metrofile holdings limited

annual report two thousand 06

VISION

To successfully reduce group debt to normal levels and to restore value and growth potential for shareholders and stakeholders of the group.

MISSION

To facilitate the growth and cash generation of Metrofile (Proprietary) Limited as the market leader and most trusted service provider in South Africa for managing paper and electronic business records in all sectors of the economy.

CONTENTS

metrofile holdings limited

With over 3 500 customers, we can confidently say that we can cater for any document management requirement.

PROFILE

The core business of Metrofile Holdings is its 65% investment in Metrofile (Proprietary) Limited.

Metrofile (Proprietary) 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 that satisfy legal and corporate governance requirements.

www.metrofileholdings.com

FINANCIAL STATISTICS

	2006	Restated 2005	Restated 2004	2003
INCOME STATEMENT				
Revenue	**276 246**	254 437	473 803	1 251 051
Operating income/(loss)	**73 751**	63 376	24 856	(61 340)
Net finance cost	**(46 695)**	(52 515)	(68 972)	(78 687)
Income/(loss) before taxation and capital items	**27 056**	10 861	(44 116)	(140 027)
Taxation	**(3 843)**	5 029	(25 598)	(115 629)
Income/(loss) after taxation	**23 213**	15 890	(69 714)	(255 656)
Dividends received	**2 077**			
Share of associate's income				
Minority shareholders' share of (profits)/losses	**(8 950)**	(1 337)	(826)	1 657
Attributable income/(loss) before exceptional items and goodwill amortisation	**16 340**	14 553	(70 540)	(253 999)
Exceptional items net of minority interest	**2 121**	(1 742)	16 492	(47 343)
Goodwill amortisation and impairment			(22 188)	(400 734)
Attributable income/(loss)	**18 461**	12 811	(76 236)	(702 076)
BALANCE SHEET				
Assets				
Property, plant and equipment	**167 836**	150 174	154 330	333 291
Intangibles				85 085
Financial assets				16 700
Current assets excluding cash	**53 945**	57 733	88 975	275 600
Long-term receivables		1 126		146
Cash resources	**13 895**	9 371	12 272	84 231
Total assets	**235 676**	218 404	255 577	795 053
Ordinary shareholders' (deficit)/interest	**(277 433)**	(298 812)	(316 827)	(240 691)
Minority interest	**12 162**	3 212	441	3 401
Minority preference shares in subsidiary				28 433
Net deferred taxation liability/(asset)	**6 755**	5 530	4 226	(2 193)
Non-interest-bearing liabilities				
Long term			47 867	
Short term	**52 696**	55 241	64 949	408 757
Interest-bearing borrowings				
Long term	**424 034**	432 918	418 289	169 075
Short term	**17 462**	20 315	36 632	428 271
Total equity and liabilities	**235 676**	218 404	255 577	795 053
Ordinary shares in issue (000)	**74 077**	74 077	74 077	74 077
Weighted average ordinary shares in issue (000)	**67 200**	67 200	66 598	66 563
Treasury shares (000)	**6 877**	6 877	6 877	6 840
Headline earnings/(loss) per ordinary share (cents)	**24,1**	28,8	(367,5)	145,3
Financial ratios				
Liability	**(1,8)**	(1,7)	(1,8)	(4,2)
Current	**1,0**	0,9	1,0	0,4
Quick	**0,8**	0,8	0,9	0,4
Interest cover (times)	**1,6**	1,2	0,4	(0,8)
Profitability				
Operating income to revenue (%)	**26,7**	24,9	5,3	(4,9)
Operating income to average net assets employed (%)	**32,5**	26,7	4,7	(52,6)
Number of employees	**1 078**	1 070	1 179	2 445

RATIO DEFINITIONS

Liability	Liabilities to ordinary shareholders' interest
Current	Current assets to current liabilities
Quick	Current assets (excluding inventories) to current liabilities
Interest cover	Operating income to net funding costs

REPORT TO SHAREHOLDERS

THE PERIOD IN RETROSPECT

The financial year was very pleasing in a number of respects.

