



# REVIEWED GROUP RESULTS

FOR THE YEAR ENDED 30 JUNE 2006

## Condensed consolidated income statement

R'000	Notes	Reviewed 12 months ended 30 June 2006	Restated 12 months ended 30 June 2005
<b>Revenue</b>		<b>276 246</b>	<b>254 437</b>
Operating income before foreign exchange gains		87 057	75 091
Foreign exchange gains			33
<b>Operating income before depreciation</b>		<b>87 057</b>	<b>75 124</b>
Depreciation		(13 306)	(11 747)
Exceptional gains/(losses)		2 121	(1 742)
<b>Operating profit before finance costs</b>		<b>75 872</b>	<b>61 635</b>
Income from investments		2 077	
Finance income		1 072	1 267
Fair value adjustments on financial instruments		1 568	
Finance costs		(49 335)	(53 782)
<b>Profit before taxation</b>		<b>31 254</b>	<b>9 120</b>
Taxation		(3 843)	4 790
<b>Profit for the year</b>		<b>27 411</b>	<b>13 910</b>
Attributable to:			
– Equity holders of the parent		18 461	12 573
– Minority interest		8 950	1 337
<b>Attributable profit</b>		<b>27 411</b>	<b>13 910</b>
<b>Earnings per ordinary share</b>			
Earnings per ordinary share (cents)		27,5	18,7
Fully diluted earnings per ordinary share (cents)	1	24,6	5,9
<b>Further information</b>			
Number of ordinary shares in issue (thousands)		74 077	74 077
Number of ordinary shares in treasury (thousands)		6 877	6 877
Number of ordinary shares in issue after deducting treasury shares (thousands)		67 200	67 200
Weighted average number of ordinary shares in issue (thousands)		67 200	67 200

## Reconciliation of headline earnings

R'000	Notes	Reviewed as at 30 June 2006	Restated as at 30 June 2005
Profit attributable to ordinary shareholders		18 461	12 573
Capital loss on sale of investments		3 084	8 970
Net recovery of loans previously impaired		(5 259)	
Impairment of plant and equipment			88
Profit on sale of plant and equipment		(89)	(2 536)
<b>Headline earnings</b>		<b>16 197</b>	<b>19 095</b>
Headline earning per ordinary share (cents)		24,1	28,4
Fully diluted headline earning per ordinary share (cents)		22,7	7,7

## Condensed consolidated balance sheet

R'000	Notes	Reviewed as at 30 June 2006	Restated as at 30 June 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		167 836	150 174
Long-term receivables			1 126
Intangibles	2		
<b>Current assets</b>		<b>67 840</b>	<b>67 104</b>
Inventories		9 248	8 029
Trade receivables		36 193	38 911
Other receivables		8 504	10 793
Bank balances		13 895	9 371
<b>Total assets</b>		<b>235 676</b>	<b>218 404</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity capital and reserves</b>		<b>(265 271)</b>	<b>(295 600)</b>
Equity attributable to equity holders of parent		(277 433)	(298 812)
Minority interest		12 162	3 212
<b>Non-current liabilities</b>		<b>430 788</b>	<b>438 568</b>
Interest-bearing provisions	3	32 981	36 898
Interest-bearing subordinated redeemable convertible loans	4	219 522	190 682
Interest-bearing liabilities	5	171 531	205 338
Deferred taxation liability		6 754	5 650
<b>Current liabilities</b>		<b>70 159</b>	<b>75 436</b>
Trade payables		10 266	7 056
Other payables		24 681	24 795
Deferred revenue		3 374	3 317
Provisions		5 432	6 353
Taxation		8 944	13 600
Interest-bearing liabilities	5	17 462	20 315
<b>Total equity and liabilities</b>		<b>235 676</b>	<b>218 404</b>
<b>Net liability per ordinary share (cents)</b>		<b>434,5</b>	<b>440,2</b>

