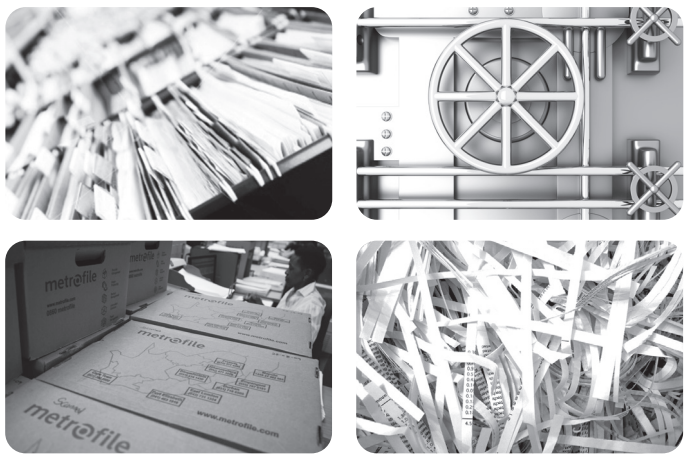
metrofile

Unaudited group results
for the six months ended 31 December 2010



- Revenue up 11,5%
- EBITDA up 9,6%
- Cash generated from operations up 9,9%
- Normalised HEPS up 15,3%
- Maiden dividend declared

Condensed income statement

R'000	Notes	Unaudited 6 months ended 31 December 2010	Unaudited 6 months ended 31 December 2009	Audited 12 months ended 30 June 2010
Revenue		**220 045**	197 286	409 563
Earnings before interest, taxation and depreciation ("EBITDA")		**68 250**	62 274	126 434
Depreciation		**(9 070)**	(6 940)	(14 792)
Operating profit before finance costs		**59 180**	55 334	111 642
Net finance costs		**(12 630)**	(17 603)	(34 953)
Finance income		**541**	111	380
Finance costs		**(13 171)**	(17 714)	(35 333)
Profit before taxation		**46 550**	37 731	76 689
Taxation		**(12 191)**	(12 122)	(23 433)
Profit for the period		**34 359**	25 609	53 256
Attributable to:				
Owners of the parent		**34 045**	25 394	52 945
Non-controlling interests		**314**	215	311
Attributable profit		**34 359**	25 609	53 256
Further information				
Number of ordinary shares in issue (thousands)		**408 085**	408 085	408 085
Weighted average number of ordinary shares in issue (thousands)		**408 085**	399 719	403 868
Earnings per ordinary share (cents)		**8,3**	6,4	13,1
Headline earnings per ordinary share (cents)		**8,3**	6,3	13,1
Normalised headline earnings per ordinary share (cents)		**8,3**	7,2	14,6
Dividend per share (cents)		**2,0**	–	–

Condensed statement of comprehensive income

R'000	Notes	Unaudited 6 months ended 31 December 2010	Unaudited 6 months ended 31 December 2009	Audited 12 months ended 30 June 2010
Profit for the period		**34 359**	25 609	53 256
Other comprehensive income for the period net of tax		**(2 145)**	(758)	(1 184)
Hedge accounting for fair value on interest rate swaps	1	**(2 125)**	(740)	(1 041)
Currency movement on translation of foreign subsidiary		**(20)**	(18)	(143)
Total comprehensive income for the period		**32 214**	24 851	52 072
Attributable to:				
Owners of the parent		**31 900**	24 636	51 761
Non-controlling interests		**314**	215	311