- Turnover increased to R276 million and EBITDA to R87 million as a result of a strong performance from Metrofile (Proprietary) Limited.
- The group has exciting expansion plans and intends to increase its storage and processing capacity to cater for new business from government and corporate clients.
- The contingent liabilities and MGX legacy issues continue to be settled or eliminated and in particular the settlement with the SRP during the year relating to EC-Hold brought a lengthy legal battle to a close.
- Arrangements were concluded in principle before the financial year-end and implemented subsequently for the refinancing of the full R320 million debt in Metrofile (Proprietary) Limited over six years and eliminating the convertibility of that debt in the event of any defaults.
- Arrangements have been concluded with underwriters and support received from shareholders for a rights issue of 255:100 to raise R142 million to settle the remaining external convertible loan notes, settle other interest bearing obligations and fund other actual and contingent liabilities and costs in the holding company.
- Agreements have been concluded for the purchase by the group of the 35% interest in Metrofile (Proprietary) Limited that it does not own by way of a share swap, subject to shareholder approval which will be considered at a general meeting in November.

FINANCIAL PERFORMANCE

Headline earnings per share were 24,1 cents. However, included in the headline earnings of R16,2 million are non-recurring dividends 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 have been 12,1 cents.

The consolidated balance sheet reflects an excess of liabilities over assets. However, the board regards the group as a going concern for the reasons advised to shareholders previously and recorded in this year's directors' report.

DIVIDENDS

No dividends have been declared for the current period and it is not the intention that any dividends will be declared or paid during the six-year period of the refinancing of Metrofile (Proprietary) Limited referred to above.

METROFIILE HOLDINGS LIMITED BOARD

During the year:

- Mr Graham Wackrill, CEO of Metrofile, was also appointed CEO of Metrofile Holdings Limited.
- Mr Keshan Pillay, CFO of Mineworkers Investment Company (Pty) Limited, was appointed a non-executive director.
- Mr Nigel Matthews, a director of a number of JSE listed companies, was appointed a non-executive director and Chairman of the Audit Committee.
- Mr Roy Midlane, previously CFO of Metrofile Holdings, was appointed a non-executive director.

The board now comprises six directors, five of whom are non-executive.

PROSPECTS

The board expects to implement the final restructure of the Metrofile Group during the coming financial year through the refinancing of Metrofile (Proprietary) Limited, the rights issue in Metrofile Holdings and the acquisition of the minority interests in Metrofile (Proprietary) Limited.

metrofile holdings limited

REPORT TO SHAREHOLDERS CONTINUED

The group expects improved revenue and operating results from Metrofile (Proprietary) Limited. However, the planned rights issue is expected to result in a dilution and reduction in headline earnings per share. It will, however, substantially reduce the risk profile of the group and facilitate future strategic planning without the previous excessive debt burdens and the potential convertibility of loan notes and dilution to existing shareholders.

APPRECIATION

We should like to record our appreciation to our co-directors and Metrofile management for their support and commitment during the year. The financial stability and profitability of the group improved considerably and we look forward to restoring further value to all stakeholders of the group.

We should like to record our particular appreciation to the Standard Bank Group for their exceptional support and for the refinancing package offered by them. Our thanks also go to the previous consortium of lenders, and to CitiBank in particular who chaired the process during the lengthy reconstruction period. We should also like to record our special thanks to Roy Midlane whose services to the group as Financial Director were invaluable during a very difficult period.

Christopher Seabrooke
Non-executive Chairman

Graham Wackrill
Chief Executive

Cleveland
3 November 2006

BOARD OF DIRECTORS' PROFILES

Danisa Eileen Baloyi (50). BA, HDL, MA. MEd, DEd
Independent Non-executive Director, member of the nomination and remuneration committee, member of the audit committee.

Danisa is the Executive Director for the National Black Business Caucus. She is the Chairperson of the following: Advertising Standards 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 others, she also sits on the following boards: The Don Hotel Group, ABSA Bank Holdings, MediKredit, Setpoint Technology Holdings Limited and South African Business Coalition on HIV-Aids.

Ian Nigel Matthews (61). MA (Oxon), MBA (UCT)
Independent Non-executive Director, member of the nomination and remuneration committee, chairman of the audit committee.

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 which included the positions of Managing Director of Holiday Inns Limited and Executive Director of Rennies. He later started his own business, Sentry Group Limited, 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.

Stephen Roy Midlane (40). BCom, BAcc, CA(SA)
Non-executive Director, member of the audit committee.