### Notes:

- The adjustment to determine diluted earnings per share 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.
- As intangibles are not revalued, no balances are reflected on the consolidated balance sheet. In Metrofile (Pty) Limited goodwill and trademarks in the amount of R182,5 million are reflected, being the values arising from the inter-group transactions arising in 2004, less trademark amortisation.
- Long-term interest-bearing provisions include anticipated claims in terms of the S311 arrangement. The provisions also include creditors that may become owners of interest-bearing redeemable convertible loans.
- Interest-bearing convertible loan notes include R130,1 million of the Metrofile C and R89,4 million of the Metrofile Holdings loan notes that have been subordinated by the financiers.
- Long-term interest-bearing liabilities include the Metrofile A and B loan notes. Short-term interest-bearing liabilities include the Metrofile B facility and mortgage bond payable in one year.
- No segmental analysis has been reported as the group trades in only one segment and only in South Africa.
- All the assets have been pledged as security against certain loans to the group.

## Condensed consolidated cash flow statement

R'000	Notes	Reviewed as at 30 June 2006	Restated as at 30 June 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations		85 962	92 754
before net working capital changes		9 260	(9 544)
Decrease/(increase) in net working capital			
Cash generated from operations		95 222	83 210
Net finance costs		(47 843)	(52 515)
Dividends received		2 077	
Normal taxation paid		(13 422)	(10 594)
Net cash inflow from operating activities		36 034	20 101
Net cash (outflow)/inflow from investing activities		(29 243)	26 552
Net cash outflow from financing activities		(2 267)	(48 966)
Net increase/(decrease) in cash and cash equivalents		4 524	(2 313)
Cash and cash equivalents at the beginning of the year		9 371	11 684
<b>Cash and cash equivalents at the end of the year</b>		<b>13 895</b>	<b>9 371</b>

## Statement of changes in equity

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Attributable share- loss R'000	Minority share- holder interest R'000	Total R'000
<b>Balance at 1 July 2004 as previously reported</b>	408	195 656	(2 827)	(521 038)	441	(327 360)
Adjustments for changes in accounting policies as result of IFRS adoption						
IAS 16 – Property, plant and equipment					11 212	11 212
<b>Restated balance at 1 July 2004</b>	408	195 656	(2 827)	(509 826)	441	(316 148)
Minorities sold during the year					(441)	(441)
Net profit for the year ended 30 June 2005					12 573	13 910
Net profit for the period as previously reported					19 162	19 162
Adjustments for changes in accounting policies as result of IFRS adoption						
IAS 16 – Property, plant and equipment					2 448	2 448
IFRS 2 – Share-based payments					(5 825)	(5 825)
Effect of IFRS adoption – loss on disposal of 35% of investment to minorities					(1 875)	(1 875)
Effect of IFRS adoption on minority interest in restated earnings for the period					(1 337)	1 337
Adjustments for changes in accounting policies as result of IFRS adoption booked directly to equity					5 295	5 295
Share of disposal of 35% of investment to minorities					1 875	1 875
Foreign currency reserve					(91)	(91)
<b>Restated balance at 30 June 2005</b>	408	195 656	(2 918)	(491 958)	3 212	(295 600)
Profit for the period					18 461	27 411
Foreign currency reserve					2 918	2 918
<b>Balance at 30 June 2006</b>	408	195 656	(473 497)	12 162	(265 271)	

