performance bonus:** Executive directors' service contracts provide that the Executive shall be eligible for a bonus based on agreed Key Performance Indicators. The Remuneration Committee approves this bonus.

Non-executive directors' remuneration

The fees paid to Non-executive directors are determined by the board as a whole and are reviewed as and when necessary. The fees payable to directors are as follows:

- a fee of R385 000 to a Non-executive director who chairs the board;
- a basic fee of R140 000 per annum;

- chairman of the audit committee R140 000 per annum;
- chairman of the remuneration committee R110 000 per annum; and
- sub-committee fees of R55 000 per annum for each sub-committee of which the Non-executive director is a member.

Directors' service contracts

The Executive directors are employed on the standard terms and conditions of the group and their employment is subject to six months notice either way at any time.

The Non-executive directors are engaged in accordance with the Articles and JSE regulations and retire by rotation every three years. Mr Seabrooke is contracted to provide his services as Chairman (or similar role if required by the board) until 2009.

Corporate Social Responsibility

Corporate Social Responsibility programs are the responsibility of management, monitored and guided by the board.

CORPORATE SOCIAL INVESTMENT

The group is committed to social upliftment of their staff and the community in which the company works and conducts its business. We have "made a difference" in many lives as we see ourselves as responsible corporate citizens and detail some of the highlights which we have achieved this financial year:

HIV/Aids

At Metrofile Holdings we realise that HIV/Aids is going to impact business negatively and have therefore committed ourselves to fight for life as part of our Corporate Social Investment Program, we continue to focus on programmes such as:

- our Employee Assistance Programme that provides ongoing counselling and support to existing and new employees.
- HIV/Aids awareness and prevention programme for employees, aimed at limiting the further spread of HIV/Aids.
- donate an annual amount to an HIV/Aids shelter. The shelter is a 24 hour counselling support service for those diagnosed with HIV/Aids and for their families, as well as physical care for those patients in the terminal stages of the disease.

Roundabout PlayPumps

In remote areas the chore of fetching water usually falls to the women and children. A common sight in rural South Africa is that of water carriers covering large distances in order to fill their daily water requirements. It is estimated that the minimum amount of water a human needs every day is five litres, which is a tremendous physical burden for the women and children drawing the water. A new patented South African invention simplifies the whole exercise – the PlayPump. Roundabout PlayPumps are involved in bringing water to rural communities by means of PlayPumps that are installed over boreholes and as the children play the roundabout's motion powers a pump that draws water into an overhead storage tank which is able to hold 2 500 litres. Metrofile has installed one at Lubuyeni in the Ingwavuma Region of KwaZulu-Natal and will be responsible for its upkeep.

CODE OF ETHICS

The following description highlights aspects of the group's Code of Ethics ("the Code"). Any contravention of the Code is regarded as a serious matter.

• Compliance with laws and regulations

Directors, officers and employees must comply with all laws and regulations that are applicable to their activities on behalf of the members of the group, which they represent.

• The group in relation to its employees

The group acknowledges that all employees have a right to work in a safe and healthy environment. All employees are entitled to fair employment practices and have a right to a working environment free from discrimination and harassment.

- **The group and the community**

The group recognises that it shares a very real responsibility to contribute to the local communities and the group encourages employees to participate in, amongst others, religious, charitable, education and civic activities, provided that such participation does not make undue demands on their work time or create a conflict of interest.

- **Conflict of interest**

Each member of the group expects employees to perform their duties in accordance with the best interest of their employer and not to use their positions or knowledge gained through their employment for their private or personal advantage.

- **Outside employment and directorships**

Employees may not take up outside employment or hold outside directorships without prior approval of management. Directors who hold outside directorships must disclose the same at the quarterly board meetings.

- **Relationships with clients, customers and suppliers**

Employees should ensure that they are independent of any business organisation having a contractual relationship with the group or providing goods or services to the group.

- **Gifts, hospitality and favours**

An employee should neither accept nor solicit any non-minor gifts, hospitalities or other favours from suppliers of goods or services.

- **Personal investments in shares and share dealings**

While directors and employees are encouraged to invest in and own shares in the group, such investment decisions must not contravene the conflict of interest provisions of the Code, any applicable legislation, or any policies and procedures established by the various operating areas of the group, and must not be based on material non-public information acquired by reason of an employee's connection with the group.

- **Confidential information and external communication**

Directors and employees are expected to treat all information pertaining to the group, which is not in the public domain, in the strictest confidence and may not divulge such information to any third party without permission, even after the termination of their services with the group.

The group strives to achieve timely and effective communications with all parties with whom it conducts business, as well as governmental authorities and the public. No sensitive communication may be made to the media or investment community other than by the group's Chief Executive Officer or the appointed Investor/Public Relations Consultants. All other communications to the media or investment community must be made within the ambit of the group's announcements framework.

STAKEHOLDER COMMUNICATION

Metrofile Holdings has an integrated and sustained programme of communication directed at its various stakeholders. This programme takes full cognisance of all the obligations placed on the group by its various listings and the regulatory environments in which it operates, and is limited only by any restrictions imposed by these.

The group's communication activities with its shareholders is premised on a clear understanding of shareholders' desire to maximise returns on their investment in the group and that, in order to be able to do this, they and/or their investment advisors require equitable, timeous access to operating, financial and other information.

Information defined or deemed to be influential on Metrofile Holdings' share price is released to the market via the news dissemination mechanisms of the JSE on which it is listed, and as soon as possible thereafter to all addressees on the group's extensive electronic database. These addressees include shareholders, fund managers, analysts and media representatives internationally. All information is also available on the Company's website.

A primary channel for communication to shareholders and the investing community at large is Metrofile Holdings' website. This contains current information on the group and its operations, as well as all announcements and publications, such as the annual report. Interactivity is a primary feature that adds currency to the website and compliments the substantial archive.

Employees and their elected representatives constitute another important stakeholder constituency for the group. While a climate of mature industrial relations ensures that effective communication is achieved through the collective bargaining process, the group is careful to maintain its prerogative, indeed its obligation to communicate directly, regularly and effectively with its employees. A company-wide workplace briefing system with feedback mechanisms, half yearly results briefings, the website and employee publications are among the primary media used.

DETAILS OF THE DIRECTORS OF METROFILE HOLDINGS

Name	Occupation	Business address	Age	Nationality	Qualification(s)
DE Baloyi	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	50	South African	BA, HDL, MA, MEd, DEd

Relevant experience:

Danisa is the Executive director for the National Black Business Caucus. She is the Chairperson of the following: Advertising Standard Authority and the Monitoring Committee for the Marketing and Communications Industry; Diabo 2% Share Trust for Telkom Employees (and Trustee for the Business Trust); South African Women Investment Holdings (SAWIH); National Black Business Caucus (NBBC) and the Road Accident Fund. Amongst other, she also sits on the following boards: The Don Hotel Group, ABSA Bank Holdings, MediKredit, Set Point Holdings and South African Business Coalition on HIV/AIDS.

Danisa has previously been a director on the boards of the following companies, Denel Personnel Solutions, Adcorp Holdings, Denel, AMB Holdings, Fame Investment Holdings, Forge Ahead BMI Techknowledge, Mogapi Mining, Blue Pepa Communications, Ubambo Investment Holdings, Bonrec Processing and Re cycling, AMB Capital, Document and Data Managements (Africa), Bull Information Technology (Southern Africa), Kolban Trading, Pinnacle Technology Holdings and T-Systems South Africa.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
IN Matthews	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	60	South African	MA (Oxon), MBA

Relevant experience:

Nigel was appointed to the board and various other sub-committees of the Metrofile group on 1 June 2006. He started his career in the South African hotel and tourism industry and held the positions of Managing Director of Holiday Inn and Executive director of Rennies. He later started his own business, Sentry Group, and was Chairman of the company when it was sold to an international group in 2001. He is a Non-executive director of City Lodge Holdings Limited, Sun International Limited, Massmart Holdings Limited and non-executive Chairman of Lenco Holdings Limited and was previously a director of Shift Interactive Communications.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
SR Midlane	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	40	South African	BCom, BAcc, CA(SA)

Relevant experience:

Roy was previously financial director of Metrofile Holdings and is currently a director of Drive Control Services (Proprietary) Limited and a Non-executive director of Metrofile Holdings. Roy is a member of the Audit Committee.

Roy was previously a director of the following companies, Metrofile (Proprietary) Limited, Wearcheck Properties, WLG Properties, 18 San Croy, Project Plus, Lechabile Storage Solutions, Boxdorm One, Digital and Paper Services, Inroline Investments, Dion Business Systems, Fidentia Software Futures, Set Point Technology Holdings, Computer Configurations Property, Electricore Wholesale Distributors and Scopefull 7.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
K Pillay	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	38	South African	BCom

Relevant experience:

Keshan is an accountant by profession and served articles of clerkship from 1991 to 1994 at auditors Douglas & Velcich (CA)SA whereupon completion he was employed as an audit manager. He joined the NUM as the head of finance from 1994 – 1998. Following his temporary secondment into MIC to assist with financial management, he joined MIC as an Executive director of finance and strategy. In addition he sits on the boards of a number of unlisted and listed South African companies, including BP Southern Africa (Pty) Limited, Ster Kinekor (Pty) Limited, Ster Kinekor Home Entertainment, Wesbank (division of Firststrand Limited), Rand Merchant Bank (a division of Firststrand Limited), Firststrand Empowerment Foundation, Eastvaal Motor Holdings (Pty) Limited and as alternate director of Tracker Investment Holdings (Pty) Limited and Primedia Limited.

Keshan has previously been a director of the following companies, Will Will Win Trading, Miloc Financial Solutions, Credit Management Solutions Group, Collection and Financial Services, Lexshell 177 Property Holdings, Elijah Barayi Memorial Training Centre, Lekana Financial Services, Lekana Employee Benefit Solutions, Capital Office Products, Mineworkers Development Agency, Corpinvest 14, Masana Petroleum Solutions, Prism Holdings, M Financial Services, Mathomo Group, Johnnic Holdings, National Union of Mineworkers, Properties (Rustenburg) Numprops Springbok and Lion Heart Risk Managements.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
CS Seabrooke	Non-executive Chairman	3 Gowie Road The Gables Cleveland, 2049	53	South African	BCom, BAcc, MBA, FCMA

Relevant experience:

Chris has, over years, been on the boards of over twenty JSE-listed companies. He is currently CEO of Sabvest Limited, Chairman of Massmart Holdings Limited and Setpoint Technology Holdings Limited and a director of Datatec Limited and Primedia Limited. He is also a director of Net1 U.E.P.S. Technologies Inc listed on Nasdaq in the U.S.A.

He is a former Chairman of the South African State Theatre and former Deputy Chairman of both the inaugural National Arts Council and the founding Board of Business & Arts South Africa (BASA). In addition, Chris was previously a director of the following companies, Set Point Fluids SA, Renasa Insurance Company, Primeserv Group, Brubin Pumps, The Renaissance Theatre, Business and Arts South Africa and Limosa Investments.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
GD Wackrill	Chief Executive Officer	3 Gowie Road The Gables Cleveland, 2049	52	South African	BCompt

Relevant experience:

Graham is the Chief Executive Officer of Metrofile as well as a director of all the Metrofile group companies. Graham is one of the original founders of Record Storage and Management, started in Crown Mines, Johannesburg in 1983. The business was merged with Metrofile in October 1997 and was then sold to Metrofile Holdings in November 1997. Graham was previously a director of R and W Financial Managers, Alphaword and Record Storage and Management (Pty) Limited.

DETAILS OF OTHER DIRECTORS OF METROFILE

Name	Occupation	Business address	Age	Nationality	Qualification(s)
RM Buttle	Chief Financial Officer of Metrofile	3 Gowie Road The Gables Cleveland, 2049	34	South African	BCompt, CTA

Relevant experience:

Richard joined the MGX group in 1996 having completed his articles and after a one year contract performing forensic audit. His work experience includes several roles, holding positions of Financial Manager and Financial Director. Richard has been part of the Metrofile team since July 2000 and been an Executive director responsible for finance since January 2003 and is a director on all subsidiaries of Metrofile.

Richard was previously a director of the following companies, Optiplan 1999, Solutions at Work, Optiplan, Recordoc Management, SMC Electronic Commerce and Recordoc Storage.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
P Nkuna	Non-executive director of Metrofile	3 Gowie Road The Gables Cleveland, 2049	54	South African	–

Relevant experience:

Paul began his career as a teacher before joining the mining industry in 1977. He joined NUM in 1984 and served as the Treasurer General for 10 years. He was instrumental in local government negotiations and headed the Management Committee as chairman of the Brakpan Transitional Local Government (1994 – 1997). He served in a number of executive structures within local government, including the Gauteng Association of Local Government (GALA) and the South African Local Government Association (SALGA).

He serves on the boards of a number of South African companies, and is passionate about transformation, with emphasis on: broad-based empowerment, ownership, affirmative procurement, employment equity, skills development and transfer and promotion of SMMEs.

EXCHANGE CONTROL REGULATIONS

The following summary is intended only as a guide and is, therefore, not comprehensive. If shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional adviser.

Pursuant to the Exchange Control Regulations of South Africa and upon specific approval of the South African Reserve Bank, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:

- take up rights allocated to them in terms of the rights offer;
- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of STRATE and any share certificates issued pursuant to such applications will be endorsed “**non-resident**”.

Where a right in terms of the rights offer becomes due to a former resident of the Common Monetary Area, which right is based on shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to:

- take up the rights allocated to them in terms of the offer;
- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE.

All applications by emigrants using blocked funds for the above purposes must be made through the authorised dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed “**non-resident**” and placed under the control of the authorised dealer in foreign exchange through whom the payment was made. The proceeds due to emigrants from the sale of the letters of allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants’ blocked accounts. Electronic statements issued in terms of STRATE and any rights offer share certificates issued pursuant to blocked Rand transactions will be endorsed “**non-resident**” and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of letters of allocation or arising from the sale of blocked shares will be credited to the blocked accounts of the emigrants concerned.

Any qualifying Metrofile Holdings shareholder resident outside the Common Monetary Area who receives this circular and form of instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such form of instruction.

New share certificates issued pursuant to the rights offer to an emigrant will be endorsed “**non-resident**” and forwarded to the address of the relevant authorised dealer controlling such emigrant’s blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant’s shares are in dematerialised form with a CSDP or broker, the electronic statement issued in terms of STRATE will be despatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

The rights offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and this circular and form of instruction should not be forwarded or transmitted by you to any person in any territory other than where it is lawful to make such an offer.

The offer shares have not been and will not be registered under the Securities Act. Accordingly, the rights offer shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, United States persons, except pursuant to exemptions from the Securities Act. This circular and the accompanying documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States. This circular does not constitute an offer of any securities for sale in the United States or to United States persons.

The rights offer contained in this offering circular does not constitute an offer in the District of Columbia, the United States, the Dominion of Canada, the Commonwealth of Australia, Japan or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Non qualifying shareholders should consult their professional advisers to determine whether any governmental or other consents are required or other formalities need to be observed to allow them to take up the rights offer, or trade their entitlement. Shareholders holding Metrofile Holdings shares on behalf of persons who are non-qualifying shareholders are responsible for ensuring that taking up the rights offer, or trading in their entitlements under that offer, does not breach regulations in the relevant overseas jurisdictions.



paper records to digital assets

Metrofile Holdings Limited

Formerly MGX Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727

DIRECTORS

CS Seabrooke² (*Chairman*)

GD Wackrill³ (*CEO*)

DE Baloyi¹

IN Matthews¹

SR Midlane²

K Pillay²

¹ Independent Non-executive directors

² Non-executive directors

³ Executive directors

SHARE BUY-BACK AND MINORITIES ACQUISITION CIRCULAR

1. INTRODUCTION

The purpose of this share buy-back and minorities acquisition circular is to furnish shareholders with relevant information relating to the buy-back and cancellation of the existing treasury shares, the acquisition of minority interests in Metrofile and the implications thereof in accordance with the Act and the JSE Listings Requirements.

2. RATIONALE

As part of the continued capital reorganisation of Metrofile Holdings, the directors propose to resolve that Metrofile Holdings acquire and cancel the existing 6 877 024 treasury shares held by MGX Management Services, a wholly owned subsidiary of Metrofile Holdings. The treasury shares are to be acquired at the price at which they were acquired by MGX Management Services, 0.1 cent per share, which price is lower than the weighted average market value of the Metrofile Holdings shares for the five days preceding the date on which the share buy-back was agreed. The price at which the shares are bought back is not considered to be material as MGX Management Services is a wholly owned subsidiary of Metrofile Holdings. The share buy-back will be funded out of existing cash resources and will be made out of the share premium created pursuant to the rights offer and will therefore be tax neutral for Metrofile Holdings.

In addition, Metrofile Holdings estimates there to be about R10 million of contingent liabilities which may need to be paid in due course, as a result of:

- a possible deficit in a group pension fund that may have to be funded;
- warranties relating to the sale of previous businesses owned by the group; and
- some claims that may potentially be due to creditors.

As a result, the directors have resolved to propose that, immediately after the rights offer, 10 million Metrofile Holdings shares be placed under the control of the directors to issue for cash under a general authority should this be required for the settlement of any such contingent liabilities.

Metrofile Holdings is a holding company with a 65% shareholding in the issued share capital of Metrofile. Metrofile's BEE partner, MIC, holds 25% and each of Sabvest Investments and management holds a 5% interest in Metrofile. Metrofile is Metrofile Holdings' only asset.

Immediately after the rights offer is implemented and the treasury shares have been bought back and cancelled, Metrofile Holdings will acquire the 35% shareholding in Metrofile from the minority shareholders. Metrofile Holdings will settle the acquisition price through the issue of Metrofile Holdings shares on a *pro rata* basis.

MIC has entered into an agreement with Metrofile Holdings that effectively restricts its right to exit its shareholding in Metrofile Holdings after the acquisition of minority interests for a period of three years from the effective date of the agreement. In addition, even after this period, MIC can only sell its shareholding to a BEE entity. MIC will therefore continue to hold 25% of the group, which will ensure the continuity of the group's BEE credentials. In terms of this agreement, MIC has the right to appoint two members to the board of Metrofile Holdings.