Roy is a non-executive director of Metrofile (Proprietary) Limited and certain of the Metrofile group of companies. He also sits on the board of Drive Control Services (Proprietary) Limited.

Keshan Pillay (39). BCom
Independent Non-executive Director, member of the nomination and remuneration committee, member of the audit committee.

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 to 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 (Proprietary) Limited, Ster Kinekor (Proprietary) Limited, Ster Kinekor Home Entertainment, WesBank (division of FirstRand Limited), Rand Merchant Bank ("RMB") (division of FirstRand Limited), FirstRand Empowerment Foundation, Eastvaal Motor Holdings (Proprietary) Limited and as alternate director of Tracker Investment Holdings (Proprietary) Limited and Primedia Limited.

Christopher Stefan Seabrooke (53). BCom, BAcc, MBA, FCMA
Independent Non-executive Chairman of the board, chairman of the nomination and remuneration committee, member of the audit committee.

Chris has, over the years, been on the boards of over 20 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 UEPS Technologies Inc listed on Nasdaq in the USA. 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).

Graham Dunbar Wackrill (52). BCompt
Chief Executive Officer.

Graham is the Chief Executive Officer of Metrofile (Proprietary) Limited 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.

CORPORATE GOVERNANCE

Metrofile Holdings Limited ("Metrofile Holdings" or "the Company") and its subsidiaries (the group) confirm their commitment to the principles of openness, integrity and accountability as advocated in the King Code on Corporate Governance. The group is committed to ongoing compliance with these recommendations. During the past year further steps were taken to improve compliance with the King II Report as highlighted below.

INTERNAL FINANCIAL CONTROL

The board of directors is responsible for the group's system of internal control. Internal controls comprise methods and procedures adopted by management to contribute towards the achievement of the objectives of safeguarding assets, preventing and detecting error and fraud and ensuring the accuracy and completeness of accounting records and the reliability of the financial statements. There is no internal audit function, although the board is currently reviewing this situation.

The directors are of the opinion, based on the information and explanations given by management, that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

It must be recognised that systems of internal control can provide only reasonable, and not absolute, assurance. In that context, none of the reviews conducted indicated that the system of internal control was not appropriate or satisfactory.

CHAIRMAN AND BOARD OF DIRECTORS

The board of directors of the group is chaired by an independent non-executive director.

The board currently comprises four independent non-executive directors, one non-executive director and one executive director. All director appointments are formal and transparent.

Subsequent to the year end the group is undertaking a rights issue and a buy-out of the minorities in Metrofile (Proprietary) Limited. As some of the parties are associated with Messrs Seabrooke and Pillay, they will not be regarded as independent for the 2006/07 financial year.

The board is scheduled to meet at least four 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. The executive directors, being involved with the day-to-day business activities of the group, are 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.

The board met formally on four different occasions during the year.

BOARD MEETING ATTENDANCE

Directors	Date appointed	Attend/Meeting
DE Baloyi	23/04/97	2/4
K Pillay	07/10/05	2/3
SR Midlane	26/11/02	3/4
CS Seabrooke	28/01/03	4/4
IN Matthews	01/06/06	0/1*
GD Wackrill	29/01/04	4/4

**Leave of absence in the first month of his appointment to the Board as agreed.*

AUDIT COMMITTEE

The group's audit committee comprises four 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;
- to consider the independence of and recommend the re-appointment of the external auditors.

The audit committee met four times during the year under review.

AUDIT COMMITTEE MEETING ATTENDANCE

Directors	Date appointed	Attend/Meeting
DE Baloyi	01/02/04	2/4
K Pillay	07/10/05	2/3
IN Matthews	01/06/06	0/1
CS Seabrooke	28/01/03	4/4

REMUNERATION COMMITTEE

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. Existing and proposed share incentives are reviewed by the committee. 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 (Proprietary) Limited, 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 during the year under review.