Condensed statement of financial position

R'000	Notes	Unaudited as at 31 December 2010	Unaudited as at 31 December 2009	Audited as at 30 June 2010
ASSETS				
Non-current assets		**467 137**	443 998	460 004
Property, plant and equipment		**294 129**	270 469	286 466
Goodwill		**169 943**	169 992	169 943
Deferred tax asset		**3 065**	3 537	3 595
Current assets		**101 840**	85 847	86 463
Inventories		**11 857**	14 716	10 221
Trade receivables		**62 141**	53 521	58 909
Other receivables		**4 799**	5 085	3 542
Bank balances		**23 043**	12 525	13 791
Total assets		**568 977**	529 845	546 467
EQUITY AND LIABILITIES				
Equity and reserves		**275 594**	214 135	242 259
Equity attributable to owners of the parent		**273 950**	212 901	240 929
Non-controlling interests		**1 644**	1 234	1 330
Non-current liabilities		**219 600**	222 133	228 476
Interest-bearing liabilities	2	**210 480**	214 124	221 784
Deferred taxation liability		**9 120**	8 009	6 692
Current liabilities		**73 783**	93 618	75 732
Trade payables		**8 699**	11 299	8 958
Other payables		**25 768**	23 633	29 864
Deferred revenue		**8 298**	5 093	7 065
Financial instruments – Fair value of interest rate swaps	1	**4 855**	1 070	1 904
Bank overdraft		**81**	140	–
Provisions		**196**	32	1 683
Taxation		**2 377**	16 408	3 992
Interest-bearing liabilities	2	**23 509**	35 943	22 266
Total equity and liabilities		**568 977**	529 845	546 467
Net asset value per ordinary share (cents)		**67,1**	52,2	59,0

Reconciliation of headline earnings

R'000	Unaudited 6 months ended 31 December 2010	Unaudited 6 months ended 31 December 2009	Audited 12 months ended 30 June 2010
Profit attributable to owners of the parent	**34 045**	25 394	52 945
Loss/(profit) on sale of plant and equipment	**9**	(135)	(152)
Tax effect of above item	**(3)**	38	43
Headline earnings	**34 051**	25 297	52 836
Headline earning per ordinary share (cents)	**8,3**	6,3	13,1

Reconciliation of normalised headline earnings

R'000	Unaudited 6 months ended 31 December 2010	Unaudited 6 months ended 31 December 2009	Audited 12 months ended 30 June 2010
Headline earnings	**34 051**	25 297	52 836
Non-recurring taxation	**–**	773	773
Non-recurring finance charges	**–**	2 513	6 614
Tax effect of above adjustments	**–**	–	(1 174)
Normalised headline earnings*	**34 051**	28 583	59 049
Normalised headline earning per ordinary share (cents)	**8,3**	7,2	14,6

* *Normalised headline earnings are adjusted for non-trading items relating to Financial instruments and legacy issues; these earnings represent the results of the normal business operations and are included to give clarity to investors.*

Condensed segmental information

R'000	Sales revenue: Unaudited 6 months ended 31 December 2010	Sales revenue: Unaudited 6 months ended 31 December 2009	Sales revenue: Audited 12 months ended 30 June 2010	Operating profit: Unaudited 6 months ended 31 December 2010	Operating profit: Unaudited 6 months ended 31 December 2009	Operating profit: Audited 12 months ended 30 June 2010
Metrofile Records Management	**176 483**	159 545	325 753	**91 756**	81 255	167 776
CSX Customer Services	**31 915**	31 857	70 146	**8 898**	9 010	17 840
Property Companies	**–**	–	–	**17 433**	16 186	32 372
Other	**15 490**	9 087	20 995	**5 670**	2 130	7 192
Intergroup	**(3 843)**	(3 203)	(7 331)	**–**	–	–
Total	**220 045**	197 286	409 563	**123 757**	108 581	225 180
Indirect costs				**(64 577)**	(53 247)	(113 538)
Operating profit before finance costs				**59 180**	55 334	111 642

"Metrofile Records Management" represents the Metrofile document storage and image processing business units which are managed and operated geographically.

"Other" includes all divisions and entities which are at this stage not material to the group's results; these include Metrofile Holdings Limited, Africa operations, the paper management business and with effect from 1 January 2010, Cleardata (Pty) Limited.

The majority of assets and resultant depreciation relate to Metrofile Records Management, therefore a table has not been prepared in this regard. It should, however, be noted that the majority of inventory relates to CSX Customer Services.

Interest has not been reflected on the segmental report as the majority of the interest relates to Metrofile (Pty) Limited which includes all material divisions reflected above.