In terms of the swap-up agreement entered into between Sabvest and Metrofile Holdings, Sabvest has granted Metrofile Holdings a call option in terms of the Metrofile Holdings shares issued to Sabvest as consideration for Sabvest's shareholding in Metrofile. The call option is exercisable at the election of Metrofile Holdings in the event that the services of Mr Seabrooke cease to be available to the group in agreed circumstances until 2009. The exercise of the call option will amount to a specific repurchase by Metrofile Holdings in terms of section 85 of the Act. In the event that Metrofile Holdings elects to exercise the call option, Metrofile Holdings will seek the necessary approval from its shareholders at the appropriate time.

Similarly, the management shareholders are restricted in the sale of their shares until 2009.

The board believes that the acquisition of minority interests will:

- align the interests of Metrofile Holdings' BEE partner, management and directors at the same level with all its shareholders;
- establish the shareholding structure that was originally intended when these parties were introduced to Metrofile Holdings and its subsidiaries as shareholders but was not possible at the holding company level at the time due to the volume and complexity of the liabilities and contingent liabilities at that level;
- enable Metrofile Holdings to access and better plan the cash flows of its subsidiary, Metrofile, and deal with the assets of Metrofile in accordance with future corporate strategy, without the need to obtain the consent of the minority shareholders in the subsidiary, as it will now be wholly owned;
- increase the market capitalisation of Metrofile Holdings which will be attractive to new investors;
- strengthen the group to facilitate future corporate strategy; and
- provide future liquidity for MIC, Sabvest Investments and management after the expiry of their lock-in periods.

3. **EFFECTS**

As a result of the abovementioned share buy-back and acquisition of minority interests by Metrofile Holdings:

- the issued ordinary share capital of Metrofile Holdings will be reduced by the 6 877 024 treasury shares bought back and cancelled. The effect of the buy-back and cancellation of the treasury shares will be tax neutral and will have no effect on the EPS, HEPS, NAV or TNAV;
- the issued ordinary share capital of Metrofile Holdings will increase by 137 898 811 shares;
- the minority shareholders will hold a 35% interest in Metrofile Holdings; and
- Metrofile will become a wholly-owned subsidiary of Metrofile Holdings.

4. **SALIENT TERMS AND CONDITIONS OF THE ACQUISITION OF MINORITY INTERESTS**

The consideration payable for the acquisition of minority interests will be settled through the issue of new Metrofile Holdings shares to the minorities *pro rata* in number so that after such issue the Metrofile Holdings shares held by the existing shareholders in Metrofile Holdings will still represent 65% of the value of Metrofile and the shares held by the minority shareholders will still represent 35% of the value of Metrofile.

The monetary value of the consideration will be the number of consideration shares multiplied by the average market price per share on the five trading days prior to such issue. The market price will not affect the number of Metrofile Holdings shares to be issued as it is the intention that the existing shareholders and the minority shareholders will have the same effective percentage interests in Metrofile before and after the transaction.

5. **NATURE OF METROFILE'S BUSINESS**

Metrofile is the South African market leader in the management of business records through its 16 storage centres and locations throughout South Africa. It provides full life cycle paper and electronic records management on or offsite, including collation, scanning, digital conversion, physical or electronic preservation and destruction services that satisfy legislative and corporate governance requirements.

6. **DIRECTORS' STATEMENT REGARDING LIQUIDITY AND WORKING CAPITAL ADEQUACY**

The directors of Metrofile Holdings declare that, after considering the effects of the share buy-back:

- the group will be able to pay its debts, in the ordinary course of business, for a period of 12 months after the date of the approval of this share buy-back and minorities acquisition circular;
- the consolidated assets of the group will be in excess of its consolidated liabilities, measured in accordance with the accounting policies used in the annual report for the twelve months ended 30 June 2006, for a period of 12 months after the date of the approval of this share buy-back and minorities acquisition circular;
- the ordinary share capital and consolidated reserves of the group will be adequate for ordinary business purposes for a period of 12 months from the date of the approval of this share buy-back and minorities acquisition circular; and
- the working capital of the group will be adequate for ordinary business purposes for a period of 12 months from the date of the approval of this share buy-back and minorities acquisition circular.

7. **SHAREHOLDER SPREAD**

The shareholder spread of Metrofile Holdings will still comply with paragraphs 4.28(e) and (f) of the JSE Listings Requirements after implementing the share buy-back.

8. **AUTHORISATION**

At a general meeting of shareholders held on Monday, 9 October 2006, Metrofile Holdings shareholders passed, amongst others, the special resolution required to create 400 million Metrofile Holdings shares, which includes the 137 898 811 shares required for the acquisition of minority interests. The said special resolution was registered with and passed by the Registrar of Companies subsequent to the general meeting. After the rights offer and the acquisition of minority interests, 106 003 397 authorised but unissued shares will be available from which the 10 million shares will be issued, if required.

The directors have resolved to propose that, at the general meeting to be convened on Wednesday, 29 November 2006:

- a special resolution be passed by the requisite majority of shareholders to authorise the buy-back and cancellation of 6 877 024 treasury shares held by MGX Management Services;
- an ordinary resolution be passed by the requisite majority of shareholders excluding the related party placing the consideration shares under the control of the directors and authorising the directors of the Company to issue and allot the consideration shares; and
- an ordinary resolution be passed at the general meeting to place the 10 million Metrofile Holdings shares created in respect of the contingent liabilities under the control of the directors and authorise the directors to issue and allot such newly created shares pursuant to the settlement of the contingent liabilities, if required.

9. SHARE CAPITAL

9.1 Authorised and issued share capital prior to the transaction

The authorised and issued share capital of Metrofile Holdings at the last practicable date is as set out below:

	ZAR'000
Authorised	
500 000 000 ordinary shares of 0.6146 cents each	3 073
Issued	
74 077 413 ordinary shares of 0.6146 cents each	456
Less: Treasury shares offset	(46)
Share premium	195 654
Total issued share capital	196 064

9.2 Authorised and issued share capital after the share buy-back and the acquisition of minority interests

The authorised and issued share capital of Metrofile Holdings after the share buy-back and the acquisition of minority interests, but excluding the effect of the rights offer, is as set out below:

	ZAR'000
Authorised	
500 000 000 ordinary shares of 0.6146 cents each	3 073
Issued	
205 099 200 ordinary shares of 0.6146 cents each	1 261
Share premium	291 679
Total issued share capital	292 940

Shareholders should refer to paragraph 4.4 of the revised listing particulars for the authorised and issued share capital after the transaction.

10. MAJOR SHAREHOLDERS

10.1 Majority shareholders prior to the transaction

The names of persons who are reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings as at the last practicable date, is set out below:

Shareholder	Holding (%)
Brait Private Equity Funds	11.7
MGX Management Services (Treasury shares)	9.2
Prudential Portfolio Managers (South Africa)	7.3
Oryx Investment Management	7.0

10.2 Majority shareholders after the share buy-back and the acquisition of minority interests

The names of the persons who will be reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings after the share buy-back and the acquisition of minority interests, but excluding the effect of the rights offer, is set out below:

Shareholder	Holding (%)
MIC	25.0
Management	5.0
Sabvest Investments	5.0

Shareholders should refer to paragraphs 5.2 and 5.3 of the revised listing particulars for the major shareholders after the transaction.

11. **PRO FORMA FINANCIAL EFFECTS OF THE SHARE BUY-BACK AND THE ACQUISITION OF MINORITY INTERESTS**

There are no financial effects from the buy-back and cancellation of the treasury shares or from placing 10 million shares under the control of the directors under a general authority.

The value of the net assets/(net liabilities of the company) that is the subject of the acquisition of minority interests transaction is (R265 million). The profits attributable to the net assets are R18.5 million.

The *pro forma* financial effects set out below have been prepared to assist shareholders to assess the impact of the acquisition of the minority interests on the earnings, headline earnings, adjusted earnings, adjusted headline earnings, net asset value and tangible net asset value per Metrofile Holdings share. The material assumptions are set out in the notes following the table. These *pro forma* financial effects have been disclosed in terms of the JSE Listings Requirements for illustrative purposes only and do not constitute a representation of the future financial position of Metrofile Holdings on completion of the acquisition of minority interests.

	Before the acquisition of minority interests (cents)	After the acquisition of minority interests (cents)	Change (%)
EPS	27.5 ¹	13.4 ²	(51.3)
HEPS	24.1 ¹	12.3 ²	(49.0)
Adjusted EPS	15.5 ¹	9.4 ²	(39.3)
Adjusted HEPS	12.1 ¹	8.3 ²	(31.4)
Net liability per share	(412.8) ³	(85.3) ⁴	79.3
Tangible net liability per share	(412.8) ³	(129.3) ⁴	68.7

Notes:

- The EPS, HEPS, adjusted EPS and adjusted HEPS in the "Before the acquisition of minority interests" column of the table are based on the income statement of Metrofile Holdings for the financial year ended 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (being the weighted average number of shares in issue for the year ended 30 June 2006, net of the treasury shares).
HEPS were 24.1 cents. Included in the headline earnings of R16.2 million are non-recurring dividends received of R2 million and tax reversals of R6.4 million. If these non-recurring amounts are excluded from headline earnings, HEPS would be 12.1 cents. Shareholders are referred to the financial review section of the annual results announcement.
- The EPS, HEPS, adjusted EPS and adjusted HEPS in the "After the acquisition of minority interests" column of the table are based on 205 090 200 Metrofile Holdings shares in issue and on the assumption that the acquisition of minority interests is effective from 1 July 2005.
- The net liability per share and tangible net liability per share in the "Before the acquisition of minority interests" column of the table are based on the balance sheet of Metrofile Holdings at 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (excluding the treasury shares).
- The net liability per share and tangible net liability per share in the "After the acquisition of minority interests" column of the table are based on the issue of 137 898 811 Metrofile Holdings shares in terms of the acquisition of minority interests in Metrofile on the assumption that the acquisition of minority interests is effective 30 June 2006.
- The minority acquisition will be at the average trading price on the five days after the shares trade ex-rights. For financial effect calculations purposes, the average trading price has been assumed at 75 cents per share.
- The *pro forma* financial effects have been reviewed by Metrofile Holdings' auditors, Deloitte & Touche.
- Metrofile shareholders are reminded that while, for the purposes of the calculations set out above, it has been assumed that the rights offer occurs at the beginning of the financial period, the actual implementation of the transaction will only take place at the end of November 2006.

The *pro forma* balance sheet and income statement of Metrofile Holdings showing the impact of the acquisition of minority interests and the transaction is set out in Annexure 3 to this document.

The *pro forma* financial information is the responsibility of the directors. The *pro forma* balance sheet and income statement have been prepared for illustrative purposes only in order to provide information on how the acquisition of minority interests might have affected the results, changes in equity and results of operations or cash flows of Metrofile Holdings and, because of their nature, may not give a true reflection of the actual financial effects of the acquisition of minority interests.

The *pro forma* balance sheet and income statement have been reviewed and reported on by the reporting accountants and auditors and their report in this regard is contained in Annexure 2 to this document and is open for inspection as set out in paragraph 19 of the revised listing particulars.

12. **DIRECTORS' INTERESTS**

Sabvest Investments, a subsidiary of Sabvest, is a minority shareholder in Metrofile, which shareholding is being acquired by Metrofile Holdings, as proposed in this share buy-back and minorities acquisition circular. In addition, Roy Midlane and Graham Wackrill, who are directors of Metrofile Holdings and Leon Thompson, who is the company secretary of Metrofile Holdings, are three of the ten members of management holding minority interests in Metrofile, which minority interests are being acquired by Metrofile Holdings, as set out in this share buy-back and minorities acquisition circular.

13. **FAIR AND REASONABLE**

The acquisition of minority interests is a related-party transaction for the following reasons:

- MIC is a material shareholder, as defined in the JSE Listings Requirements, in a subsidiary company of Metrofile Holdings;
- Chris Seabrooke, the Chairman of Metrofile Holdings, is the Chief Executive Officer of and a material shareholder in Sabvest. Sabvest Investments, a subsidiary of Sabvest, is a minority shareholder in Metrofile, which shareholding is being acquired by Metrofile Holdings; and
- Roy Midlane and Graham Wackrill, who are directors of Metrofile Holdings and Leon Thompson, who is the Company Secretary of Metrofile Holdings, are three of the ten members of management holding minority interests in Metrofile, which minority interests are being acquired by Metrofile Holdings.

Accordingly, a fair and reasonable opinion has been prepared by Deloitte & Touche in terms of paragraph 10.4 of the JSE Listings Requirements. Deloitte & Touche has advised the directors of Metrofile Holdings that it has considered the terms and conditions of the acquisition of minority interests transaction and has concluded that these terms and conditions are fair and reasonable to the shareholders of Metrofile Holdings. The letter containing this opinion is set out in Annexure 5 to this document.

In terms of paragraph 10.9(f) of the JSE Listings Requirements, the related party will be taken into account in determining a quorum at the general meeting but will be excluded from voting to approve the acquisition of minority interests.

14. **DIRECTORS' RECOMMENDATION**

The directors, having considered the terms of the acquisition of minority interests and having considered the independent advice of Deloitte & Touche, are of the unanimous opinion that they are fair and reasonable from a financial perspective to Metrofile Holdings shareholders.

Accordingly, the directors recommend that shareholders vote in favour of the resolutions to be proposed at the general meeting to be held on Wednesday, 29 November 2006. The directors intend to vote in favour of the resolutions in respect of their own holdings of Metrofile Holdings shares.

By order of the board

METROFILE HOLDINGS LIMITED

Leon Thompson
Company Secretary

Johannesburg
6 November 2006



paper records to digital assets

Metrofile Holdings Limited

Formerly MGX Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)

Share code: MFL
ISIN: ZAE000061727

DIRECTORS

CS Seabrooke² (*Chairman*)

GD Wackrill³ (*CEO*)

DE Baloyi¹

IN Matthews¹

SR Midlane²

K Pillay²

¹ Independent Non-executive directors

² Non-executive directors

³ Executive directors

REVISED LISTING PARTICULARS

1. BACKGROUND TO THE PROPOSED TRANSACTION AND THE REVISED LISTING PARTICULARS

Metrofile had R10 million of mortgage debt and R310 million of loan debt repayable by 4 March 2009, as set out in previous circulars, failing which a portion of the loan debt was convertible to ordinary shares in Metrofile, which would reduce the 65% shareholding of Metrofile Holdings in Metrofile. In order to remove the convertibility of the loan debt and to extend the repayment period to match Metrofile's cash flows, Metrofile recently raised R320 million in new finance from Standard Bank. The salient terms of the new finance are that interest is serviced monthly, R145 million is repayable at the end of six years and R175 million is repayable over years two to six.

In addition, Metrofile Holdings owed R89 million on 30 June 2006 to external creditors represented by interest-bearing loan notes which are convertible into Metrofile Holdings shares if they are not repaid by 4 March 2009. These loan notes will total R95 million with interest to early December 2006 which is when it is anticipated that they will be settled from the rights offer proceeds. These notes are also secured by inter-company loan notes of R291 million, which may also be convertible to the benefit of external creditors if the external loan notes are not paid by the due date. Metrofile Holdings also had R28.3 million of other third party liabilities which will total R29.5 million by December 2006. Further, the costs of the creation of new capital, the rights offer and the underwriting will be about R6.5 million. Therefore, cash required for actual outlays will be R131 million.

In addition, there are contingent liabilities for:

- a possible deficit in a group pension fund that may have to be funded;
- warranties relating to the sales of previous businesses owned by the group; and
- some claims that may potentially be due to creditors.

Metrofile Holdings estimates that about R10 million may need to be paid on account of these contingent liabilities in due course.

To complete the restructuring of the group, the directors of Metrofile Holdings have therefore resolved to propose that:

- Metrofile Holdings raises R142 million through a rights offer to its shareholders. The money raised from the rights offer will be used to repay liabilities of R124.5 million in Metrofile Holdings, pay the costs of R6.5 million of the capital reorganisation and retain the balance to fund the contingent liabilities;
- the existing treasury shares be bought back by Metrofile Holdings and cancelled;
- the directors be authorised to issue 10 million shares for cash if the funds raised in terms of the rights offer are not sufficient to cover any contingent liabilities in due course; and
- Metrofile Holdings acquires the 35% minority shareholdings in Metrofile, the consideration for which is to be settled through the issue of Metrofile Holdings shares on a *pro rata* basis. Metrofile is the only material asset of Metrofile Holdings, which will become a wholly owned subsidiary of Metrofile Holdings following the purchase of the shares in Metrofile currently held by the minority shareholders.

The revised listing particulars have been prepared on the assumption that the resolutions proposed in the notices of general meeting forming part of this document will be passed at the general meeting.

The revised listing particulars refer to:

- the rights offer of 188 897 403 Metrofile Holdings shares;
- the buy-back and cancellation of 6 877 024 treasury shares; and
- the issue of 137 898 811 Metrofile Holdings shares as consideration for the purchase of a 35% shareholding in Metrofile from the minority shareholders immediately after the rights offer is implemented.

2. JSE LISTINGS

The JSE has approved:

- with effect from Tuesday, 28 November 2006, the listing of the rights offer shares;
- with effect from Monday, 4 December 2006, the delisting of the bought back and cancelled treasury shares; and
- with effect from Monday, 4 December 2006, the listing of the consideration shares in respect of the acquisition of the minority interests, subject to approval by the requisite majority of shareholders of the ordinary resolution at the general meeting.

3. BACKGROUND INFORMATION ON METROFILE HOLDINGS

3.1 Incorporation and history

Metrofile Holdings is a public company with its primary listing on the JSE.

Metrofile Holdings commenced business in 1969, as an investment holding company with investments in the information technology sector. Metrofile Holdings was, prior to the disposals that were finalised in 2003 and 2004, a specialist in the information management sector and a leading supplier of products and services for the conversion, storage, retrieval and distribution of documents and information.