REMUNERATION COMMITTEE MEETING ATTENDANCE

Directors	Date appointed	Attend/Meeting
DE Baloyi	01/02/04	2/2
K Pillay	07/10/05	1/1
IN Matthews	01/06/06	0/1
CS Seabrooke	01/02/04	2/2

GROUP EXECUTIVE COMMITTEE

The group executive committee includes the Group Financial Manager of Metrofile Holdings Limited, the Chief Executive Officer of Metrofile (Proprietary) Limited and the Chief Financial Officer of Metrofile (Proprietary) Limited as well as other senior advisors. The committee meets on an ad hoc basis for urgent matters of business. An executive committee of the operating business meets on a monthly basis and there is an open invitation to all non-executive directors of the group to attend any meeting.

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.

RISK MANAGEMENT

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 have been introduced during the year. Management has engaged an external facilitator to assist with this process.

DISCLOSURE AND TRANSPARENCY

The group subscribes to a philosophy of providing meaningful, transparent, timely and accurate communications to its stakeholders.

BUSINESS CONDUCT

The group’s business philosophy requires that the directors and employees conduct themselves with honesty and integrity in all business practices to achieve the highest standards of ethical behaviour.

CORPORATE SOCIAL INVESTMENT

Metrofile is committed to social upliftment of its 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 we realise that HIV/Aids is going to impact business negatively and have therefore committed ourselves to fight for life and as part of our corporate social investment programme, we continue to focus on programmes such as:

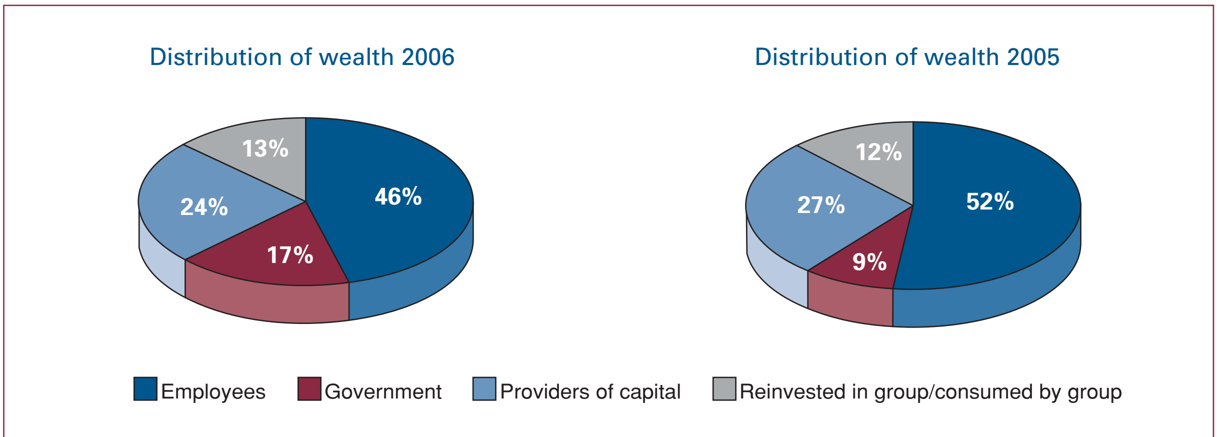
- Our employee assistance programme that provides ongoing counselling and support to existing and new employees.
- HIV/Aids awareness and prevention programme for employees, aimed at limiting the further spread of HIV/Aids.
- Donating an annual amount to an HIV/Aids shelter. The shelter is a 24-hour 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

A common sight in rural South Africa is that of water carriers covering large distances in order to fulfil their daily water requirements. A new patented South African invention, known as the PlayPump, simplifies the exercise. Metrofile has become involved in the financing of a national project to bring water to all members of the society and has since installed a Playpump at Lubuyeni in the Ingwavuma Region of KwaZulu-Natal and will be responsible for its upkeep.

VALUE ADDED STATEMENT

	Group		Restated	
	2006		2005	
	R000	**%**	R000	%
TOTAL WEALTH CREATED				
Revenue	**276 246**		254 437	
Paid to suppliers for materials and services	**35 560**		49 027	
Value added	**240 686**		205 410	
Finance income	**2 640**		1 267	
Total wealth created	**243 326**	**100**	206 677	100
DISTRIBUTED AS FOLLOWS				
Employees				
Remuneration and service benefits	**111 029**	**46**	107 917	52
Government	**42 791**	**17**	19 083	9
Income tax	**3 843**		(5 029)	
RSC levies and other taxes	**38 948**		24 112	
Providers of capital	**58 285**	**24**	5 119	27
Finance charges	**49 335**		53 782	
Minority shareholders	**8 950**		1 337	
Reinvested in group	**31 221**	**13**	24 558	12
Depreciation	**12 760**		11 747	
Attributable earnings	**18 461**		12 811	
Total wealth distributed	**243 326**	**100**	206 677	100