## Transitional report – reconciliation of assets, liabilities and equity

R'000	Group 30 June 2005	1 July 2004
<b>Property, plant and equipment</b>		
As previously reported under SA GAAP	134 400	141 264
IAS 16	15 774	11 212
As reported under IFRS	150 174	152 476
<b>Deferred taxation liability</b>		
As previously reported under SA GAAP	3 298	2 134
IAS 16	2 352	2 221
As reported under IFRS	5 650	4 355
<b>Capital and reserves</b>		
As previously reported under SA GAAP	(308 730)	(327 360)
IFRS 2	(292)	
IAS 16	13 422	11 212
As reported under IFRS	(295 600)	(316 148)
<b>Profit/(loss)</b>		
As previously reported under SA GAAP	19 162	(5 706)
IFRS 2	2 708	
IAS 16 – reduced depreciation	(379)	
Loss on disposal of 35% interest on restated retained earnings balances at date of acquisition	(1 875)	
As reported under IFRS	13 910	
Attributable to:		
– Equity holders of the parent	12 573	
– Minority interest	1 337	
Profit per share as previously reported (cents)	28,5	
Profit per share as reported under IFRS (cents)	18,7	

## Commentary on results

### METROFILE HOLDINGS PROFILE

Metrofile Holdings is quoted in the “Support Services – Business Support Services” sector of the JSE Limited (“JSE”).

The sole business of Metrofile Holdings is its investment of 65% in Metrofile (Pty) Limited. Metrofile (Pty) Limited 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 conversions, physical or electronic preservation and destruction services that satisfy legislative and corporate governance requirements.

### POST-BALANCE SHEET EVENTS

#### Debt refinancing

Shareholders and loan creditors are reminded of the terms of the loans and in particular the definitions of events of default and the potential convertibility of some of the loans as set out in various communications to shareholders and in the annual report.

Subsequent to the reporting date, the interest-bearing debt of R320 million in Metrofile (Pty) Limited has been refinanced. The conversion rights in the previous financing agreements have been cancelled. The principal terms of the new refinancing are that

interest is serviced monthly, R145 million is repayable at the end of six years and R175 million is repayable equally over years two to six.

### Interest rate swap

Subsequent to the reporting date, Metrofile (Pty) Limited has entered into a new interest rate swap agreement for R50 million over four years to mitigate the risk of increased borrowing costs on its fluctuating rate loans during this period. The aggregate balance of interest rate swap agreements entered into by Metrofile (Pty) Limited is R200 million.

### LOAN NOTES IN METROFILE HOLDINGS

Metrofile Holdings loan notes and provisions, on which interest is being accrued monthly but not paid (as the holding company has no cash flows), totalled R116,4 million. These creditors are also directly and indirectly secured by inter-group loan notes of R298,3 million. Any amounts not paid to the note holders by 4 March 2009 may be converted to shares in the company, which would dilute existing shareholders accordingly. The amount converted could, in certain circumstances, include the inter-company loans as well.

### PLANNED RIGHTS ISSUE

The board is considering a rights issue in the fourth quarter of 2006 to raise R141 million to settle the note holders and other creditors and retain cash for the remaining contingent liabilities, and thereby reduce the group's risk profile to acceptable levels. A further announcement is expected in September.

### FINANCIAL REVIEW

The results for the period reflect a satisfactory improvement on the prior year. EBITDA before exceptional items increased by 16% to R87,6 million. Revenue was ahead of budget due to improved market penetration and the securing of new government business.

Headline earnings per share 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, headline earnings per share would be 12,1 cents.

The consolidated balance sheet reflects an excess of liabilities over assets. It should however be noted that the assets on the consolidated balance sheet are reflected at historical cost. The board regards the group as a going concern for the following reasons:

- The total of the compulsory convertible subordinated loans, the provisions that may become subordinated loans and the estimated value of goodwill and trademarks in Metrofile not reflected in the consolidated balance sheets, are together sufficient to restore commercial solvency.
- The group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the group's current and projected cash flows and the group has utilised working capital facilities.
- Payments to all trade creditors are up to date.
- Balance sheet assets have been tested for impairment and none is over valued.
- The group is trading in line with budgets.
- Key management is in place with appropriate incentives.

### DIVIDENDS

No dividends have been declared for the current period and it is not the intention that any dividends will be declared or paid in the foreseeable future.

### BASIS OF PREPARATION AND ACCOUNTING POLICIES

In terms of the Listings Requirements of the JSE, the group results have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE and the South African Companies Act.