Metrofile Holdings' high debt burden, deteriorating trading performance and several legal disputes placed Metrofile Holdings in severe financial difficulty. Between December 2002 and April 2004, a liquidation of the Company was avoided through the disposal of a number of operating businesses and commercial properties.

In December 2002, Metrofile Holdings embarked on a recovery plan, with the support of its capital providers, in terms of which the Company decided to:

- dispose of certain operating subsidiaries and commercial properties and use the proceeds of these disposals to reduce the debt of the Company;
- refinance the interest-bearing debt of the Company to a position which could be sustained by the remaining operations in Metrofile Holdings;
- create a structure for the capitalisation of the remaining debt of the Company, to the extent that the debt is not repaid over a five-year period, thereby avoiding an immediate dilution to Metrofile Holdings shareholders and creating the opportunity for Metrofile Holdings to repay the debt; and
- create a smaller group which could be rebuilt into a profitable business after the refinancing of the Company's interest-bearing debt.

After the disposals, the remaining operating business in Metrofile Holdings was Metrofile, which is involved in document and records storage and management.

3.2 **Prospects**

The board expects to implement the final restructure of the group during the coming financial year, now that most of the legacy issues of the MGX Holdings Limited era have been resolved. The directors have resolved to propose to shareholders, as set out in this share buy-back and minorities acquisition circular, that Metrofile Holdings acquires the 35% interest in Metrofile not currently owned by it through an exchange of shares. If this is achieved, MIC will still hold 25% of the group thereby ensuring its continued empowerment credentials. The group expects improved revenue and operating results from Metrofile in the coming year. However, the non-recurring items in the current years' results will not be repeated and the rights offer will be dilutive, both of which are expected to result in a reduction in HEPS.

4. **SHARE CAPITAL**

4.1 **Issue of Metrofile Holdings shares in the last three years**

No securities were issued by the company in the last three years.

4.2 **Control of authorised unissued share capital**

The directors of Metrofile Holdings have not been granted a general authority to issue shares in terms of section 221 of the Act.

However, the directors propose that an ordinary resolution be passed at the general meeting to be convened on Wednesday, 29 November 2006, to place 10 million Metrofile Holdings shares under the control of the directors and authorise the directors to issue and allot such newly created shares pursuant to the settlement of the contingent liabilities, if required.

4.3 **Authorised and issued share capital prior to the transaction**

The authorised and issued share capital of Metrofile Holdings at the last practicable date is as set out below:

	ZAR'000
Authorised	
500 000 000 ordinary shares of 0.6146 cent each	3 073
Issued	
74 077 413 ordinary shares of 0.6146 cent each	456
Less: Treasury shares offset	(46)
Share premium	195 654
Total issued share capital	196 064

4.4 **Authorised and issued share capital of Metrofile Holdings after the transaction**

The authorised and issued share capital of Metrofile Holdings after the transaction is as set out below:

	ZAR'000
Authorised	
500 000 000 ordinary shares of 0.6146 cent each	3 073
Issued	
393 996 603 ordinary shares of 0.6146 cent each	2 422
Share premium	432 191
Total issued share capital	434 613

5. MAJOR SHAREHOLDERS

5.1 Major shareholders prior to the transaction

The names of persons who are reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings as at the last practicable date, is set out below:

Shareholder	Holding (%)
Brait Private Equity Funds	11.7
MGX Management Services (Treasury shares)	9.2
Prudential Portfolio Managers (South Africa)	7.3
Oryx Investment Management	7.0

5.2 Major shareholders after the transaction on the basis that all qualifying shareholders take up their rights in terms of the rights offer

On the basis that all shareholders follow their rights in terms of the rights offer, Metrofile Holdings issues 188 897 403 rights offer shares, 137 898 811 consideration shares and cancels 6 877 024 treasury shares, the names of the persons who will be reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings, is set out below:

Shareholder	Holding (%)
MIC	25.0
Brait Private Equity Funds	7.8
Sabvest Investments Management	5.0

5.3 Major shareholders after the transaction on the basis that no qualifying shareholders take up their rights in terms of the rights offer

On the basis that no qualifying shareholders take up their rights in terms of the rights offer and that all the rights offer shares are issued to the Underwriter or its nominees, Metrofile Holdings issues 188 897 403 rights offer shares, 137 898 811 consideration shares and cancels 6 877 024 treasury shares, the names of the persons who will be reflected in Metrofile Holdings' register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Metrofile Holdings, is set out below:

Shareholder	Holding (%)
MIC	25.0
Eurevest Leasing (Proprietary) Limited ²	16.9
Haroon Habib Family Trust ³	14.1
SFS ¹	14.0
Sabvest Investments Management	5.0

¹ Underwriter, or other subsidiaries of Sabvest nominated by the Underwriter

² Sub-underwriter 1

³ Sub-underwriter 2

Sabvest has indicated that the maximum value of shares it will take up under the underwriting is R41 250 000 represented by 55 million rights offer shares. The balance of the underwriting has been sub-underwritten by a number of parties of which two have underwritten R50 million (66.67 million rights offer shares) and R41.8 million (55.73 million rights offer shares), respectively.

6. **PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION**

The *pro forma* financial effects set out below have been prepared to assist shareholders to assess the impact of the capital reorganisation on the earnings, headline earnings, adjusted headline earnings, net asset value and tangible net asset value per Metrofile Holdings ordinary share. The material assumptions are set out in the notes following the table. These *pro forma* financial effects have been disclosed in terms of the JSE Listings Requirements for illustrative purposes only and do not constitute a representation of the future financial position of Metrofile Holdings on completion of the transaction. There will be no financial effects from the share buy-back or from placing 10 million shares under the control of the directors.

	Before the transaction (cents)	After the transaction (cents)	Change (%)
EPS	27.5 ¹	10.5 ²	(61.8)
HEPS	24.1 ¹	9.9 ²	(58.9)
Adjusted EPS	15.5 ¹	8.4 ²	(45.8)
Adjusted HEPS	12.1 ¹	7.9 ²	(34.7)
Net liability per share	(412.8) ³	(9.8) ⁴	97.6
Tangible net liability per share	(412.8) ³	(32.2) ⁴	92.2

Notes:

- The EPS, HEPS, adjusted EPS and adjusted HEPS in the "Before the transaction" column of the table are based on the income statement of Metrofile Holdings for the financial year ended 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (being the weighted average number of shares in issue for the year ended 30 June 2006, net of the treasury shares).
HEPS were 24,1 cents. Included in the headline earnings of R16,2 million are non recurring dividends received of R2 million and tax reversals of R6,4 million. If these non recurring amounts are excluded from headline earnings, HEPS would be 12,1 cents. Shareholders are referred to the financial review section of the annual results announcement.
Headline earnings have been adjusted with an interest charge that will no longer be applicable if these liabilities have been settled at the holding company level after the rights offer. There is no tax effect for the adjustment as there was no income at the holding company level against which to deduct the interest charge and no deferred tax asset was raised. Headline earnings have been adjusted to include the minority interest after the minority acquisition.
- The EPS, HEPS, adjusted EPS and adjusted HEPS in the "After the transaction" column of the table are based on 393 996 603 Metrofile Holdings shares in issue on the assumptions that:
 - the rights offer is effective from 1 July 2005;
 - the total amount of R142 million was raised through the rights offer; and
 - estimated rights issue costs of R6.5 million were set off against the share premium that was raised through the rights offer.
- The net liability per share and tangible net liability per share in the "Before the transaction" column of the table are based on the balance sheet of Metrofile Holdings at 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (excluding the treasury shares).
- The net liability per share and tangible net liability per share in the "After the transaction" column of the table are based on the issue of 188 897 403 Metrofile Holdings shares in terms of the rights offer and 137 898 811 Metrofile Holdings shares in respect of the acquisition of minority interests in Metrofile on the assumption that the capital reorganisation is effective 30 June 2006.
- The minority acquisition will be at the average trading price on the five days after the shares trade ex-rights. For financial effect calculations purposes, the average trading price has been assumed at 75 cents per share.
- The *pro forma* financial effects have been reviewed by Metrofile Holdings' auditors, Deloitte & Touche.
- Metrofile shareholders are reminded that while, for the purposes of the calculations set out above, it has been assumed that the rights offer occurs at the beginning of the financial period, the actual implementation of the transaction will only take place at the end of November 2006.

The *pro forma* balance sheet and income statement of Metrofile Holdings showing the impact of the transaction is set out in Annexure 3 to this document.

The *pro forma* financial information is the responsibility of the directors. The *pro forma* balance sheet and income statement have been prepared for illustrative purposes only in order to provide information on how the transaction might have affected the results, changes in equity and results of operations or cash flows of Metrofile Holdings and, because of their nature, may not give a true reflection of the actual financial effects of the transaction.

The *pro forma* balance sheet and income statement have been reviewed and reported on by the reporting accountants and auditors and their report in this regard is contained in Annexure 2 to this document regarding the acquisition of minority interests and is open for inspection as set out in paragraph 19 of these revised listing particulars.

7. **INFORMATION RELATING TO THE DIRECTORS**

7.1 **Names, portfolios and business addresses**

The details of the directors are set out in Annexure 6 to this document.

7.2 Directors' responsibility statement

The directors, whose names appear on page 47 of these revised listing particulars:

- have considered all statements of fact and opinion in this document;
- accept, individually and collectively, full responsibility for such statements;
- certify that, to the best of their knowledge and belief:
 - there are no omissions of material facts or considerations, which would make any statements of fact or opinion contained in this document false or misleading and have made all reasonable enquiries in this regard; and
 - that this document contains all information required by the JSE Listings Requirements and the Act.

7.3 Directors' undertakings

All the directors have confirmed in terms of schedule 21 of the JSE Listings Requirements that they have not been:

- disqualified by any court from acting as a director of a company or from acting in the management or conduct of the affairs of any company or been the subject of any public criticism by statutory or regulatory authorities (including recognised professional bodies);
- convicted of an offence resulting from dishonesty, fraud or embezzlement or convicted in any jurisdiction of any criminal offence or any offence under legislation relating to the Act; or
- adjudged bankrupt or entered into any voluntary creditors' liquidation or been sequestrated in any jurisdiction or been a director of any company at the time or within the 12 months preceding any of the following events taking place: receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company/voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors, barred from entering into any profession or occupation.

The relevant provisions of the Articles concerning the qualification, borrowing powers, appointment and terms thereof, voting powers, retirement and remuneration of directors are set out in Annexure 8 to this document.

7.4 Directors' emoluments and service contracts

All remuneration paid to the directors of Metrofile Holdings by the group is set out in the table below. There will be no variation in the remuneration paid to the directors as a result of the rights offer, the buy-back and cancellation of the treasury shares and the acquisition of the minority interests. Other than as disclosed below, no remuneration, in whatever form, was paid to any of the directors of the Company.

Name	Directors' fees	Salary	Bonuses	Pension contribution	Other benefits	Total
DE Baloyi ¹	200 000	–	–	–	2 940	202 940
K Pillay ^{2*}	–	–	–	–	–	–
IN Matthews ¹	27 917	–	–	–	110	28 027
SR Midlane ^{2†}	–	707 733	550 000	84 479	143 682	1 485 894
CS Seabrooke ^{2‡}	500 000	–	–	–	7 350	507 350
GD Wackrill ³	–	977 946	861 082	173 340	166 588	2 178 956
Total	727 917	1 685 679	1 411 082	257 819	320 670	4 403 167

¹ Independent Non-executive directors

² Non-executive directors

³ Executive director

‡ An amount of R0.7 million (2005: R0.5 million) was also paid to SFS, of which Mr Seabrooke is a director, for time spent by Mr Seabrooke on the affairs of the group in his capacity as Chairman, outside of board and committee forums.

* Mr K Pillay does not receive any emoluments, but he and Mr P Nkuna are directors of Metrofile as well. MIC receives R624 000 per annum in terms of a service agreement.

† Mr S R Midlane was an Executive director until 30 June 2006 after which he became a Non-executive director.

No payment has been made to any director in the three years preceding the date of issue of this document as an inducement to become a director.

7.5 Directors' interests in the capital of Metrofile Holdings

At the last practicable date, the directors held, in aggregate, 100 204 (0.13%) Metrofile Holdings shares beneficially, non-beneficially, directly and indirectly, in the issued share capital of the Company. Details of their individual shareholdings are set out in the table below.

Name	Direct		Indirect		Total	Percentage of shares issued
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
DE Baloyi	–	–	8 000	–	8 000	0.01
IN Matthews	–	–	–	–	–	–
SR Midlane	–	–	–	–	–	–
K Pillay	–	–	–	–	–	–
CS Seabrooke	–	–	–	–	–	–
GD Wackrill	92 204	–	–	–	92 204	0.12

In terms of the rights offer, the directors will be allocated rights on the same terms and conditions as other shareholders and will be able to follow such rights under the same terms and conditions as other shareholders.

After the transaction, it is anticipated that the directors will hold, in aggregate, 10 205 639 (2.6%) Metrofile Holdings shares beneficially, non-beneficially, directly and indirectly, in the issued share capital of the Company. Details of their individual shareholdings after the transaction are set out in the table below.

Name	Direct		Indirect		Total	Percentage of shares issued
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
DE Baloyi	–	–	28 400	–	28 400	0.01
IN Matthews	–	–	–	–	–	–
SR Midlane	–	–	–	–	–	–
K Pillay	–	–	–	–	–	–
CS Seabrooke	–	–	–	–	–	–
GD Wackrill	10 177 239	–	–	–	10 177 239	2.58

7.6 Directors' dealings

The directors of Metrofile Holdings have not entered into any transactions in respect of Metrofile Holdings shares since 30 June 2006 up to the last practicable date.

7.7 Directors' share options

The Directors of Metrofile Holdings held no share options as at the last practicable date.

7.8 Directors' interests in transactions

Other than as disclosed in paragraph 8.7 of the rights offer circular and paragraph 12 of the share buy-back and minorities acquisition circular, none of the directors of Metrofile Holdings had or has any interests in any transactions that were undertaken by Metrofile Holdings, which are or were in their nature or condition material to the business of Metrofile Holdings and that were effected by Metrofile Holdings during the current or immediately preceding financial year, or during an earlier financial year and which remain in any respect outstanding.

8. STATEMENT AS TO ADEQUACY OF WORKING CAPITAL

The directors are of the opinion that, subsequent to the successful implementation of the rights offer, the buy-back and cancellation of the treasury shares and the acquisition of the minority interests, the working capital available to Metrofile Holdings and its subsidiaries will be sufficient for its present requirements, being at least 12 months from the date of issue of this document.

9. **SHARE TRADING HISTORY**

A table setting out the history of the performance of Metrofile Holdings shares on the JSE has been included as Annexure 1 to this document.

10. **MATERIAL BORROWINGS**

Material borrowings of Metrofile Holdings and its subsidiaries are set out in Annexure 7 to this document.

The borrowing powers of Metrofile Holdings are set out in Annexure 8 to this document of which the revised listing particulars forms part and have not been exceeded during the three years preceding the date of this document. There are no exchange control or other restrictions on the borrowing powers of the Company or any of its subsidiaries, other than those controls that pertain to all South African residents.

11. **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

11.1 **Contingent liabilities**

There are contingent liabilities for:

- a possible deficit in a group pension fund that may have to be funded;
- warranties relating to the sales of previous businesses owned by the group; and
- some claims that may potentially be due to creditors;

Metrofile Holdings estimates that about R10 million may need to be paid on account of these contingent liabilities in due course.

11.2 **Lease payments**

Metrofile Holdings makes lease payments relating to premises, equipment and motor vehicles of approximately R7.5 million per annum, excluding VAT, on such terms and conditions as may be agreed from time to time.

12. **MATERIAL CONTRACTS**

Other than the settlement agreement with the SRP/EC-Hold minority shareholders, as referred to in paragraph 15 of these revised listing particulars, and the agreements entered into with Standard Bank to refinance R320 million of the debt in Metrofile, as referred to in Annexure 7 to this document, the group has not entered into any material contracts in the two years prior to the issue date of this document, being Monday, 6 November 2006. In addition, the group has not entered into any material contracts at any time which contain an obligation or settlement that is material to the group at the date of issue of this document, being Monday, 6 November 2006.

13. **MATERIAL ACQUISITIONS AND DISPOSALS**

Other than the acquisition of minority interests as proposed in the share buy-back and minorities acquisition circular and the acquisitions and disposals as disclosed in previous circulars to shareholders, there have been no material acquisitions or disposals as defined in the JSE Listings Requirements by Metrofile Holdings in the last three years.

14. **MATERIAL CHANGES**

In August 2006, Metrofile Holdings entered into agreements with Standard Bank to refinance R320 million of the debt in Metrofile, as set out in Annexure 7 to this document of which the revised listing particulars forms part. Other than as disclosed above, there have been no material changes in the financial or trading position of the group since 30 June 2006.

15. LITIGATION

In the last 12 months, Metrofile Holdings settled with the SRP and made a cash offer to EC Hold Limited minority shareholders. On 18 March 2002, the SRP ruled that Metrofile Holdings acted in concert with the MRP Trust, to conclude an affected transaction by purchasing EC-Hold shares in the market, thus increasing the combined stake beyond the 35% level at which an offer to minorities is triggered in terms of the SRP Code. Metrofile Holdings and the MRP Trust disputed the finding.

In January 2006, the directors of Metrofile Holdings and the SRP acknowledged their common intention and the desirability and urgency of bringing this matter to a speedy conclusion. Metrofile Holdings therefore decided to settle with the SRP and make a cash offer to the EC-Hold shareholders. The costs of the offer were borne by Metrofile Holdings but the payments to shareholders were recovered from third parties under indemnities held.

Other than as disclosed above, the group is not involved in any, and is not aware of any pending, legal or arbitration proceedings, that has had in the past 12 months, or may have, a material effect on the group's financial position.