ANNUAL FINANCIAL STATEMENTS

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF METROFILE HOLDINGS LIMITED

We have audited the annual financial statements and group annual financial statements of Metrofile Holdings Limited set out on pages 13 to 45 for year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements and group annual financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting and Accounting Standards, and in the manner required by the Companies Act in South Africa.

Without qualifying our opinion, we draw attention to the balance sheet which indicates that the company and group are technically insolvent at 30 June 2006. As of that date, the company's total liabilities exceeded its total assets by R388 018 000 and the group's total liabilities exceeded its total assets, by R265 271 000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the company's and group's ability to continue as a going concern. Users are referred to the directors' report for details of their assessment of the group's ability to continue as a going concern.

Deloitte & Touche
Registered Auditors
per MH Holme
Partner

Johannesburg
3 November 2006

Building 1, Deloitte Place
The Woodlands Office Park, Woodlands Drive
Sandton 2146

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The board of directors of Metrofile Holdings Limited present their report on the activities of the company and the group.

The directors accept responsibility for the integrity, objectivity and reliability of the financial statements of Metrofile Holdings Limited and its subsidiaries. The directors support the principle of transparent reporting and delegated the responsibility for the preparation and presentation of the financial statements to management. The comments on the internal financial controls on page 6 are also relevant.

The financial statements have been audited by the independent accounting firm Deloitte & Touche, which was given unrestricted access to all financial records and related data, including the minutes of all shareholders' meetings, board of directors' meetings and meetings of subcommittees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The audit report is presented on page 11.

The Common Terms Agreement ("CTA") which was signed on 20 November 2003 with the group's capital providers to provide adequate funding facilities uses group assets as security. Included in the restructure was a Section 311 Scheme of Arrangement with creditors. Accordingly, these annual financial statements have again been prepared on a going-concern basis, which presumes that assets will be realised and liabilities settled in the normal course of business. No adjustments have been processed to the classification or valuation of assets or liabilities, which may be necessary if the group or any company within the group is not able to continue as a going concern.

The consolidated balance sheet reflects an excess of liabilities over assets. Notwithstanding this, the board is of the opinion that the group is 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 on the balance sheet, 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 unutilised working capital facilities.
- All payments to SARS and all trade creditors are up to date.
- Balance sheet assets have been carefully tested for impairment and none is overvalued.
- The group is trading in line with budget.
- Key management is in place with appropriate annual incentives. A longer-term incentive scheme was proposed and approved by shareholders.

The directors are satisfied that the financial statements fairly present the financial position and results of operations and cash flows of the group and the company for the year ended 30 June 2006 in accordance with the appropriate accounting policies based on International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

The financial statements which appear on pages 13 to 45 were approved by the board on 3 November 2006 and are signed on its behalf by:

Christopher Seabrooke
Non-executive Chairman

Graham Wackrill
Chief Executive Officer

Johannesburg
3 November 2006

TO THE MEMBERS OF METROFILE HOLDINGS LIMITED

Your directors submit their report together with the audited annual financial statements of Metrofile Holdings Limited ("Metrofile Holdings" or "the company") and its subsidiaries (the group) for the year ended 30 June 2006.

NATURE OF BUSINESS

Metrofile Holdings Limited holds an investment of 65% in Metrofile (Proprietary) Limited. The group is a specialist in information management and a leading supplier of products and services for the conversion, storage, retrieval and distribution of documents and information.

Metrofile (Proprietary) Limited focuses on all aspects of enterprise document and records management including paper, analogue and electronic "content", including:

• Archiving and retrieval of paper, electronic and analogue documents in national storage centres.

• Conversion of paper to analogue or digital format through conversion centres.

• Professional services, covering consulting, architecture and implementation of solutions.

• Sale, installation and maintenance of products and systems that cover a broad spectrum of niche business equipment.

DIRECTORS AND COMPANY SECRETARY

The names of the directors and secretary at the date of this report are set out on page 50.