Condensed statement of cash flows

R'000	Unaudited 6 months ended 31 December 2010	Unaudited 6 months ended 31 December 2009	Audited 12 months ended 30 June 2010
Cash generated from operations before net working capital changes	**70 134**	60 957	127 412
(Increase)/decrease in net working capital	**(7 782)**	(4 243)	3 051
Cash generated from operations	**62 352**	56 714	130 463
Net finance costs paid	**(12 630)**	(15 090)	(34 953)
Normal taxation paid	**(13 807)**	(8 578)	(35 592)
Net cash inflow from operating activities	**35 915**	33 046	59 918
Net cash outflow from investing activities:			
Investment in property, plant and equipment	**(16 928)**	(16 568)	(40 370)
Proceeds on disposal of property, plant and equipment	**244**	–	701
Acquisition of subsidiaries	**–**	(16 000)	(16 000)
Net cash outflow from financing activities:			
Issue of shares in terms of vendor placements	**–**	16 000	16 000
Loans repaid*	**(10 060)**	(19 556)	(30 821)
Loans raised	**–**	–	8 900
Net increased/(decrease) in cash and cash equivalents	**9 171**	(3 078)	(1 672)
Cash and cash equivalents at the beginning of the period	**13 791**	15 463	15 463
Cash and cash equivalents at the end of the period	**22 962**	12 385	13 791
* *This amount included for 30 June 2010 represents the net position as an amount of R236,6 million was repaid against the "old"debt and raised as "new" debt*			
Represented by:			
Bank balances	**23 043**	12 525	13 791
Bank overdrafts	**(81)**	(140)	–

Condensed statement of changes in equity

R'000	Share capital	Share premium	Accumulated losses	Other reserves	Total equity before minority apportionment	Non-controlling interest	Total
Balance at 30 June 2009	**2 421**	**502 904**	**(333 801)**	**222**	**171 746**	**25**	**171 771**
Shares issued in terms of vendor placements for acquisitions	87	15 913			16 000		16 000
Minority portion of reserves relating to acquisition of subsidiary					–	994	994
IFRS2 Equity reserve relating to share schemes				519	519		519
Total comprehensive income for the period ended 31 December 2009			25 394	(758)	24 636	215	24 851
Balance at 31 December 2009	**2 508**	**518 817**	**(308 407)**	**(17)**	**212 901**	**1 234**	**214 135**
IFRS2 Equity reserve relating to share schemes				903	903		903
Total comprehensive income for the period ended 30 June 2010			27 551	(426)	27 125	96	27 221
Balance at 30 June 2010	**2 508**	**518 817**	**(280 856)**	**460**	**240 929**	**1 330**	**242 259**
IFRS2 Equity reserve relating to share schemes				1 121	1 121		1 121
Total comprehensive income for the period ended 31 December 2010			34 045	(2 145)	31 900	314	32 214
Balance at 31 December 2010	**2 508**	**518 817**	**(246 811)**	**(564)**	**273 950**	**1 644**	**275 594**

Notes:

1. During April 2010 the existing interest rate swaps, which were due to expire in March 2011, were closed out and new swaps were entered into in order to align to the new debt package. The new swaps comply with hedge accounting requirements and as a result all movements are accounted for directly through reserves.
2. Long term interest-bearing liabilities include the Metrofile (Pty) Limited amortising and bullet loans which have a six year tenor as well as instalment sale agreements entered into by Cleardata (Pty) Limited in order to finance mobile shredding units. Short term interest-bearing liabilities include the portions of the Metrofile (Pty) Limited amortising loan and Cleardata instalment sale agreements payable within one year. The Metrofile (Pty) Limited borrowings are JIBAR linked and are approximately 76% hedged by way of the interest rate swaps (30 June 2010 – 70%), whilst the Cleardata borrowings are prime linked and uncovered.
3. All the assets have been pledged as security against certain loans to the group.

Commentary on results

Profile

Metrofile is the market leader in information and records storage management in Africa and is represented in all the major provinces of South Africa. Metrofile operates from 23 facilities covering more than 68 000m² of warehousing space and manages more than 18 billion records on behalf of its customers.

Services include insourced and outsourced solutions to help business and government to increase their operating efficiency and meet their legislative and corporate governance requirements. These services comprise file plan development, training in all aspects of records management, the supply of files, active file management (on and off-site), archival of records (on and off-site), image processing, data protection, backup management, paper management and confidential records destruction. Metrofile also supplies and maintains a wide range of business equipment including scanners, library security systems, mailing and packaging machines.