16. CORPORATE GOVERNANCE

The board has made every effort to ensure sound corporate governance. The board now comprises six directors, five of whom are non-executive. Audit, risk and governance, and remuneration and nominations committees are in place and the board and each committee have written charters.

The board is committed to high standards of corporate governance, supports the principles as set out in the King II Report and is satisfied that Metrofile Holdings' practices and policies are in compliance with these principles.

Refer to Annexure 4 of this document regarding the acquisition of minority interests for further information on Corporate Governance.

17. CONSENTS

Each of the advisers whose names appear on the front cover of this document of which the revised listing particulars forms part have consented in writing to act in the capacities stated and to their names being stated in this document and have not withdrawn such consent prior to the publication of this document.

18. ESTIMATED EXPENSES OF THE TRANSACTION

It has been estimated that the expenses to the transaction will amount to approximately R6.5 million. The expenses (excluding value-added tax) relating to the transaction will be paid from the rights offer proceeds and have been detailed below. The estimated expenses of the transaction are as follows:

Expenses	R
Printing, publication and distribution	250 000
JSE documentation and inspection fee	89 376
JSE listing fee	79 176
Share creation and issue expenses	6 327
Advisers	
Investment bank and sponsor	900 000
Attorneys	450 000
Joint attorneys	100 000
Reporting accountants	70 000
Fair and reasonable opinion	250 000
Underwriting commission	3 896 750
Other and contingency	408 371
Estimated total	6 500 000

19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal office hours on any business day from Monday, 6 November 2006 to Wednesday, 29 November 2006, both days inclusive, at the registered offices of Metrofile Holdings, 3 Gowie Road, The Gables, Cleveland, 2049:

- Metrofile Holdings' memorandum and Articles;
- Metrofile's memorandum and articles of association;
- a signed copy of the underwriting agreement;
- a signed copy of the swop-up agreements;
- the audited annual financial statements of Metrofile Holdings for the three years ended 30 June 2006;
- the signed reporting accountant's report on the unaudited *pro forma* financial information, the text of which is included in Annexure 2 to this document;
- copies of the service agreements with directors, managers and/or secretaries, the underwriter and vendors entered into by Metrofile Holdings during the last three years;
- the written consents of Metrofile Holdings' professional advisers;
- a copy of the Exchange Control approval for the rights offer;
- a copy of this document signed by the directors of Metrofile Holdings;
- the details of material contracts that have been entered into by Metrofile Holdings, other than in the ordinary course of business, within the two years prior to the date of this document; and
- a copy of the fair and reasonable opinion dated 17 October 2006.

The information required in terms of paragraphs 7.A.9, 7.A.11, 7.A.14, 7.A.16, 7.A.20, 7.A.21, 7.A.22, 7.A.23, 7.A.24, 7.A.25, 7.A.26, 7.B.10, 7.B.14, 7.D.3, 7.D.7, 7.D.8, 7.F.2, 7.F.3, 7.F.4 and 7.H of the JSE Listings Requirements does not apply to Metrofile Holdings.

By order of the board

METROFILE HOLDINGS LIMITED

Leon Thompson
Company Secretary

Johannesburg
6 November 2006

TRADING HISTORY OF METROFILE HOLDINGS SHARES ON THE JSE

The trading history of Metrofile Holdings shares on the JSE is set out below.

			High (cents)	Low (cents)	Volume	
Quarterly						
2003	December	31	12	6	401 466	
2004	March	31	–	–	–	
	June	30	9	3	1 102 605	
	September	30	15	4	5 101 526	
	December	31	14	8	9 996 826	
2005	March	31	44	10	9 012 807	
	June	30	40	24	10 687 070	
	September	30	68	32	6 732 064	
Monthly						
2005	October	31	75	58	2 450 590	
	November	30	80	65	3 785 225	
	December	31	95	78	1 919 318	
2006	January	31	130	90	5 976 968	
	February	28	150	109	5 775 802	
	March	31	135	80	9 955 155	
	April	30	165	125	2 806 148	
	May	31	165	133	1 939 453	
	June	30	201	150	2 445 151	
	July	31	231	165	4 554 039	
	August	31	205	161	4 506 211	
	September	30	171	138	6 377 845	
Daily						
2006	August	21	184	181	83 500	
		22	190	185	156 000	
		23	190	185	58 713	
		24	190	190	10 855	
		25	190	181	13 432	
		28	181	161	207 068	
		29	175	169	139 150	
		30	175	162	291 188	
		31	170	163	355 506	
		September	1	171	162	468 569
			4	165	160	2 500 446
			5	163	161	122 329
			6	163	161	180 262
			7	163	161	88 793
	8		–	–	–	
	11		163	160	369 200	
	12		164	159	135 907	
	13		162	160	48 861	
	14		160	158	224 408	
	15		159	158	216 495	
	18		156	138	222 280	
	19		155	151	314 735	
	20		157	147	58 480	
	21		150	147	1 070 472	
	22	170	149	232 592		
	26	160	155	14 038		
	27	156	156	11 000		
	28	157	156	9 183		
	29*	160	156	89 795		

*Last practicable date

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED
PRO FORMA FINANCIAL INFORMATION**

"17 October 2006
The Directors
Metrofile Holdings Limited
3 Gowie Road
The Gables
Cleveland
2049

Dear Directors

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE *PRO FORMA*
FINANCIAL INFORMATION OF METROFILE HOLDINGS LIMITED ("METROFILE")**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 11 and Annexure 5 to the rights offer circular, paragraph 11 and Annexure 3 of the circular regarding the acquisition of the minority shareholders' interest in the issued share capital of Metrofile (Proprietary) Limited (collectively "the capital reorganisation"), dated on or about 6 November 2006 ("the circular"). The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the capital reorganisation might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* information financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Metrofile; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Metrofile shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Metrofile Holdings Limited, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the capital reorganisation.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Metrofile and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of the Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Metrofile; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Deloitte & Touche

Registered Auditors

Per **M H Holme**

Partner

UNAUDITED *PRO FORMA* BALANCE SHEET AND INCOME STATEMENT

Set out below is the unaudited *pro forma* income statement and balance sheet of Metrofile Holdings after the rights offer and the acquisition of minority interests compiled from the audited consolidated results of Metrofile Holdings for year ended 30 June 2006. The unaudited *pro forma* income statement and balance sheet is provided for illustrative purposes only to show the effect of the rights offer and acquisition of minority interests as if the rights offer and acquisition of minority interests had occurred on 1 July 2005 in the case of the unaudited *pro forma* income statement and 30 June 2006 in the case of the unaudited *pro forma* balance sheet and, because of its nature, may not give a fair reflection of Metrofile Holdings' financial position subsequent to the rights offer and the acquisition of minority interests.

The unaudited *pro forma* income statement and balance sheet are the responsibility of the directors. Reference should be made to Annexure 2 to this document regarding the acquisition of minority interests, which contains the reporting accountants' report on the unaudited *pro forma* income statement and balance sheet at 30 June 2006.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

R'000	Before Note 1,2	Effect of the acquisition of minority interests Note 3	After the acquisition of minority interests	Effect of the rights offer and acquisition of minority interests Note 3	After the rights offer and the acquisition of minority interests Note 4
ASSETS					
Non-current assets	167 836	90 416	258 252	90 416	258 252
Property, plant and equipment	167 836		167 836		167 836
Goodwill and intangibles		90 416	90 416	90 416	90 416
Current assets	67 840		67 840	12 746	80 586
Inventories	9 248		9 248		9 248
Trade receivables	36 193		36 193		36 193
Other receivables	8 504		8 504		8 504
Bank balances	13 895		13 895	12 746	26 641
Total assets	235 676	90 416	326 092	103 162	338 838
EQUITY AND LIABILITIES					
Equity capital and deficits	(265 271)	90 416	(174 855)	225 586	(39 685)
Ordinary share capital and share premium	196 064	102 228	298 292	237 398	433 462
Accumulated losses	(473 497)	350	(473 147)	350	(473 147)
Ordinary shareholders' deficit	(277 433)	102 578	(174 855)	237 748	(39 685)
Minority interest	12 162	(12 162)		(12 162)	
Non-current liabilities	430 789		430 789	(122 424)	308 365
Interest-bearing provisions	32 981		32 981	(32 981)	
Interest-bearing liabilities	301 610		301 610		301 610
Interest-bearing subordinated redeemable convertible loans	89 443		89 443	(89 443)	
Deferred taxation liability	424 034		424 034	(122 424)	301 610
	6 755		6 755		6 755
Current liabilities	70 158		70 158		70 158
Trade payables	10 266		10 266		10 266
Other payables	24 680		24 680		24 680
Provisions	5 432		5 432		5 432
Deferred revenue	3 374		3 374		3 374
Taxation	8 944		8 944		8 944
Interest-bearing liabilities	17 462		17 462		17 462
Total equity and liabilities	235 676	90 416	326 092	103 162	338 838
Net liability per share (cents)	(412.8)		(85.3)		(9.8)
Tangible net liability per share (cents)	(412.8)		(129.3)		(32.2)
Shares in issue (thousands)	67 200		205 099		393 997

Notes:

1. Extracted from the audited published results of Metrofile Holdings for the year ended 30 June 2006.
2. The net liability per share and tangible net liability per share in the "Before the transaction" column of the table are based on the balance sheet of Metrofile Holdings at 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (excluding the treasury shares).
3. The adjustments represent the effect of the R33 million interest-bearing provisions of R89.4 million interest-bearing redeemable convertible loans settled with funds raised from the rights offer, net of the transaction costs as set out in paragraph 22 of the rights offer circular, which were set off against share premium, together with R12 million of surplus cash raised through the rights offer.
Metrofile shareholders are reminded that the actual implementation of the transaction will only take place at the end of November 2006 and that the surplus cash raised will be used to settle accrued interest on the loans mentioned above.
4. The net liability per share and tangible net liability per share in the "After the transaction" column of the table are based on the issue of 188 897 403 Metrofile Holdings shares in terms of the rights offer and 137 898 811 Metrofile Holdings share in respect of the acquisition of minority interests in Metrofile on the assumption that the capital reorganisation is effective 30 June 2006.
5. The minority acquisition will be at the average trading price on the five days after the shares trade ex-rights. For financial effect calculations purposes, the average trading price has been assumed at 75 cents per share.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

R'000	Before Note 1, 2	Effect of the acquisition of minority interests Note 3	After the acquisition of minority interests	Effect of the rights offer and acquisition of minority interests Note 3	After the rights offer and the acquisition of minority interests Note 4
Revenue	276 246		276 246		276 246
Cost of sales	(107 974)		(107 974)		(107 974)
Gross profit	168 272		168 272		168 272
Other income	2 342		2 342		2 342
Gross profit before operating expenditure	170 614		170 614		170 614
Selling, distribution and administration costs	(84 103)		(84 103)		(84 103)
Operating income before depreciation, amortisation, exceptional items and net finance costs	86 511		86 511		86 511
Depreciation	(12 760)		(12 760)		(12 760)
Operating profit before exceptional items and finance costs					
Exceptional items	2 121		2 121		2 121
Operating income before finance costs	75 872		75 872		75 872
Finance costs	(49 335)		(49 335)	13 946	(35 389)
Finance income	1 072		1 072		1 072
Fair value adjustments on financial instruments	1 568		1 568		1 568
Dividends received					
Profit before taxation	29 177		29 177		43 123
Taxation	(9 843)		(9 843)		(9 843)
Profit for year	19 334		19 334	13 946	33 280
Attributable to:					
Equity holders of the parent	10 384	8 950	19 334	22 896	33 280
Minority interest	8 950	(8 950)		(8 950)	
	19 334		19 344	13 946	33 280
EPS (cents)	27.5		13.4		10.5
HEPS (cents)	24.1		12.3		9.9
Adjusted EPS (cents)	15.5		9.4		8.4
Adjusted HEPS (cents)	12.1		8.3		7.9

Notes:

1. Extracted from the audited published results of Metrofile Holdings for the year ended 30 June 2006.
2. The EPS, HEPS, adjusted EPS and adjusted HEPS in the "Before the transaction" column of the table are based on the income statement of Metrofile Holdings for the financial year ended 30 June 2006 and 67 200 389 Metrofile Holdings shares in issue (being the weighted average number of shares in issue for the year ended 30 June 2006, net of the treasury shares).
HEPS were 24,1 cents. Included in the headline earnings of R16,2 million are non-recurring dividends received of R2 million and tax reversals of R6,4 million. If these non-recurring amounts are excluded from headline earnings, HEPS would be 12,1 cents. Shareholders are referred to the financial review section of the annual results announcement.
Headline earnings have been adjusted with an interest charge that will no longer be applicable if these liabilities have been settled at the holding company level after the rights offer. There is no tax effect for the adjustment as there was no income at the holding company level against which to deduct the interest charge and no deferred tax asset was raised. Headline earnings have been adjusted to include the minority interest after the minority acquisition.
3. The EPS, HEPS, adjusted EPS and adjusted HEPS in the "After the transaction" column of the table are based on 393 996 603 Metrofile Holdings shares in issue on the assumption that the transaction is effective from 1 July 2005.
4. The minority acquisition will be at the average trading price on the five days after the shares trade ex rights. For financial effect calculations purposes, the average trading price has been assumed at 75 cents per share.
5. Metrofile shareholders are reminded that while, for the purposes of the calculations set out above, it has been assumed that the rights offer occurs at the beginning of the financial period, the actual implementation of the transaction will only take place at the end of November 2006.

CORPORATE GOVERNANCE

The board believes that corporate governance is a critical element of the group. The systems put in place serve to enhance transparency and accountability by providing checks and balances throughout the organisational structure. The directors are of the opinion that the group currently complies with all the significant requirements as set out in the King Code and the JSE Listings Requirements.

THE BOARD

Details of the directors are contained in Annexure 6 of this document. The board currently comprises one Executive director and five Non-executive directors. The Chief Executive Officer does not hold the position of Chairman. All of the Non-executive directors other than Mr SR Midlane who was previously CFO of the group were previously deemed to be independent. However, due to their involvement in these specific transactions, Mr C S Seabrooke as CEO of Sabvest which is underwriting the rights offer, and Mr K Pillay who is CFO of MIC which may become the largest minority shareholder in the group, are for the present time regarded as non-executive but not independent.

All director appointments are formal and transparent. The Executive director, being involved with the day-to-day business activities of the group, is responsible for ensuring that decisions, strategies and views of the board are implemented.

To fulfil their responsibilities, board members have full and unrestricted access to relevant information and have access to the services and advice of the Company Secretary. Directors may also obtain independent professional advice at the expense of the Company.

BOARD MEETINGS AND RESOLUTIONS

The board meets at least three times per annum and is responsible for group strategy, policy and performance as well as the management, control, compliance and ethical behaviour of the group companies under its direction.

BOARD COMMITTEES

The board has established a number of standing committees to enable it to properly discharge its duties and responsibilities and to effectively fulfil its decision-making process.

The following information reflects the composition and activities of these committees:

Audit Committee

IN Matthews (chairman), DE Baloyi, K Pillay, SR Midlane, CS Seabrooke

The group's audit committee comprises five Non-executive directors, one of whom is responsible for chairing the committee. The external auditors have unrestricted access to the audit committee, which meets at least twice a year. These meetings are also attended by the appropriate members of financial management. The main functions of the audit committee, which they have adhered to, are:

- to ensure and report on the integrity, reliability and accuracy of the group's accounting and financial reporting systems;
- to promote the overall effectiveness of corporate governance in the group;
- to review the findings and reports of the external auditors;
- to consider and recommend the annual and interim financial statements for approval by the full board of directors; and
- to consider the independence of and recommend the re-appointment of the external auditors.

The audit committee met four times during the past year.

Remuneration committee

CS Seabrooke (Chairman), DE Baloyi, IN Matthews, K Pillay

The group has a remuneration committee consisting of four Non-executive directors, one of whom is responsible for chairing the committee. The committee meets at least twice a year, and is responsible for formulating a remuneration strategy for senior executives in the group. This strategy includes the determination of incentive pay structures for directors and senior executives in both the short and long term, and the positioning of these levels in accordance with competitive practice locally and internationally.

The committee's main objective is to provide the board with an assurance that the directors and senior executives of the group are fairly rewarded for their individual contributions to the group's performance. The remuneration committee reviews existing and proposed share incentives. A formal and transparent procedure for determining executive and director remuneration has been created. It is the group's aim to have a remuneration policy that enables it to recruit, retain and motivate executive talent in its main business unit, Metrofile and in its head office.

Non-executive directors receive fees for their roles as directors, their roles on board subcommittees and for functions performed by them in their capacities as directors but outside of board and committee forums.

The remuneration committee met twice last year.

Group executive committee

The group executive committee includes the Group Financial Manager of Metrofile Holdings, the Chief Executive Officer of Metrofile and the Chief Financial Officer of Metrofile.

External advisors are invited to attend on an *ad hoc* basis. The committee meets regularly and on an *ad hoc* basis for urgent matters of business. The function of the group executive committee is to develop the group's strategy, its business plan and corporate policies for board approval, and to implement and monitor these in accordance with the board's directives.

The appropriate emphasis placed by the King II Report on strategic, operational, financial, information technology and fraud risk management, including whistle blowing, is fully supported by the board of directors. Comprehensive risk management assessments of the group's remaining operations has been introduced during the coming year. Management has engaged an external facilitator to assist with this process.

The Executive committee reviews current operations in detail, develops strategy and policy proposals for consideration by the board and implements its directives. Management has engaged an external facilitator to assist with this process.

REMUNERATION REPORT

Executive directors' remuneration

The remuneration of the Executive directors comprises a basic salary, an annual performance bonus, participation in the share option or share scheme and other optional benefits. The total Executive directors' remuneration for year-ended 30 June 2006 was R4.4 million.

- **Basic salary:** Each Executive director receives a basic salary as recommended by the Remuneration Committee in accordance with the remuneration policy. All salaries of Executive directors are benchmarked to external market surveys.
- **Annual performance bonus:** Executive directors' service contracts provide that the Executive shall be eligible for a bonus based on agreed Key Performance Indicators. The Remuneration Committee approves this bonus.