All the directors in 2005 were reappointed for a further term of office as approved at the AGM held on 5 December 2005. K Pillay was appointed to the board on 17 November 2005 and IN Matthews joined the board from 1 June 2006. C du Plessis resigned as company secretary as from 30 June 2006 and LM Thompson was appointed as the new company secretary from the same date.

At 30 June 2006, interests of the directors in the shares of the company were as follows:

	Beneficial		Non-beneficial		Total shares
Directors	Direct	Indirect	Direct	Indirect	%
Danisa Eileen Baloyi		8 000			0,01
Graham Dunbar Wackrill	92 204				0,12

There have been no other material changes to the shareholding of the directors between the financial year-end and the date of this report.

Directors' interests in transactions

None of the directors, except as indicated in note 19 to the annual financial statements, has any interest in any transactions that were entered into by the group during the current or immediately preceding financial year, or during an earlier financial year, which remain in any respect outstanding.

FINANCIAL RESULTS

The income statements set out on page 16, reflect the results of the operations of the company and of the group for the year ended 30 June 2006.

Balance sheet

In order to present a balance sheet that fairly reflects the financial position, the asset values have been reassessed. Investments and loans are recorded at fair market or realisable values. Working capital has been assessed to ensure a fair carrying value for inventory and the recoverability of accounts receivable. Buildings have been recorded at their carrying value, and have been tested for impairment by obtaining an independent market valuation.

metrofile holdings limited

Lease commitments

At the reporting date, future committed leasing charges for premises, equipment and motor vehicles amounted to R10,8 million, of which R7,5 million is payable within one year (30 June 2005: R9,8 million, R7,3 million).

Significant contracts

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

Litigation

Other than those claims referred to in note 15 (Contingent liabilities) to the annual financial statements, the group is not involved in any legal or arbitration proceedings, nor are the directors aware of any such proceedings which may be pending or threatened, which may have, or which have had, in the 12-month period preceding the date of issue of this annual report, a material effect on the group's financial position. During the year the Lubaschevsky, Motswedi and EC-Hold minority matters were all settled.

Accounting policies

The accounting policies and methods of computation are in compliance with International Financial Reporting Standards. The group adopted International Financial Reporting Standards at the beginning of the current financial year and the prior years have been adjusted accordingly.

DIVIDENDS

No dividends have been declared for the current year or prior year and it is not the intention that any dividends will be declared or paid in the foreseeable future. Cash generated will be used to service debt and be reinvested in Metrofile (Proprietary) Limited.

SUBSIDIARIES

Details of the company's material operating subsidiaries at 30 June 2006 are set out on page 45.

ASSOCIATED COMPANIES

The company held no investments in associates at 30 June 2006.

SHARE CAPITAL

There were no changes in share capital during the year. Details of share capital can be found in note 12 to the annual financial statements.

SPECIAL RESOLUTIONS

There were no special resolutions registered during the period under review.

REVIEW OF OPERATIONS

The Metrofile business has grown profitably over the past year. This entity made an EBITDA of R85,28 million for the year ended 30 June 2006.

Debt structure

Metrofile (Proprietary) Limited paid down the Metrofile A loan facility to R80 million and began the repayment of the Metrofile B loan facility prior to 30 June 2005. Due to favourable trading conditions and positive cash flow, the Metrofile B loan facility was further reduced during the year and all finance charges on the Metrofile A and B loan facilities have also been paid during the year.

EC-Hold

The legal dispute between the Securities Regulation Panel ("SRP") and Metrofile Holdings Limited was settled during the financial year. In terms of the settlement an offer of 240 cents per share was made to the EC-Hold minorities that could prove that they were shareholders at the date of the deemed concert party transaction and in possession of their shares. A circular with all the terms of the settlement agreement was sent to all the minority shareholders and all valid claims were paid before the year-end. No financial loss for the group arose from the settlement process.

GOING CONCERN

The consolidated balance sheet reflects an excess of liabilities over assets. The board nevertheless 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 balance sheet, 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 unutilised working capital facilities.
- All payments to SARS and all trade creditors are up to date.
- Balance sheet assets have been carefully tested for impairment and none of the assets are overvalued.
- The group is trading in line with budget.
- Key management is in place with appropriate annual incentives and longer-term incentives.