Metrofile has been listed on the JSE Limited ("JSE") since 1995 and its ordinary shares are quoted in the Support Services sector of the JSE. Its largest shareholder is its empowerment partner, Mineworkers Investment Company (Pty) Limited ("MIC"), which owns 32,4% of Metrofile's equity.

Strategy

Metrofile will continue to expand its services in the information management sector whilst focusing on cross selling the group's diverse range of services to both new and existing customers including Government.

Metrofile's expansion into Africa will be driven by the demand of existing customers that have a need for similar services to those received in South Africa. Metrofile already owns 51% of Metrofile Mozambique and has now finalised terms with an international partner with respect to a Nigerian operation and expansion into other African countries will commence once the Nigerian business is fully operational.

Financial review

Revenue increased by 11,5% to R220,0 million and EBITDA by 9,6% to R68,3 million whilst a new debt package and more favourable interest rates resulted in lower finance costs.

Headline earnings per share ("HEPS") increased by 31,7% to 8,3 cents while normalised HEPS increased by 15,3% to 8,3 cents. Normalised HEPS are calculated after adjusting HEPS for non-recurring items and for the accounting effects of changes in the fair value of the interest rate swaps.

Cash generated by the group remains high and gearing continues to improve. Currently 76% of the group's debt is covered by interest rate swaps.

Metrofile accounts for its property portfolio on a cost basis. During the current reporting period there were no additions to the portfolio.

Accounting policies

Group results have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS"), including IAS 34: Interim Financial Reporting, the requirements of the South African Companies Act of 1973, as amended, and the listing requirements of the JSE. The same accounting policies and methods of computation were applied as in the prior year annual financial statements.

Certain accounting pronouncements became effective during the current financial period, however these do not have an impact on either transactions or disclosures.

Share-based payments were previously disclosed in other comprehensive income; they are now disclosed directly in the statement of changes in equity for both the current and prior periods.

Related parties

In terms of the consulting agreement with the MIC fees of R0,42 million were paid during the period under review.

Directorate and corporate governance

Mrs Mary Bomela joined the board in September 2010 as a non-executive director. The board now comprises two executive and seven non-executive directors, of whom four are independent directors.

Dividends

The improvements in the group's financial structure and cash flows have enabled the board to introduce a policy of paying interim and final dividends for the first time. These will be calculated on a minimum of four times cover, with an ultimate target of three times cover.

Notice is hereby given that an interim cash dividend of 2 cents per share in respect of the period ended 31 December 2010 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday, 8 April 2011. The last day to trade *cum* dividend will therefore be Friday, 1 April 2011 and Metrofile shares will trade *ex* dividend from Monday, 4 April 2011. Payment of the dividend will be made on Monday, 11 April 2011. Share certificates may not be dematerialised or rematerialised between Monday, 4 April 2011 and Friday, 8 April 2011, both days inclusive.

Commitments

Operating lease commitments amount to R35,1 million for the next five years. Capital expansions for the 2011 financial year amount to R28,5 million (revised from R35,5 million as at 30 June 2010) and replacement projects total R13,0 million. The new investment in property, plant and equipment for the reporting period amounted to R16,9 million.

Post-balance sheet events

There have been no material post-balance sheet events.

Outlook

Metrofile expects to continue to grow revenue, EBITDA and HEPS in the period ahead and anticipates similar growth to the first half for the year as a whole. The recovery in the economy has enhanced opportunities for the group. However, clients are still cautious in committing spend to project related business.

This statement has not been reviewed or audited by Metrofile's auditors.

CHRISTOPHER SEABROOKE
Non-Executive Chairman

GRAHAM WACKRILL
Chief Executive Officer

10 March 2011
Cleveland
Gauteng

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

Directors:
CS Seabrooke▲ *(Chairman)*
AP Nkuna* *(Deputy Chairman)*
GD Wackrill *(CEO)*
RM Buttle *(CFO)*
MS Bomela*, CN Mapaure*
IN Matthews▲, N Medupe▲, SR Midlane▲
*Non-executive
▲Independent

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LM Thompson

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