The group has adopted and applied IFRS for the first time for the year ending 30 June 2006.

The transition date is 1 July 2004 (“the transition date”). The group's opening IFRS balance sheet at the transition date and the comparative results for each of the reporting periods have therefore been restated to reflect all statements expected to be applicable at 30 June 2006.

The transitional report contains details of the adjustments effected.

### IFRS adjustments implemented

#### IFRS 2 – Share-based payments

The disposal of 35% of Metrofile Holdings' investment in Metrofile (Pty) Limited in February 2005 was structured in agreements containing certain call and put options. In terms of IFRS, these transactions should be seen as share-based payments and the group accounted for these transactions as such retrospectively.

#### IAS 16 – Revision of estimated useful lives of property, plant and equipment

Past interpretation of SA GAAP did not provide for the re-assessment of an asset's useful life and residual value annually. IAS 16 requires useful lives and residual values to be reviewed at least at each financial year-end. This resulted in an increase in distributable reserves with a corresponding increase in property, plant and equipment.

### Further developments in IFRS reporting

The annual results have been prepared and presented in terms of IFRS and IAS standards and interpretations applicable at 30 June 2006. The directors anticipate that the adoption of these standards and interpretations, which are in issue but not yet effective, will not have a material impact on the annual financial statements.

### IAS 39 – Financial instruments

Future interest charges related to certain interest rate swap agreements entered into were accounted for as financial instruments at fair value in the year under review.

### DIRECTORATE AND CORPORATE GOVERNANCE

Messrs Keshan Pillay and Nigel Matthews were appointed to the board of directors during the period under review and the board currently comprises one executive and five non-executive directors.

### COMMITMENTS

- Operating lease commitments for the next five years amount to R10,8 million.
- Metrofile (Pty) Limited has an expected capital expansion and replacement projects of R22,6 million for the next financial year. This amount will be funded from free cash flows generated by operating activities.

### CONTINGENT LIABILITIES

#### MGX/Eureka Pension Fund

The group is in the process of transferring the assets of this pension fund to other funds subject to approval from the Financial Services Board. The company is of the view that there will be no shortfalls for which it is liable. However, it is presently considering various legal and actuarial opinions, certain of which allege that the company may have contingent liabilities of up to R9 million. It is expected that this will be resolved in the coming financial year.

#### Businesses sold

The group has contingent liabilities arising from sale agreements for numerous businesses and assets. None is expected to become constructive obligations.

#### Secondary Tax on Companies

The group has contingent liabilities for STC in certain of its dormant and operating subsidiaries.

#### SRP/EC-HOLD

The group settled the contingent liability during the year under review and report that no loss to the group arose from the settlement process due to indemnities that were held from third parties. The costs of the settlement process were absorbed by the company.

### AUDITORS' REVIEW OPINION

The results have been reviewed by Deloitte & Touche whose review report is available for inspection at the company's registered office. The report contains a matter of emphasis with respect to going concern.

### PROSPECTS

The board expects to implement the final restructure of the Metrofile group during the coming financial year, now that most of the legacy issues of the MGX era have been resolved. The group also expects to propose to shareholders that it acquires the 35% interest in Metrofile (Pty) Limited not currently owned by it through an exchange of shares with the holding company. If this is achieved, Mineworkers Investment Co. (Pty) Limited will still hold in excess of 25% of the group thereby ensuring its continued empowerment credentials.

The group expects improved revenue and operating results from Metrofile (Pty) Limited in the coming year. However, the fact that the non-recurring items in the current years' results (refer to above) will not be repeated and that the rights issue will be dilutive, are expected to result in a reduction in headline earnings per share.

### Christopher Seabrooke

Chairman

### Graham Wackrill

CEO

### 31 August 2006

Cleveland  
Gauteng

### METROFILE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1983/012697/06)

Share code: MFL ISIN: ZAE000061727

(Metrofile Holdings or “the company” or “the group”)