Non-executive directors' remuneration

The fees paid to Non-executive directors are determined by the board as a whole and are reviewed as and when necessary. The fees payable to directors are as follows:

- a fee of R385 000 to a Non-executive director who chairs the board;
- a basic fee of R140 000 per annum;

- chairman of the audit committee R140 000 per annum;
- chairman of the remuneration committee R110 000 per annum; and
- sub-committee fees of R55 000 per annum for each sub-committee of which the Non-executive director is a member.

Directors' service contracts

The Executive directors are employed on the standard terms and conditions of the group and their employment is subject to six months notice either way at any time.

The Non-executive directors are engaged in accordance with the Articles and JSE regulations and retire by rotation every three years. Mr Seabrooke is contracted to provide his services as Chairman (or similar role if required by the board) until 2009.

Corporate Social Responsibility

Corporate Social Responsibility programs are the responsibility of management, monitored and guided by the board.

CORPORATE SOCIAL INVESTMENT

The group is committed to social upliftment of their staff and the community in which the company works and conducts its business. We have "made a difference" in many lives as we see ourselves as responsible corporate citizens and detail some of the highlights which we have achieved this financial year:

HIV/Aids

At Metrofile Holdings we realise that HIV/Aids is going to impact business negatively and have therefore committed ourselves to fight for life as part of our Corporate Social Investment Program, we continue to focus on programmes such as:

- Our Employee Assistance Programme that provides ongoing counselling and support to existing and new employees.
- HIV/Aids awareness and prevention programme for employees, aimed at limiting the further spread of HIV/Aids.
- Donate an annual amount to an HIV/Aids shelter. The shelter is a 24 hour counselling support service for those diagnosed with HIV/Aids and for their families, as well as physical care for those patients in the terminal stages of the disease.

Roundabout PlayPumps

In remote areas the chore of fetching water usually falls to the women and children. A common sight in rural South Africa is that of water carriers covering large distances in order to fill their daily water requirements. It is estimated that the minimum amount of water a human needs every day is five litres, which is a tremendous physical burden for the women and children drawing the water. A new patented South African invention simplifies the whole exercise – the PlayPump. Roundabout PlayPumps are involved in bringing water to rural communities by means of PlayPumps that are installed over boreholes and as the children play the roundabout's motion powers a pump that draws water into an overhead storage tank which is able to hold 2 500 litres. Metrofile has installed one at Lubuyeni in the Ingwavuma Region of KwaZulu-Natal and will be responsible for its upkeep.

CODE OF ETHICS

The following description highlights aspects of the group's Code of Ethics ("the Code"). Any contravention of the Code is regarded as a serious matter.

Compliance with laws and regulations

Directors, officers and employees must comply with all laws and regulations that are applicable to their activities on behalf of the members of the group, which they represent.

The group in relation to its employees

The group acknowledges that all employees have a right to work in a safe and healthy environment. All employees are entitled to fair employment practices and have a right to a working environment free from discrimination and harassment.

The group and the community

The group recognises that it shares a very real responsibility to contribute to the local communities and the group encourages employees to participate in, amongst others, religious, charitable, education and civic activities, provided that such participation does not make undue demands on their work time or create a conflict of interest.

Conflict of interest

Each member of the group expects employees to perform their duties in accordance with the best interest of their employer and not to use their positions or knowledge gained through their employment for their private or personal advantage.

Outside employment and directorships

Employees may not take up outside employment or hold outside directorships without prior approval of management. Directors who hold outside directorships must disclose the same at the quarterly board meetings.

Relationships with clients, customers and suppliers

Employees should ensure that they are independent of any business organisation having a contractual relationship with the group or providing goods or services to the group.

Gifts, hospitality and favours

An employee should neither accept nor solicit any non-minor gifts, hospitalities or other favours from suppliers of goods or services.

Personal investments in shares and share dealings

While Directors and employees are encouraged to invest in and own shares in the group, such investment decisions must not contravene the conflict of interest provisions of the Code, any applicable legislation, or any policies and procedures established by the various operating areas of the group, and must not be based on material non-public information acquired by reason of an employee's connection with the group.

Confidential Information and External Communication

Directors and employees are expected to treat all information pertaining to the group, which is not in the public domain, in the strictest confidence and may not divulge such information to any third party without permission, even after the termination of their services with the group.

The group strives to achieve timely and effective communications with all parties with whom it conducts business, as well as governmental authorities and the public. No sensitive communication may be made to the media or investment community other than by the group's Chief Executive Officer or the appointed Investor/Public Relations Consultants. All other communications to the media or investment community must be made within the ambit of the group's announcements framework.

STAKEHOLDER COMMUNICATION

Metrofile Holdings has an integrated and sustained programme of communication directed at its various stakeholders. This programme takes full cognisance of all the obligations placed on the group by its various listings and the regulatory environments in which it operates, and is limited only by any restrictions imposed by these.

The group's communication activities with its shareholders is premised on a clear understanding of shareholders' desire to maximise returns on their investment in the group and that, in order to be able to do this, they and/or their investment advisors require equitable, timeous access to operating, financial and other information.

Information defined or deemed to be influential on Metrofile Holdings' share price is released to the market via the news dissemination mechanisms of the JSE on which it is listed, and as soon as possible thereafter to all addressees on the group's extensive electronic database. These addressees include shareholders, fund managers, analysts and media representatives internationally. All information is also available on the Company's website.

A primary channel for communication to shareholders and the investing community at large is Metrofile Holdings' website. This contains current information on the group and its operations, as well as all announcements and publications, such as the annual report. Interactivity is a primary feature that adds currency to the website and compliments the substantial archive.

Employees and their elected representatives constitute another important stakeholder constituency for the group. While a climate of mature industrial relations ensures that effective communication is achieved through the collective bargaining process, the group is careful to maintain its prerogative, indeed its obligation to communicate directly, regularly and effectively with its employees. A company-wide workplace briefing system with feedback mechanisms, half-yearly results briefings, the website, and employee publications are among the primary media used.

INDEPENDENT FAIR AND REASONABLE OPINION

“17 October 2006

Metrofile Holdings Limited
PO Box 40264
Cleveland
2022

Attention: The Directors

Dear Sirs

PROPOSED SALE BY THE MINORITY SHAREHOLDERS OF METROFILE (PROPRIETARY) LIMITED (“Metrofile”) OF THEIR SHARES TO METROFILE HOLDINGS LIMITED (“Metrofile Holdings” or “the company”) IN EXCHANGE FOR SHARES IN METROFILE HOLDINGS

INTRODUCTION

Metrofile Holdings has a 65% interest in the equity of Metrofile. The remaining 35% of the equity of Metrofile is held as follows (collectively referred to as “the Metrofile minority shareholders”):

- 25% by Mineworkers Investment Company (Proprietary) Limited (“MIC”);
- 5% by Sabvest Limited (“Sabvest”); and
- 5% by certain management of Metrofile.

The directors of Metrofile Holdings have proposed acquiring the remaining 35% of the equity of Metrofile, thereby constituting Metrofile as a wholly owned subsidiary of Metrofile Holdings. The consideration payable for the acquisition will be settled through the issue of Metrofile Holdings shares to the Metrofile minority shareholders, so that after the issue, they will hold 35% of the issued ordinary share capital of Metrofile Holdings (“the swop up”).

Full details of the swop up are contained in the share repurchase and minorities acquisition circular to shareholders of Metrofile Holdings (“the circular”), dated on or about 6 November 2006, of which this letter forms part.

SCOPE

In terms of the Listings Requirements (the “Listings Requirements”) of the JSE Limited (“JSE”), the swop up is a related party transaction. In terms of section 10.4 of the Listings Requirements, a fair and reasonable opinion is required from an independent professional expert acceptable to the JSE on the terms and conditions of the swop up.

As a consequence of the above, the board of directors of Metrofile Holdings has appointed Deloitte & Touche Corporate Finance for the purposes of obtaining appropriate independent advice indicating whether the swop up is fair and reasonable to all the shareholders of Metrofile.

DEFINITION OF THE TERMS “FAIR” AND “REASONABLE”

The assessment of fairness is primarily based on quantitative issues. The swop up would be considered fair to Metrofile Holdings shareholders if the value of the shares in Metrofile acquired were equal to or greater than the value of Metrofile Holdings shares issued to the Metrofile minority shareholders.

The reasonableness of the swop up, however, is determined based on qualitative issues. Hence, the swop up may be unfair but still be reasonable, or *vice versa*, after taking into consideration other significant factors.

The fair and reasonable opinion does not purport to cater for individual shareholder positions but rather the general body of shareholders.

INFORMATION UTILISED AND PROCEDURES CARRIED OUT

In arriving at our opinion we have considered information from the following sources:

- A review of the company and Metrofile including a summary of the history, nature of business, products or services, key customers and an overview of competitor activity. This information was acquired from a variety of sources, including discussions with key management of Metrofile.
- A strategic analysis of Metrofile, including, *inter alia*, a summary of the strengths, weaknesses, opportunities and threats applicable thereto as well as details regarding market share and market growth rates.
- Audited financial information of Metrofile and Metrofile Holdings for the 2004 and 2005 financial years and reviewed financial information for the 2006 financial year.
- Forecast financial information of Metrofile and Metrofile Holdings for the six years ending 30 June 2012.
- Analysts' reports dealing with the industry in which Metrofile operates and on Metrofile itself.
- The historic share price and trading volumes of Metrofile Holdings on the JSE.
- An indicative valuation of Metrofile ordinary shares, which we have prepared.
- An indicative valuation of Metrofile Holdings ordinary shares, which we have prepared.
- Representations by management of Metrofile Holdings' on the qualitative benefits of the swop up to shareholders of Metrofile Holdings.
- A review of the circular.
- Discussions with management of Metrofile.

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, where in writing or obtained in discussion with the management of Metrofile and Metrofile Holdings.

OUR APPROACH TO CONSIDERING THE SWOP UP

In considering the swop up, we performed independent indicative valuations of the equity of Metrofile and Metrofile Holdings. In doing this, we utilised a discounted cash flow valuation methodology based on projected revenue growth rates, projected operating margins and reinvestments into net operating assets, other high level projected financial information of Metrofile and Metrofile Holdings, and economic and market data and assumptions. This model also enabled us to test the impact of the aforementioned key assumptions, which drive value, on the valuation of both Metrofile and Metrofile Holdings shares. We discussed these assumptions with management of Metrofile and Metrofile Holdings, compared them to assumptions implicit in Metrofile and Metrofile Holdings 2007 budget, and compared certain economic and market assumptions to the findings of our own research.

We corroborated our valuation of the equity of Metrofile Holdings by comparing to the share price of Metrofile Holdings ordinary shares on the JSE. In addition, we corroborated our discounted cash flow valuation result by comparing the enterprise value ("EV") to earnings before interest, taxation, depreciation and amortisation ("EBITDA") multiple implied by our valuation to the EV to EBITDA multiple of companies listed in the Business Support Services sector of the JSE.

The valuation of a 35% shareholding in Metrofile was compared to the valuation of a 35% shareholding in Metrofile Holdings after the swop up.

In addition we have considered the following qualitative factors relating to the swop up:

- that the interests of the Metrofile minority shareholders and the shareholders of Metrofile Holdings are better aligned;
- that the swop up enables Metrofile Holdings to access and better plan the cash flows of Metrofile and deal with the assets of Metrofile in accordance with future corporate strategy without the need to obtain the consent of the Metrofile minority shareholders; and
- that, post the transaction, Metrofile Holdings' Broad-Based Black Economic Empowerment credentials will be enhanced and that this will further facilitate the future strategy of the company.

OPINION

Based upon and subject to the foregoing, we are of the opinion that the terms and conditions of the swop up are fair and reasonable to the shareholders of Metrofile Holdings.

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

Each Metrofile Holdings shareholder's decision may be influenced by their particular circumstances. We suggest that a shareholder should consult an independent advisor if they are in any doubt as to the merits of the swop up considering their personal circumstances.

LIMITING CONDITIONS

Forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, forecast information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to projections made by the management of Metrofile and Metrofile Holdings and provided to us during the course of our review.

Our procedures and inquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express an audit opinion on the financial data or other information used in arriving at our opinion.

INDEPENDENCE

We confirm that we have no financial interest in Metrofile Holdings or the outcome of the swop up. Furthermore, we confirm that our professional fees are not contingent upon the success of the swop up.

Deloitte & Touche, of which Deloitte & Touche Corporate Finance forms a part, is the independent auditor of Metrofile Holdings and Metrofile.

CONSENT

We hereby consent to the inclusion of this letter and references thereto in the circular in the form and context in which they appear.

Yours faithfully

Deloitte & Touche
Corporate Finance
Registered Auditors

Woodlands Drive
Woodmead
Sandton
2196"

DETAILS OF THE DIRECTORS OF METROFILE HOLDINGS

Name	Occupation	Business address	Age	Nationality	Qualification(s)
DE Baloyi	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	50	South African	BA, HDL, MA, MEd, DEd

Relevant experience:

Danisa is the Executive director for the National Black Business Caucus. She is the Chairperson of the following: Advertising Standard Authority and the Monitoring Committee for the Marketing and Communications Industry; Diabo 2% Share Trust for Telkom Employees (and Trustee for the Business Trust); South African Women Investment Holdings (SAWIH); National Black Business Caucus (NBBC) and the Road Accident Fund. Amongst other, she also sits on the following boards: The Don Hotel Group, ABSA Bank Holdings, MediKredit, Set Point Holdings and South African Business Coalition on HIV/AIDS.

Danisa has previously been a director on the boards of the following companies, Denel Personnel Solutions, Adcorp Holdings, Denel, AMB Holdings, Fame Investment Holdings, Forge Ahead BMI Techknowledge, Mogapi Mining, Blue Pepa Communications, Ubambo Investment Holdings, Bonrec Processing and Recycling, AMB Capital, Document and Data Managements (Africa), Bull Information Technology (Southern Africa), Kolban Trading, Pinnacle Technology Holdings and T-Systems South Africa.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
IN Matthews	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	60	South African	MA (Oxon), MBA

Relevant experience:

Nigel was appointed to the board and various other sub-committees of the Metrofile group on 1 June 2006. He started his career in the South African hotel and tourism industry and held the positions of Managing Director of Holiday Inn and Executive director of Rennies. He later started his own business, Sentry Group, and was Chairman of the company when it was sold to an international group in 2001. He is a Non-executive director of City Lodge Holdings Limited, Sun International Limited, Massmart Holdings Limited and Non-executive Chairman of Lenco Holdings Limited and was previously a director of Shift Interactive Communications.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
SR Midlane	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	40	South African	BCom, BAcc, CA(SA)

Relevant experience:

Roy was previously financial director of Metrofile Holdings and is currently a director of Drive Control Services (Proprietary) Limited and a Non-executive director of Metrofile Holdings. Roy is a member of the Audit Committee.

Roy was previously a director of the following companies, Metrofile (Proprietary) Limited, Wearcheck Properties, WLG Properties, 18 San Croy, Project Plus, Lechabile Storage Solutions, Boxdorm One, Digital and Paper Services, Intraline Investments, Dion Business Systems, Fidentia Software Futures, Set Point Technology Holdings, Computer Configurations Property, Electricore Wholesale Distributors and Scopefull 7.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
K Pillay	Non-executive director	3 Gowie Road The Gables Cleveland, 2049	38	South African	BCom

Relevant experience:

Keshan is an accountant by profession and served articles of clerkship from 1991 to 1994 at auditors Douglas & Velcich (CA) SA whereupon completion he was employed as an audit manager. He joined the NUM as the head of finance from 1994-1998. Following his temporary secondment into MIC to assist with financial management, he joined MIC as an Executive director of finance and strategy. In addition he sits on the boards of a number of unlisted and listed South African companies, including BP Southern Africa (Pty) Limited, Ster Kinekor (Pty) Limited, Ster Kinekor Home Entertainment, Wesbank (division of Firstrand Limited), Rand Merchant Bank (a division of Firstrand Limited), Firstrand Empowerment Foundation, Eastvaal Motor Holdings (Pty) Limited and as alternate director of Tracker Investment Holdings (Pty) Limited and Primedia Limited.

Keshan has previously been a director of the following companies, Will Will Win Trading, Miloc Financial Solutions, Credit Management Solutions Group, Collection and Financial Services, Lexshell 177 Property Holdings, Elijah Barayi Memorial Training Centre, Lekana Financial Services, Lekana Employee Benefit Solutions, Capital Office Products, Mineworkers Development Agency, Corpinvest 14, Masana Petroleum Solutions, Prism Holdings, M Financial Services, Mathomo Group, Johnnic Holdings, National Union of Mineworkers, Properties (Rustenburg) Numprops Springbok and Lion Heart Risk Managements.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
CS Seabrooke	Non-executive Chairman	3 Gowie Road The Gables Cleveland, 2049	53	South African	BCom, BAcc, MBA, FCMA

Relevant experience:

Chris has, over the years, been on the boards of over twenty JSE-listed companies. He is currently CEO of Sabvest Limited, Chairman of Massmart Holdings Limited and Setpoint Technology Holdings Limited and a director of Datatec Limited and Primedia Limited. He is also a director of Net1 U.E.P.S. Technologies Inc listed on Nasdaq in the U.S.A.

He is a former Chairman of the South African State Theatre and former Deputy Chairman of both the inaugural National Arts Council and the founding Board of Business & Arts South Africa (BASA). In addition, Chris was previously a director of the following companies, Set Point Fluids SA, Renasa Insurance Company, Primeserv Group, Brubin Pumps, The Renaissance Theatre, Business and Arts South Africa and Limosa Investments.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
GD Wackrill	Chief Executive Officer	3 Gowie Road The Gables Cleveland, 2049	52	South African	BCompt

Relevant experience:

Graham is the Chief Executive Officer of Metrofile as well as a director of all the Metrofile group companies. Graham is one of the original founders of Record Storage and Management, started in Crown Mines, Johannesburg in 1983. The business was merged with Metrofile in October 1997 and was then sold to Metrofile Holdings in November 1997. Graham was previously a director of R and W Financial Managers, Alphaword and Record Storage and Management (Pty) Limited.

DETAILS OF DIRECTORS OF METROFILE

Name	Occupation	Business address	Age	Nationality	Qualification(s)
RM Buttle	Chief Financial Officer of Metrofile	3 Gowie Road The Gables Cleveland, 2049	34	South African	B.Compt, CTA

Relevant experience:

Richard joined the MGX group in 1996 having completed his articles and after a one year contract performing forensic audit. His work experience includes several roles, holding positions of Financial Manager and Financial Director. Richard has been part of the Metrofile team since July 2000 and been an executive director responsible for finance since January 2003 and is a director on all subsidiaries of Metrofile.

Richard was previously a director of the following companies, Optiplan 1999, Solutions at Work, Optiplan, Recordoc Management, SMC Electronic Commerce and Recordoc Storage.

Name	Occupation	Business address	Age	Nationality	Qualification(s)
P Nkuna	Non-executive director of Metrofile	3 Gowie Road The Gables Cleveland, 2049	54	South African	–

Relevant experience:

Paul began his career as a teacher before joining the mining industry in 1977. He joined NUM in 1984 and served as the Treasurer General for 10 years. He was instrumental in local government negotiations and headed the Management Committee as chairman of the Brakpan Transitional Local Government (1994 – 1997). He served in a number of executive structures within local government, including the Gauteng Association of Local Government (GALA) and the South African Local Government Association (SALGA).

He serves on the boards of a number of South African companies, and is passionate about transformation, with emphasis on: broad-based empowerment, ownership, affirmative procurement, employment equity, skills development and transfer and promotion of SMMEs.

MATERIAL BORROWINGS

Details of the material external borrowings of Metrofile Holdings and its subsidiaries and as at the last practicable date are set out in the table below.

Name of lender	Outstanding capital R'000	Security	Repayment terms	Rate of interest
External borrowings				
Standard Bank	175 000	Secured over all the assets of the group	Capital and interest to be repayable in 20 equal quarterly instalments, starting at the end of the fifth quarter and ending at the end of six years. (i.e. no capital payments in the first year)	275 basis points above the JIBAR nominal annual compounded quarterly
Standard Bank	45 000	Secured over all the assets of the group	Interest repayable quarterly in arrears with a bullet payment after six years	350 basis points above the JIBAR nominal annual compounded quarterly
Standard Bank	100 000	Secured over all the assets of the group	Interest repayable quarterly in arrears with a bullet payment after six years	950 basis points above the JIBAR nominal annual compounded quarterly. The rate reduces in accordance with a pricing ratchet
Metrofile Holdings Loan Notes	89 443	Secured by reversionary cessions of certain inter-company loans and a second pledge of shares in Metrofile	Five-year loan facility	300 basis points above the prime interest rate nominal annual compounded quarterly

Notes:

There are no conversion or redemption rights attached to the above borrowings.

None of the borrowings in the table above are repayable within 12 months.

Penalties are payable by the group if the borrowings from Standard Bank are pre-paid during the first three years of the facility arrangements, other than from internally generated or defined cash flows.

EXTRACTS FROM THE ARTICLES

“ . . .

14. BORROWING POWERS

- 14.1 From time to time the directors may borrow or raise for the purposes of the company such sums as they deem fit.
- 14.2 The directors may raise or secure the payment or repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit, and in particular by mortgage bond.
- 14.3 The directors shall cause a proper register to be kept in accordance with the provisions of the Act of all mortgages and charges specifically affecting the property of the company, and they shall cause to be entered in such register in respect of each mortgage or charge a short description of the property mortgaged or charged, the amount of the charge created, the name of the mortgagee or person entitled to such charge and such further particulars as the provisions of the Act require.

28. DIRECTORS

- 28.1 The number of directors shall not be less than four and not more than twelve, unless increased by a general meeting.
- 28.2 The directors shall have power at any time and from time to time to appoint any person as a director, either to fill a casual vacancy, or as an additional director, but so that the total number of the directors shall not at any time exceed the maximum number fixed. Any person appointed to fill a casual vacancy or as additional director shall retain office only until the next following annual general meeting of the company and his appointment shall be subject to confirmation at such annual general meeting.
- 28.3 The directors shall not be obliged to hold any shares to qualify them as directors.
- 28.4 The remuneration of the directors shall be such sum as may from time to time be determined by an independent, non-executive committee of the board or by the company in general meeting. Such remuneration shall be divided among the directors in such proportions and manner as the directors may determine.
- 28.5 The directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof. If any director shall be required to perform extra service or to go or to reside abroad, or if any director shall be specially occupied about the company's business or perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, he may receive such extra remuneration as determined by a disinterested quorum of the directors and such extra remuneration may be either in addition to or in substitution for the remuneration provided for in the last preceding article.
- 28.6 The continuing directors may act notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of directors duly qualified to act; but if the number falls below the prescribed minimum, the remaining directors shall not act for any purpose other than calling a general meeting or to fill the vacancy.

29. **DISQUALIFICATION OF DIRECTORS**

29.1 A director shall cease to hold office as such:

- 29.1.1 if he becomes insolvent, or assigns his estate for the benefit of his creditors or suspends payment or files a petition for the liquidation of his affairs, or compounds with his creditors; or
- 29.1.2 if he becomes of unsound mind; or
- 29.1.3 if he is absent from meetings of the directors for six (6) consecutive months without leave of the directors and is not represented at any meetings held during such six (6) consecutive months by an alternate director, and the directors resolve that the office be vacated, provided that the directors shall have power to grant any director leave of absence for any or an indefinite period; or
- 29.1.4 if he is removed under Article 31.2 or Article 31.4; or
- 29.1.5 one month, or, with the permission of the directors, earlier, after he has given notice in writing of his intention to resign; or
- 29.1.6 if he shall pursuant to the provisions of the Act be disqualified or cease to hold office or be prohibited from acting as director.

30. **CONTRACTING WITH DIRECTORS**

- 30.1 No director or intending director shall be disqualified by his office from contracting with the company, whether with regard to such office or as vendor or purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the company, in which any director shall in any way be interested, be or be liable to be avoided; nor shall any director so contracting or being so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office, or of the fiduciary relationship thereby established, but the nature of his interest shall be declared by him in accordance with the provisions of the Act.
- 30.2 Notwithstanding anything herein contained, the company shall not make any loan to a director or enter into any guarantee or provide any security in connection with a loan made to a director by any other person if and so far as any such loan, guarantee or provision of security is at any time prohibited by the Act.
- 30.3 No director shall vote as a director in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, nor for the purpose of any resolution regarding the same shall he be counted in the quorum present at the meeting, provided that these prohibitions shall not apply to:
 - 30.3.1 any contract or dealing with a company of which the directors of the company or any of them may be directors, members, managers, officials or employees or otherwise interested;
 - 30.3.2 the giving of any security or indemnity to a director in respect of money lent or obligations or other liabilities incurred by him at the request of or for the benefit of the company or any of its subsidiaries;
 - 30.3.3 any contract to underwrite or sub-underwrite any shares or obligations of the company or any shares in or debentures or obligations of any company in which the company may be in any way interested;
 - 30.3.4 any proposal concerning an offer of shares or debentures or other securities of or by the company or any of its subsidiaries for subscription or purchase in which offer a director is or is to be interested directly or indirectly in the underwriting or sub-underwriting thereof, or any allotment or issue complying with the provisions of section 222 of the Act;

- 30.3.5 any resolution determining the remuneration of the directors in terms of Article 28.4 or 28.5;
- 30.3.6 any contract for the payment of commission in respect of the subscription for shares or obligations of the company;
- 30.3.7 the giving of any security or indemnity to a third party in respect of a debt or obligation of the company or any of its subsidiaries for which the director himself has assumed responsibility in whole or in part under a guarantee of indemnity or by the giving of security;
- 30.3.8 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which a director may benefit and which has been approved by or is subject to and conditional upon approval by the relevant revenue authorities for taxation purposes.

The above prohibitions may at any time be suspended or relaxed to any extent by the company in general meeting.

- 30.4 Any notice given to the directors by a director to the effect that he is a member of a specified company or firm shall comply with the provisions of the Act.
- 30.5 For the purpose of this article, an alternate director shall not be deemed to be interested in any contract or arrangement merely because the director for whom he is an alternate is so interested.
- 30.6 Nothing in this article contained shall be construed so as to prevent any director as a member from taking part in and voting upon all questions submitted to a general meeting whether such director shall be personally interested or concerned in such a question or not.

31. EMPLOYMENT AND REMOVAL OF DIRECTORS

- 31.1 A director may be employed by or hold any office of profit under the company or under any subsidiary or holding company in conjunction with the office of director, other than that of auditor of the company or of any subsidiary company, and upon such terms as to appointment, remuneration and otherwise as a disinterested quorum of the directors may determine, and any remuneration so paid may be in addition to the remuneration payable in terms of Article 28.4.
- 31.2 Subject to the provisions of the Act, the company may by ordinary resolution remove any director before the expiration of his period of office and may by ordinary resolution elect another person in his stead. The person so elected shall hold office during such time only as the director in whose place he is elected would have held office.
- 31.3 The company shall keep at the office a register containing the particulars of its directors, managers and secretaries and shall furnish the Registrar of Companies with particulars thereof as provided for in the Act.
- 31.4 A director may, before the expiration of his period of office, be removed from office by a resolution signed by all his co-directors.

32. ROTATION OF DIRECTORS

- 32.1 At the annual general meeting held in each year one-third of the directors, or if their number is not a multiple of three (3) then the number nearest to, but not less than one-third, shall retire from office, provided that in determining the number of directors to retire no account shall be taken of any director who by reason of the provisions of Article 33.1.2 is not subject to retirement. The directors so to retire at each annual general meeting shall be those who have been longest in office since their last election or appointment. As between directors of equal seniority, the directors to retire shall, in the absence of agreement, be selected from among them by lot; provided that notwithstanding anything herein contained, if, at the date of any annual general meeting any director will have held office for a period of three years since his last election or appointment, he shall retire at such meeting, either as one of the directors to retire in pursuance of the foregoing or

additionally thereto. A retiring director shall act as a director throughout the meeting at which he retires. The length of time a director has been in office shall, save in respect of directors appointed or elected in terms of the provisions of Articles 28.2 and 31.2 be computed from the date of his last election or appointment.

- 32.2 Retiring directors shall be eligible for re-election. No person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election to the office of director at any general meeting unless, not less than six days nor more than fourteen days before the day appointed for the meeting, there shall have been given to the secretary notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given, of the intention of such member to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.
- 32.3 Subject to the preceding article, the company in general meeting may fill the vacated offices by electing a like number of persons to be directors, and may fill any other vacancies. In electing directors, the provisions of the Act shall be complied with.
- 32.4 If at any annual general meeting at which an election of directors ought to take place, the place of any retiring director is not filled, he shall, if willing, continue in office until the dissolution of the annual general meeting in the next year, and so on from year to year until his place is filled, unless it shall be determined at such meeting not to fill such vacancy.

33. **MANAGING DIRECTORS**

- 33.1 The directors may from time to time appoint one or more of their number to be managing director or joint managing directors of the company, or to be the holder of any other executive office in the company, including for the purposes of these presents the office of chairman or deputy chairman, and may, subject to any contract between him or them and the company, from time to time terminate his or their appointment and appoint another or others in his or their place or places.
- 33.1.1 A managing director may be appointed by contract for a maximum period of five years at any one time. Subject to the terms of his contract he shall be subject to the same provisions as to removal as the other directors, and if he ceases to hold the office of director from any cause he shall *ipso facto* cease to be managing director. The managing director shall be eligible for re-appointment at the expiry of any period of appointment.
- 33.1.2 A managing director so appointed shall not, while holding such office, be subject to retirement by rotation or taken into account in determining the rotation of retirement of directors.
- 33.2 A director who is appointed in terms of the provisions of article 33 to the office of managing director of the company, or to any other executive office in the company may be paid in addition to the remuneration payable in terms of Articles 28.4 and 28.5 such remuneration not exceeding a reasonable maximum in each year in respect of such office or services as may be determined by a disinterested quorum of the directors.
- 33.3 The directors may from time to time entrust and confer upon a managing director or other executive officer appointed under Article 33.1 for the time being such of the powers and authorities vested in them as they think fit, and may confer such powers and authorities for such time, and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient, and they may convert such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the directors in, and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities.

34. PROCEEDINGS OF DIRECTORS

- 34.1 The directors may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Until otherwise determined by the company in general meeting three directors shall form a quorum. A director may at any time require the secretary to convene a meeting of the directors. A director who is not within the Republic shall not be entitled to notice of any such meeting, but notice shall be given to all duly appointed alternate directors who may at the time be within the Republic.
- 34.2 Questions arising at any meeting shall be decided by a majority of votes, and in case of an equality of votes, the chairman shall have a second or casting vote, provided that if the quorum of directors is two the Chairman shall not have a casting vote if only two directors are present at a meeting of directors.
- 34.3 The directors may elect a chairman of their meetings and one or more deputy chairmen to preside in the absence of the chairman, and may determine a period for which they are to hold office, which period shall, however, not exceed one year, but if no such chairman or deputy chairman is elected or if at any meeting neither the chairman nor a deputy chairman is present at the time appointed for holding the same, the directors shall choose one of their number to be chairman of such meeting.
- 34.4 A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these presents or the regulations of the company for the time being vested in or exercisable by the directors generally.
- 34.5 A resolution in writing signed by all the directors who may at the time be entitled to receive notice of a directors' meeting, shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted. Such a resolution may consist of several documents in like form each signed by one or more directors.
- 34.6 The directors may delegate any of their powers to a committee consisting of such member or members of their body as they think fit. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the directors.
- 34.7 The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors so far as the same are applicable thereto and are not superseded by any regulations made by the directors under the last preceding article, save that in the case of an equality of votes the chairman shall not have a second or casting vote.
- 34.8 All acts done at any meeting of the directors or of a committee of the directors, or by a director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of one or more directors, or that they or any of them were disqualified or had vacated office or were not qualified to vote, be as valid and effectual as if every such person had been duly appointed and was qualified to be and to act and vote as a director.
- 34.9 As regards all persons dealing in good faith with the company, all acts done by any meeting of the directors or of a committee of directors, or by any person acting as a director in terms of these presents, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment or continuance in office of such directors or persons acting as aforesaid, or that they or any of them were disqualified or had ceased to hold office or were not entitled to vote, be as valid as if every such person had been duly appointed or was qualified or had continued to be a director or was entitled to vote, as the case may be.

35. ALTERNATE DIRECTORS

- 35.1 Each director shall have the power to appoint a person to act as alternate director in his place, and at his discretion to remove such alternate director, and to appoint another in his stead, provided that the appointment of such alternate director shall be made in writing and approved by the directors; and on such appointment being made and approved, the alternate director shall in all respects be subject to the terms and conditions existing with reference to the other directors of the company. An alternate director shall be entitled to act at all meetings and in all proceedings in which, and on all occasions when, the director who appointed him does not act himself. An alternate director shall look for his remuneration to the director appointing him, and shall have no claim against the company for such remuneration.
- 35.2 An alternate director whilst acting in the place of the director who appointed him, shall exercise and discharge all the duties and functions of the director he represents. The appointment of an alternate director shall be cancelled and the alternate director shall cease to hold office whenever the director who appointed him shall cease to be a director or shall give notice in writing to the secretary that the alternate director representing him shall have ceased to do so. A director retiring at any annual general meeting and being re-elected shall not, for the purposes of this article, be deemed to have ceased to be a director.
- 35.3 The appointment of an alternate director shall be cancelled and the alternate director shall cease to hold office on the happening of any event which, if he were a director, would cause him to cease to hold office in terms of these presents.
- 35.4 In the event of the appointment of an alternate director being cancelled or upon such alternate director's resignation during the absence or inability to act of the director whom he represents, the vacancy so arising shall be filled by the chairman of the directors who shall appoint a person to fill such vacancy subject to the approval of the board.
- 35.5 A person may be appointed as alternate to more than one director and where a person is alternate to more than one director, or where an alternate director is a director, he shall have a separate vote, on behalf of each director he is representing, in addition to his own vote, if any.

36. POWERS OF DIRECTORS

- 36.1 The management of the business and the control of the company shall be vested in the directors who may exercise all such powers as may be exercised by the company and are not hereby or by the Act expressly directed or required to be exercised by the company in general meeting, but subject, nevertheless, to the provisions of these presents and to any resolution not inconsistent with these presents passed at any general meeting of the members in accordance therewith; provided that no resolution passed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed.

It is hereby declared, pursuant to the provisions of the Act, that although the directors shall have power to enter into a provisional contract for the sale or alienation of the whole or substantially the whole of the undertaking of the company, or the whole or the greater part of the assets of the company, such provisional contract shall only become binding on the company in the event of the specific transaction proposed by the directors being ratified and confirmed by a resolution passed by a majority of the votes cast at a general meeting.

- 36.2 Without in any way limiting or restricting the general powers of the directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the company or the dependants of such persons, it is hereby expressly declared that the directors may from time to time without any further sanction or consent of the company in general meeting grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the company as managing director, Executive director, general manager or manager, or in any other office or employment under the company, notwithstanding that he may continue to be elected as director or may have been a director of the company, of such amounts, for such period, whether for life or for a definite period

or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the directors in their discretion may from time to time think fit. For the purpose of this article, the expression "Executive director" shall mean a director appointed to an executive office in the company and receiving in addition to his fees as a director salary or remuneration for additional services whether under a service agreement or otherwise. The directors may authorise the payment of such donations by the company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the interest of the company.

37. FOREIGN COMMITTEES

37.1 Without prejudice to the general powers conferred by these presents, it is hereby expressly declared that the directors shall be entrusted with the power to appoint persons resident in a country other than the Republic to be a foreign committee in that country, and at their discretion to remove or suspend such foreign committee or any member thereof, to fix and vary their remuneration, and also to open branch registers of members in foreign countries and transfer offices of the company where necessary and to close the same at their discretion; and to appoint and remove agents to represent the company for the issue, subdivision and transmission of shares, and for such other purposes as the directors, subject to the provisions of these presents, may determine. The directors may also give the members of such foreign committee, or any such agents, the power to appoint alternate committeemen or substituted agents and to remove such alternates and substitutes, to appoint others or to act again themselves, and also to grant to such committeemen or agents power to appoint other persons as co-committeemen or joint agents. Any director who is in the country for which the foreign committee is appointed to act may take part in the proceedings of such committee and shall have the same rights and privileges as any member of the committee.

...”

EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF METROFILE

“ ...

DIRECTORS

- 52.1 Until the company in general meeting decides otherwise, the minimum number of the directors who may be appointed shall not be less than 2 (two).
- 52.2 Neither a director nor alternate director shall be required to hold any qualification shares.
- 53.1 The directors shall be entitled to such remuneration as the company in general meeting may from time to time determine which remuneration shall be divided among the directors in such proportions as they may agree or, in default of such, agreement equally, except that in such event any director holding office for less than a year shall only rank in such division in proportion to the period which he has actually held office.
- 53.2 Such remuneration shall accrue to the directors from day to day.
- 53.3 Any directors who –
- 53.3.1 serves on any executive or other committee; or
 - 53.3.2 devotes special attention to the business of the company; or
 - 53.3.3 goes or resides outside South Africa for the purpose of the company; or
 - 53.3.4 otherwise performs or binds himself to perform services which, in the opinion of the directors are outside the scope of the ordinary duties of a director,
- may be paid such extra remuneration or allowance in addition to or in substitution of the remuneration to which he may be entitled as a director, as a disinterested quorum of the directors may from time to time determine.
- 53.4 The directors shall also be paid all their travelling and other expenses necessarily expended by them in connection with –
- 53.4.1 the business of the company; and
 - 53.4.2 attending meetings of the directors or of committees of the directors of the company.
- 54 Without prejudice to any contrary provisions in the articles, the office of director shall be vacated in any of the following events:
- 54.1 if his estate is sequestrated or he assigns his estate or enters into a general compromise with his creditors;
 - 54.2 if he found to be or becomes of unsound mind;
 - 54.3 if a majority of his co-directors sign and deposit at the office a written notice wherein he is requested to vacate his office (which shall become operative on deposit at the office) but without prejudice to any claim for damages;
 - 54.4 if he be removed by a resolution of the company of which proper notice has been given in terms of the Act (but without prejudice to any claim for damages);

- 54.5 if he shall, pursuant to the provisions of the Act or any order made thereunder, be prohibited from acting as a director;
- 54.6 if he resigns his office by notice in writing to the company;
- 54.7 if –
- 54.7.1 he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors otherwise than on the business of the company; and
- 54.7.2 he is not at any such meetings during such 6 (six) consecutive months by an alternate director; and
- 54.7.3 the directors resolve that his office be, by reason of such absence, vacated, provided that the directors shall have power to grant to any director leave of absence for a definite or indefinite period.
- 55 A director may hold any other office or place of profit under the company (except that of auditor) or any subsidiary of the company in conjunction with his office of director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested quorum of the directors may determine.
- 56 A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the directors) he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.
- 57 Any director may act by himself or through his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.
- 58 A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the company, shall declare the nature of his interest in accordance with Act and as may be determined from time to time by the directors of the company in board meeting or by resolution.
- 59.1 No director or intending director shall be disqualified by his office from contracting with the company with regard to:
- 59.1.1 his tenure of any other office or place of profit under the company or in any company promoted by the company or in which the company is interested;
- 59.1.2 professional services rendered or to be rendered by such director;
- 59.1.3 any sale or other transaction.
- 59.2 No such contract or arrangement entered into by or on behalf of the company in which any director is in any way interested as voidable.
- 59.3 No director so contracting or being so interested shall be liable to account to the company for any profit realised by any such appointment, contract or arrangement by reason of such director holding office or of the fiduciary relationship thereby established.
- 60 A director may not vote nor be counted in the quorum and if he shall do so his vote shall not be counted on any resolution for his own appointment to any other office or place of profit under the company or in respect of any contract or arrangement in which he is interested, but this prohibition shall not apply to –
- 60.1 any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or

- 60.2 any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company which the director has himself guaranteed or secured; or
- 60.3 any contract by a director to subscribe for or underwrite shares or debentures of the company; or
- 60.4 any contract or arrangement with a corporation in which he is interested by reason only of being a director, officer, creditor or member of such corporation,
- and these prohibitions may at any time be suspended or relaxed either generally, or in respect of any participation contract or arrangement, by the company in general meeting.
- 61.1 A contract which violates the terms of article 60 can be ratified by the company in general meeting.
- 61.2 The terms of article 60 shall not prevent a director from voting as a member at a general meeting at which a resolution in which he has a personal interest is tabled.
- 62.1 The directors may exercise the voting powers conferred by the shares held or owned by the company in any other company in such manner in all respect as they think fit, including the exercise there of in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or for determining any payment of or remuneration to the directors or officers of such other company.
- 62.2 A director may vote in favour of a resolution referred to in article 62.1 for the exercise of the voting rights in the manner described therein notwithstanding that he may be, or is about to become, a director or other officer of such other company and for that or any other reason may be interested in the exercise of such voting rights in the manner aforesaid.

ALTERNATE DIRECTORS

- 63.1 A director may –
- 63.1.1 appoint another director or any person approved for that purpose by a resolution of the directors to act as alternate director in his place and during his absence;
 - 63.1.2 remove such alternate director.
- 63.2 A person so appointed shall, except as regards authority to appoint an alternate director and remuneration, be subject in all respect to the terms and conditions existing in respect of the other directors of the company.
- 63.3 Each alternate director, whilst to acting, shall be entitled to –
- 63.3.1 receive notices of all meetings of the directors or of any committee of the directors of which his appointer is a member;
 - 63.3.2 attend and vote at any such meeting at which his appointer is not personally present;
 - 63.3.3 generally exercise and discharge all the functions, powers and duties of his appointer in such appointer's absence as if he were a director.
- 63.4 Any director acting as an alternate director shall in addition to his own vote have a vote for each director for whom he acts as alternate.
- 63.5 An alternate director shall *ipso facto* cease to be an alternate director if his appointer ceases for any reason to be a director.
- 63.6 In the event of the disqualification or resignation of any alternate director during the absence or inability to act for the director whom he represents, the vacancy so arising shall be filled by the chairman of the directors who shall nominate a person to fill such vacancy, subject to the approval of the board.

- 63.7 Any appointment or removal of an alternate director shall be effected by written notice delivered at the office and signed by the appointer.
- 63.8 The remuneration of an alternate director shall be payable only out of the remuneration payable to the director whose alternate he is and he shall have no claim against the company for any remuneration.

ELECTION OF DIRECTORS

- 64 No person shall, unless recommended by the directors, be eligible for election to the office of a director at any general meeting, unless –
- 64.1 not more than 14 (fourteen), but at least 7 (seven) clear days' before the day appointed for the meeting, there shall have been delivered to the office of the company in writing by a member (who may also be the proposed director) duly qualified to be present and vote at the meeting for which such notice is given;
- 64.2 such notice sets out the member's intention to propose a specific person for election as director; and
- 64.3 notice in writing by the proposed person of his willingness to be elected is attached thereto (except where the proposer is the same person as the proposed).
- 65.1 The company in general meeting or the directors may appoint any person as director either to fill a casual vacancy or as an additional director, but the total number of directors shall not at any time exceed the maximum number if any fixed by or in accordance with the articles.
- 65.2 A person appointed by the directors as a director in terms of article 65.1 –
- 65.2.1 shall retire at the following annual general meeting; and
- 65.2.2 shall be eligible for re-election.

POWER OF DIRECTORS

- 66.1 The management and control of the business of the company shall be vested in the directors who, in addition to the powers and authorities expressly conferred upon them by the articles, may exercise all powers and authorities and perform all acts which may be exercised or done by the company, and are not hereby or by the Act expressly reserved to the company in general meeting.
- 66.2 Such management and control may not be inconsistent with the articles nor with the provision of the Act.
- 66.3 The general powers given by this article shall not be limited or restricted by any special authority or power given to the directors by any other article.
- 67 The directors may –
- 67.1 establish any contributory pension, retirement, provident, medical or other funds for the benefit of; and
- 67.2 pay on behalf of the company a gratuity or pension or allowance on retirement or other benefit to, any director or ex-director or other officer or employee of the company, its holding or subsidiary company (if any), whether or not he has held any other salaried office with the company, or to his widow or dependants, and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance or life assurance or other benefits, subject to the provisions of the Act.

68 Save as otherwise expressly provided by the articles, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments and all documents to be executed by the company, shall be signed, drawn, accepted, endorsed or executed as the case may be in such manner as the directors shall from time to time determine.

BORROWING POWERS

69.1 The directors may from time to time –

69.1.1 borrow for the purposes of the company such sums as they think fit;

69.1.2 secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation of issue of debentures, mortgage or charge upon all or any of the property or assets of the company, including its uncalled or unpaid capital;

69.1.3 make such regulations regarding the transfer of debentures, the issue of certificates thereof and all such other matters incidental to debentures as the directors think fit,

provided that the total amount owing by the company in respect of monies so raised, borrowed or secured shall not exceed the amount authorised by the company's holding company (if any).

69.2 No special privileges as to –

69.2.1 allotment of shares in the company; or

69.2.2 the attending and voting at general meetings; or

69.2.3 the appointment of directors,

or otherwise, shall be given to the holders of debentures of the company, save with the sanction of the company in general meeting.

...”



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Metrofile Holdings Limited

Formerly MGX Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders will be held at WWB's offices, 10 Fricker Road, Illovo Boulevard, Johannesburg, 2196, Gauteng at 09:00 on Wednesday, 29 November 2006, for the purpose of considering and, if deemed fit, passing, with or without modification, the following special and ordinary resolutions. The definitions commencing on page 6 of this document apply to this notice of general meeting.

SPECIAL RESOLUTION NUMBER 1

"RESOLVED THAT, subject to this resolution being passed by a majority of shareholders excluding any related party as defined in the JSE Listings Requirements, the Company be and is hereby authorised as a specific approval, in terms of section 85 of the Act, to buy-back 6 877 024 Metrofile Holdings shares held by MGX Management Services, for a purchase consideration equal to 0.1 cent per Metrofile Holdings share, with effect from on or about 4 December 2006, which Metrofile Holdings shares will be cancelled as to issued shares and restored to the status of authorised ordinary shares."

The Metrofile Holdings shares held by MGX Management Services will be excluded from participating in the vote.

The Directors are of the view that for a period of at least 12 months after the date of the approval of the document to shareholders dated Monday, 6 November 2006:

- the Company and the group will be able to pay its debts, in the ordinary course of business;
- the consolidated assets of the Company and the group will be in excess of their respective consolidated liabilities, measured in accordance with the accounting policies used in the annual report for the 12 months ended 30 June 2006;
- the ordinary share capital and consolidated reserves of the Company and the group will be adequate for ordinary business purposes; and
- the working capital of the Company and the group will be adequate for ordinary business purposes.

The reason for special resolution number 1 is to grant a specific approval in terms of the Act and the JSE Listings Requirements for the acquisition by the Company of its own shares, thereby facilitating the effective cancellation of the treasury shares. The effect of special resolution number 1 is that the Company will acquire its own shares in terms of the specific authority granted, which shares will automatically be cancelled.

ORDINARY RESOLUTION NUMBER 1

"RESOLVED THAT, subject to this resolution being passed by a majority of shareholders excluding any related party as well as any associates of any related party as defined by the Listings Requirements, Metrofile Holdings acquires the ordinary shares in Metrofile held by the minority shareholders, the consideration for which will be settled by the issue of 137 898 811 new Metrofile Holdings shares, on the terms and conditions of the swap-up agreements tabled at the general meeting and initialled by the Chairman for identification purposes."

The Metrofile Holdings shares held by a Schedule 14 share trust or scheme, as defined in the JSE Listings Requirements, will be excluded from participating in the vote.

ORDINARY RESOLUTION NUMBER 2

“RESOLVED THAT, the 137 898 811 authorised but unissued Metrofile Holdings shares created in respect of the acquisition of the minority interests in Metrofile be placed under the control of the directors to be allocated to the minority shareholders, namely MIC, Sabvest Investments and Management as consideration for the acquisition of their interests in Metrofile by Metrofile Holdings.”

ORDINARY RESOLUTION NUMBER 3

“RESOLVED THAT, 10 000 000 authorised but unissued Metrofile Holdings shares be placed under the control of the directors to issue for cash under general authority should this become necessary to meet the funding requirements of the group in respect of contingent liabilities that become actual liabilities.”

ORDINARY RESOLUTION NUMBER 4

“RESOLVED THAT, Mr L Thompson or any Director of the Company be and is hereby authorised to sign all such documents and do all such things as may be necessary for or incidental to the registration or implementation of special resolution number 1 and ordinary resolutions numbers 1, 2 and 3, and all actions taken in this regard be and are hereby ratified and confirmed.”

VOTING AND PROXIES

On a show of hands every shareholder present in person or by proxy and, if a member is a body corporate, its representative shall have one vote irrespective of the number of shares he/she holds or represents, and on a poll every shareholder present in person or by proxy and if the person is a body corporate, its representative, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the par value of the rights offer shares held by him bears to the aggregate amount of the par value of all the rights offer shares issued by the Company.

Each shareholder is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and on a poll, to vote in his stead.

A form of proxy (pink) is attached for completion by holders of certificated shares and holders of dematerialised shares with own name registration who are unable to attend the general meeting in person and who wish to vote at the meeting. Forms of proxy must be completed and received by the transfer secretaries, 70 Marshall Street, Johannesburg, 2001, Gauteng or by Post to PO Box 61051, Marshalltown, 2107 to be received by no later than 09:00 on Monday, 27 November 2006. Holders of certificated shares and/or holders of dematerialised shares with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the general meeting to the exclusion of their appointed proxy should such member wish to do so. Holders of dematerialised shares, other than own name registration, must inform their CSDP or broker of their intention to attend the general meeting and obtain the necessary authorisation from their CSDP or broker to attend the general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

By order of the Board

Leon Thompson

Company Secretary

Johannesburg

6 November 2006

Registered address

3 Gowie Road
The Gables
Cleveland, 2049
(PO Box 40264, Cleveland, 2022)

Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)



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Metrofile Holdings Limited

Formerly MGX Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727

FORM OF PROXY

For use at the general meeting to be held at WWB's offices, 10 Fricker Road, Illovo Boulevard, Johannesburg, 2196, Gauteng at 09:00, on Wednesday, 29 November 2006.

Only for use by shareholders who have not dematerialised their Metrofile Holdings shares or who have dematerialised their Metrofile Holdings shares with own name registration or who are nominees of a Central Securities Depository Participant ("CSDP") or brokers on the sub-registers of the Company.

Shareholders who have dematerialised their Metrofile Holdings shares with a CSDP or broker, other than own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the general meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full names in BLOCK LETTERS)

of (address in BLOCK LETTERS)

Telephone (work) ()

Telephone (home)()

being the holder(s) of

ordinary shares in the Company, appoint (see note 1):

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the general meeting,

as my/our proxy to act on my/our behalf at the general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the special and ordinary resolutions or to abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of ordinary shares		
	For	Against	Abstain
Special resolution number 1 Acquisition and cancellation of existing treasury shares			
Ordinary resolution number 1 Acquisition of minority interests in Metrofile			
Ordinary resolution number 2 Place consideration shares under the control of the Company's directors, who are authorised to issue and allot such ordinary shares			
Ordinary resolution number 3 Place 10 million shares in respect of the contingent liabilities under the control of the Company's directors, who are authorised to issue and allot such ordinary shares			
Ordinary resolution number 4 Authority to the company secretary or a director			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of ordinary shares in the Company.)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the general meeting. Proxies must be lodged at the registered office of the Company not less than 48 hours before the time for holding the general meeting.

Signed at _____ on _____ 2006

Signature(s) _____

Capacity and authorisation (see note 9) _____

Please read the notes on the reverse side hereof.

Notes:

1. A shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the general meeting.
2. A shareholder may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space(s) provided, with or without deleting "the Chairman of the general meeting". The person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder should insert the relevant number of shares/votes in the appropriate space according to how he wishes his votes to be cast. If a shareholder wishes to cast a vote in respect of a lesser number of ordinary shares than he owns in the Company, he should insert the number of ordinary shares held in respect of which he wishes to vote. Failure to comply with the above will be deemed to authorise and direct the Chairman of the general meeting, if the Chairman of the general meeting is the authorised proxy, to vote in favour of the special and ordinary resolutions, or any other proxy to vote or abstain from voting at the general meeting as he deems fit, in respect of all the shareholder's votes exercisable at the general meeting.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to so do.
5. The Chairman of the general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes, in the Chairman's discretion.
6. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the general meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.
7. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/(ies).
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the Company or waived by the Chairman of the general meeting.
9. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
10. Where there are joint holders of shares:
 - any one holder may sign this form of proxy; and
 - the vote of the senior joint holder, as determined by the order in which the names stand in the Company's register of shareholders, will be accepted.
11. Forms of proxy must be lodged with or posted to Computershare Investor Services 2004 (Proprietary) Limited at 70 Marshall Street, Johannesburg, 2001 or by post to PO Box 61051, Marshalltown, 2107, to be received no later than 09:00 on Monday, 27 November 2006.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This form of instruction in respect of a renounceable (nil paid) letter of allocation ("letters of allocation") is negotiable and may be traded on the JSE. If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor immediately.

Metrofile Holdings has issued all letters of allocation in dematerialised form and the electronic record for certificated shareholders is being maintained by Computershare. This has made it possible for certificated shareholders, who are eligible to participate in the rights offer, to enjoy the same rights and opportunities with respect to the forms of instruction as those shareholders who have already dematerialised their shares. You should complete this form of instruction and return it to Computershare, at the address below, if you are a qualifying shareholder (as defined in the rights offer circular to shareholders dated Monday, 6 November 2006) holding certificated Metrofile Holdings shares and wish to dispose of or take up all or part of your rights in terms hereof.

A copy of this form of instruction, together with the rights offer circular to shareholders dated Monday, 6 November 2006, underwriting agreements and other requisite documents have been lodged with and registered, on Friday, 20 October 2006, by the Registrar of Companies, as required by section 146A of the Companies Act, 1973 (Act 61 of 1973), as amended.

Each amendment to this form of instruction must be signed in full and must not be initialed.



metrofile
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Metrofile Holdings Limited

(Formerly MGX Holdings Limited)
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06
Share code: MFL ISIN: ZAE000061727
("Metrofile Holdings" or "the Company")

An underwritten renounceable rights offer of 188 897 403 new ordinary shares of 0.01 cent each, ("rights offer shares") to the holders of Metrofile Holdings shares registered at the close of trading on Friday, 3 November 2006, at a subscription price of 75 cents per share on the basis of 255 shares for every 100 Metrofile Holdings shares held.

**Form of instruction in respect of a letter of allocation ("Form of instruction")
Issued to holders of certificated Metrofile Holdings shares only**

Name and address of shareholder	Reference number
(1)	Enquiries in connection with this form should be addressed to Computershare Investor Services 2004 (Proprietary) Limited quoting this reference number.

Account Number	Number of Metrofile Holdings shares held at the close of business on Friday, 3 November 2006	Number of shares which can be taken up in terms of paragraph 1 of this form of instruction	Amount payable at 75 cents per share
	(2)	(3)	R (4)

Acceptance of shares	Number shares accepted	Amount due at 75 cents per share
	(5)	R (6)

Application for additional rights offer shares	Number of additional rights offer shares for which the application is made	Amount due at 75 cents per share
	(7)	R (8)

Please note that the same or a lesser number of shares as the number mentioned in Block (3) above may be accepted	Amount of cheque/banker's draft
	R (9)

THIS FORM MUST BE RETURNED IN ITS ENTIRETY

to the transfer secretaries

Metrofile Holdings -- Rights offer

c/o Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

so as to be received by no later than 12:00 on Friday, 24 November 2006, or may be posted, at the risk of the shareholder or his renounee, to:

Metrofile Holdings -- Rights offer

c/o Computershare Investor Services 2004 (Proprietary) Limited
PO Box 61763
Marshalltown, 2107

so as to be received by no later than 12:00 on Friday, 24 November 2006

Salient dates and times of the rights offer	2006
Last day to trade in Metrofile Holdings shares in order to qualify to participate in the rights offer (cum entitlement)	Friday, 27 October
Listing of letters of allocation on the JSE commences	Monday, 30 October
Letters of allocation commence trading on the JSE with effect from commencement of trade	Monday, 30 October
Metrofile Holdings shares commence trading ex-rights on the JSE	Monday, 30 October
Record date for the rights offer	Friday, 3 November
Rights offer opens at 09:00, on	Monday, 6 November
Last day for trading letters of allocation on the JSE	Friday, 17 November
Rights offer closes at 12:00, on (see note 4)	Friday, 24 November
Record date for the letters of allocation	Friday, 24 November
Rights offer shares issued and posted to holders of certificated Metrofile Holdings shares on or about	Monday, 27 November
CSDP or broker accounts in respect of holders of dematerialised Metrofile Holdings shares debited and updated	Monday, 27 November
Results of rights offer announced on SENS	Monday, 27 November
Results of rights offer published in the press	Tuesday, 28 November
Listing of rights offer shares and trading therein on the JSE commences	Tuesday, 28 November
Refund cheques posted to holders of certificated Metrofile Holdings shares, if applicable, in respect of excess applications	Tuesday, 28 November

Notes:

1. The definitions commencing on page 6 of this document apply, *mutatis mutandis*, to this information on important dates and times in respect of the rights offer.
2. In respect of Metrofile Holdings shares, share certificates may not be dematerialised or rematerialised between Monday, 30 October 2006 and Friday, 3 November 2006, both days inclusive.
3. CSDPs effect payment on a delivery versus payment method in respect of qualifying shareholders holding Metrofile Holdings shares.
4. If you are a qualifying Metrofile Holdings shareholder holding dematerialised Metrofile Holdings shares you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the agreement governing the relationship between yourself and your CSDP or broker.
5. Unless otherwise indicated, all times are South African times.

Dear qualifying Metrofile Holdings shareholder

1. The rights offer

The shareholders recorded in the register of shareholders at the close of trade on Friday, 3 November 2006, are offered rights offer shares at a subscription price of 75 cents per rights offer share, in the currency of South Africa, in the ratio of 255 rights offer shares for every 100 Metrofile Holdings shares.

2. Allocation

The rights offer shares stated in Block (3) above have been provisionally allocated for subscription at a price of 75 cents per share to the shareholder whose name is stated in Block (1).

3. Acceptance and payment

If you are a qualifying Metrofile Holdings shareholder and wish to accept the rights offer you must complete blocks (5), (6) and (9) above.

- 3.1 If you are the person(s) in whose name(s) this form of instruction was issued and wish to acquire all the rights offer shares allocated to you, complete the applicable blocks as stated above. Forms B and C of this form of instruction must not be completed.
- 3.2 If you are the person(s) in whose favour this form of instruction has been renounced and you wish to acquire the rights offer shares, complete the applicable blocks as stated above as well as Form C of this form of instruction.
- 3.3 If you wish to acquire the rights offer shares, a properly completed form of instruction, together with a cheque (crossed "not transferable" and with the words "or bearer" deleted) or banker's draft (drawn on a registered bank) payable to "Metrofile Holdings Limited - Rights offer" for the amount due in the currency of South Africa, must be lodged with Computershare, so as to be received by not later than 12:00 on Friday, 24 November 2006.
- 3.4 Such payment, when the cheque or banker's draft has been paid, will constitute acceptance of the rights offer upon the terms and conditions set out in the accompanying rights offer circular and in this form of instruction, subject to the memorandum and articles of association of Metrofile Holdings.
- 3.5 No acknowledgement of receipt will be given for a cheque or banker's draft received in accordance with the rights offer.
- 3.6 If this form of instruction and the cheque/banker's draft is not received as set out above, then the rights offer will be deemed to have been declined and the right to subscribe for the rights offer shares offered to the addressee or renounced in favour of his/her renounee will lapse, no matter who then holds it.
- 3.7 The rounded number of rights offer shares to which shareholders will become entitled will be determined by the ratio of entitlement.

4. Renunciation or sale

If you are a qualifying Metrofile Holdings shareholder holding certificated Metrofile Holdings shares and you do not wish to acquire the rights offer shares allocated to you in terms of the rights offer you may renounce your rights by signing Form B, and the renounee who wishes to acquire the rights offer shares in terms of the rights offer must complete Form C, lodge this form of instruction and make payment, in terms of paragraph 3.3 above for the number of the rights offer shares in respect of which the rights offer is accepted.

The lodging of the form of instruction, with Form B purporting to be signed by the shareholder whose name appears thereon, will be taken to be conclusive evidence of the right of the holder:

- to deal with this form of instruction; or
- to have the rights offer shares in question allotted and to receive a certificate for those shares.

Therefore, Metrofile Holdings will not be obliged to investigate whether Forms B and C have been properly signed or completed or to investigate any fact surrounding the signing or lodging of either form.

If you are a qualifying Metrofile Holdings shareholder and wish to sell all or part of your entitlement, you must complete Form A in the attached form of instruction and return it to the transfer office to be received by no later than 12:00 on Friday, 17 November 2006. Note that Computershare Nominees will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, Computershare Investor Services 2004 (Proprietary) Limited will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements.

5. Excess applications

- 5.1 Metrofile shareholders will have the right to apply for rights offer shares in excess of their entitlements.
- 5.2 Applications for additional rights offer shares by certificated Metrofile shareholders may only be made by completing Blocks (7), (8) and (9) on page 1.
- 5.3 Excess applications will be dealt with as set out in paragraph 4.7 of the rights offer circular dated 6 November 2006 and which accompanies this form of instruction of the letter of allocation.

6. Exchange Control Regulations

The following summary is intended only as a guide and is, therefore, not comprehensive. If qualifying shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional adviser.

- 6.1 In terms of the Exchange Control Regulations of South Africa and upon specific approval of the South African Reserve Bank, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:
 - take up rights allocated to them in terms of the rights offer;

- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE,
- provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of STRATE and any share certificates issued pursuant to such applications will be endorsed "non-resident".

6.2 Where a right in terms of the rights offer becomes due to a former resident of the Common Monetary Area, which right is based on shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to take up these rights and may be used to:

- take up the rights allocated to them in terms of the rights offer;
- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE.

All applications by emigrants using blocked funds for the above purposes must be made through the authorised dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed "non-resident" and placed under the control of the authorised dealer in foreign exchange through whom the payment was made. The proceeds due to emigrants from the sale of the letters of allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants' blocked accounts. Electronic statements issued in terms of STRATE and any share certificates issued pursuant to blocked Rand transactions will be endorsed "non-resident" and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of letters of allocation or arising from the sale of blocked shares will be credited to the blocked accounts of the emigrants concerned.

6.3 Any Metrofile Holdings shareholder resident outside the Common Monetary Area who receives this rights offer circular and form of instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such form of instruction.

6.4 New share certificates issued pursuant to the rights offer to an emigrant will be endorsed "non-resident" and forwarded to the address of the relevant authorised dealer controlling such emigrant's blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant's shares are in dematerialised form with a CSDP or broker, the electronic statement issued in terms of STRATE will be dispatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

6.5 The rights offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and in such circumstances this rights offer circular is sent for information purposes only.

The shares issued in terms of this rights offer will not be registered for purposes of the rights offer with the U.S. Securities and Exchange Commission, or with the Canadian Provincial Securities Commission or with the Australian Securities Commission under the Australian Corporation Law, as amended. Accordingly, the rights offer will not be made to or be open for acceptance by persons with registered addresses in the United States of America, the Dominion of Canada or in the Commonwealth of Australia, its states, territories or possessions. In addition, the rights offer will not be extended to holders of American Depository Receipts. The CSDP or broker will ensure that where such persons are holding Metrofile Holdings shares in dematerialised form that the CSDP or broker adheres to the above restrictions.

The letters of allocation of affected shareholders will be offered for sale on the market and any proceeds received in respect of such letters of allocation will be distributed to affected shareholders on an equitable basis net of any costs, taxes and duties.

7. JSE listings

The JSE has granted the listing of the:

- letters of allocation in respect of the rights offer shares with effect from the commencement of trading on Monday, 30 October 2006 to the close of trade on Friday, 17 November 2006, both days inclusive; and
- rights offer shares with effect from the commencement of trade on Tuesday, 28 November 2006.

8. Documents of title

New share certificates to be issued to qualifying shareholders holding certificated Metrofile Holdings shares in respect of those shares to which they were entitled and for which they have subscribed, will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Monday, 27 November 2006.

Qualifying shareholders holding dematerialised Metrofile Holdings shares will have their safe custody accounts updated with the rights offer shares to which they are entitled and for which they have subscribed, on Monday, 27 November 2006.

9. Registration of documents

The following documents have been lodged with and registered, in English, by the Registrar of Companies in terms of section 146A of the Act:

- a copy of the form of instruction with respect to the letters of allocation to be issued in relation to the rights offer;
- a signed copy of the rights offer circular dated Monday, 6 November 2006;
- a copy of the underwriting agreement and the sworn declarations in terms of section 153(2) of the Act;
- a copy of the swap-up agreements;
- the audited financial information relating to Metrofile Holdings as at 30 June 2006;
- a signed copy of the auditors report on the financial information of Metrofile Holdings as at 30 June 2006;
- the letters of consent from the reporting accountants and auditors, attorneys, sponsor and transfer secretaries to act in their respective capacities and to their names being stated in the rights offer circular dated Monday, 6 November 2006;
- powers of attorney signed by each of the directors of Metrofile Holdings;
- a copy of the application for listing of the rights offer shares to be issued pursuant to the rights offer; and
- a copy of the letter from the JSE agreeing to the listing of the rights offer shares and the letters of allocation.

10. Commitment by the Underwriters

SFS has agreed to underwrite the rights offer of R142 million. The underwriting agreement is unconditional. Further information relating to the underwriting is disclosed in paragraph 7 of the rights offer circular dated Monday, 6 November 2006 and which accompanies this form of instruction.

By order of the board

Metrofile Holdings Limited

Leon Thompson
Company Secretary

Johannesburg
Monday, 6 November 2006

Registered office

3 Gowie Road
The Gables
Cleveland
2049
(PO Box 40264, Cleveland, 2022)

Transfer office

Computershare Investor Services 2004 (Proprietary) Limited
(Registration Number 2004/003647/07)
70 Marshall Street
Johannesburg
2001
(PO Box 61763, Marshalltown, 2107)

GENERAL INSTRUCTIONS AND CONDITIONS

- Married persons:** Married persons wishing to exercise their rights must comply with the provisions of the Matrimonial Property Act (Act 88 of 1984), and proof of such person's capacity to exercise such rights may be required by the transfer office.
- Powers of attorney:** If this form is signed under a power of attorney, then the original or certified copy thereof must be sent to the Johannesburg receiving and certification office for noting unless it has already been registered with Metrofile Holdings or the transfer office.
- Companies or close corporations:** A company or close corporation wishing to exercise its rights must send the original or certified copy of the directors' or members' resolutions authorising the exercise of such rights to the Johannesburg receiving and certification office for noting.
- Stamp of broking member of the JSE:** If any signature to Form B is confirmed by the stamp of a broking member of the JSE then (a), (b) or (c) above, as the case may be, will not apply.
- Deceased estates and trusts:** Shares will not be allotted in the name of an estate or a trust. Therefore, where the right to the rights offer shares in Metrofile Holdings has accrued to the estate of a deceased holder or a trust, the executor or administrator or trustee (as the case may be) must complete Form B in his representative capacity and Form C must be completed by the person in whose name the rights offer shares are to be allotted without any reference to the estate or the trust.
- Joint holders:** Where applicable, all joint holders of letters of allocation must sign.
- Receipts and documents:** No receipts will be given for completed letters of allocation and remittances. Documents accompanying applications will be returned by the transfer office in due course, at the risk of the applicant.
- Share certificates:** Metrofile Holdings uses the "certified transfer deeds and other temporary documents of title" procedure approved by the JSE and, therefore, will issue only one "block" share certificate for the shares allotted by it to each certificated acceptor of the offer.

Metrofile Holdings Limited – Rights offer

c/o Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg
2001
(PO Box 61763, Marshalltown, 2107)

FORM A: INSTRUCTION TO SELL

(To be signed by the offeree if the rights to the rights are to be sold)

Stamp of selling broker (if any) or
stamp or name and address of lodging
agent

Metrofile Holdings Limited

I/we hereby instruct Computershare Investor Services 2004 (Proprietary) Limited to pay the proceeds, if any, of the sale of the rights allocated to me/us in terms of this form of instruction (less R61.80 plus taxes and STRATE costs).

Signed _____

Date _____ 2006

Payment Instructions:

Tick appropriate box

1. By cheque, which should be posted at my/our own risk to the following address:

PLEASE NOTE THAT IF THE ABOVE INFORMATION IS NOT COMPLETED OR IF CONFLICTING INSTRUCTIONS ARE GIVEN, A CHEQUE IN PAYMENT OF THE AMOUNT DUE WILL BE SENT TO THE ADDRESS RECORDED IN METROFILE HOLDINGS SHARE REGISTER.

Signed

Signature(s) of offeree selling his or her rights _____

Date _____ 2006

Assisted by me (where applicable) (all joint holders must sign)

FORM B: FORM OF RENUNCIATION

(To be signed by the shareholder named in Block (1) of page 1 if the right to the rights offer shares is renounced.)

To the directors,

Metrofile Holdings Limited

I/We hereby renounce my/our right to subscribe for the rights offer shares allocated to me/us as stated in Block (3) on page 1 in favour of the person(s) completing the Registration application form (Form C) in relation to such shares.

Signed

Signature(s) of person(s) renouncing _____

Date _____ 2006

Assisted by me (where applicable) (all joint holders must sign)

Stamp and endorsement of
selling broker (if any)

FORM C: REGISTRATION APPLICATION FORM

(to be accompanied by a cheque or bank draft)

This form to be completed in respect of the person(s) (i.e. the renounee(s)) in whose name(s) the rights offer shares are to be allotted.

ONCE THIS FORM HAS BEEN COMPLETED, THIS FORM OF INSTRUCTION WILL NO LONGER BE NEGOTIABLE.

Metrofile Holdings Limited

I/We hereby request you to allot the rights offer shares comprised in this form of instruction in the following name(s) upon the conditions set out in the rights offer circular dated Monday, 6 November 2006 and contained herein and subject to the memorandum and articles of association of Metrofile Holdings

I/We authorise you to place such name(s) on the register of shareholders in respect thereof.

Surname(s) or Name of company _____

First names in full _____

Mr/Mrs/Miss* _____

Postal address (preferably PO Box address) _____

Postal code _____

Telephone number (office hours) () _____

Signed

Signature(s) _____

Date _____ 2006

Assisted by me (where applicable) (all joint holders must sign)

Stamp of buying broker (if any) or
stamp or name and address of lodging
agent

FORM D: POSTAL INSTRUCTIONS

Holders of certificated Metrofile Holdings shares accepting all the rights allocated to them in terms of the rights offer will receive their shares in certificated form, which will not be good for delivery until they have been dematerialised.

Holders of certificated Metrofile Holdings shares should complete the section below:

Kindly post the relevant share certificates to the following address by registered mail:

Name: _____

Address _____

Postal code _____

(If no specific instructions are given here, the certificated shares will be forwarded to the address as shown on page 1 of this form of instruction.)

A shareholder wishing to collect his/her/their new share certificate from the transfer office must tick this block