POST-BALANCE SHEET EVENTS

Debt refinancing

Subsequent to the reporting date, the interest-bearing debt of R320 million in Metrofile (Proprietary) Limited has been refinanced. The new financing terms are in line with expected cash flows of the company and all the conversion rights of the old financing agreements have been cancelled. The principal terms of the new refinancing are:

- R175 million senior debt at JIBAR plus 2,75% repayable over six years.
- R45 million senior debt at JIBAR plus 3,5% repayable at the end of six years.
- R100 million mezzanine debt at JIBAR plus 9,5%, reducing to JIBAR plus 5,5% subject to the achievement of certain financial covenants and repayable at the end of six years.

Any prepayments of these facilities in the first three years (other than from internal cash flows) will be subject to penalties payable to the lenders.

Interest rate swap

Subsequent to the reporting date, Metrofile (Proprietary) 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 (Proprietary) Limited is R200 million. The principal terms of the interest rate swap agreements are:

- R80 million at a fixed rate of 10,62% linked to prime –1%, expiring on 19 September 2009.
- R70 million at a fixed rate of 11,62% linked to prime, expiring on 19 September 2009.
- R50 milllion at a fixed rate of 9,13% linked to JIBAR, expiring on 1 August 2009.

CERTIFICATION BY COMPANY SECRETARY

I certify, in accordance with section 268G(d) of the Companies Act, 1973, as amended, that the company, Metrofile Holdings Limited, has, during the period 1 July 2005 to 30 June 2006, lodged with the Registrar all such returns as are required by a public company in terms of the Act and that all such returns are true, correct and up to date.

LM Thompson
Company Secretary

Johannesburg

3 November 2006

INCOME STATEMENTS

for the year ended 30 June 2006

	Notes	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
REVENUE		**276 246**	254 437		
Cost of sales		**(107 974)**	(86 760)		
Gross profit		**168 272**	167 677		
Other operating income		**2 342**	7 788	**52**	
Gross profit before operating expenditure		**170 614**	175 465	**52**	
Selling, distribution and administration costs		**(84 103)**	(100 342)	**(2 240)**	(1 681)
Operating income/(loss) before depreciation, amortisation, exceptional items and net finance costs		**86 511**	75 123	**(2 188)**	(1 681)
Depreciation		**(12 760)**	(11 747)		
Operating profit/(loss) before exceptional items and finance costs	3	**73 751**	63 376	**(2 188)**	(1 681)
Exceptional items	4	**2 121**	(1 742)	**4 180**	17 969
Operating income before finance costs		**75 872**	61 634	**1 992**	16 288
Finance costs	3	**(49 335)**	(53 782)	**(48 775)**	(43 652)
Finance income		**1 072**	1 267	**9**	246
Fair value adjustments on financial instruments		**1 568**			
Dividends received		**2 077**		**2 077**	
Dividends received from subsidiaries					292 168
Profit/(loss) before taxation		**31 254**	9 119	**(44 697)**	265 050
Taxation	5	**(3 843)**	5 029		(6 000)
Profit/(loss) for the year		**27 411**	14 148	**(44 697)**	259 050
Attributable to:					
Equity holders of the parent		**18 461**	12 811	**(44 697)**	259 050
Minority interest		**8 950**	1 337		
		27 411	14 148	**(44 697)**	259 050
Earnings per share (cents)	6	**27,5**	19,1		
Diluted earnings per share (cents)	6	**24,6**	6,0		

BALANCE SHEETS

at 30 June 2006

	Notes	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
ASSETS					
Non-current assets		**167 836**	151 300		
Property, plant and equipment	8	**167 836**	150 174		
Financial assets	9			**6 659**	
Long-term receivables			1 126		
Current assets		**67 481**	66 653	**194**	1 116
Inventories	10	**9 248**	8 029		
Trade receivables	11	**36 193**	38 911		
Other receivables	11	**8 145**	10 342	**20**	800
Bank balances and cash		**13 895**	9 371	**174**	316
Total assets		**235 317**	217 953	**6 853**	1 116
EQUITY AND LIABILITIES					
Equity capital and deficits		**(265 271)**	(295 600)	**(388 018)**	(343 321)
Ordinary share capital and share premium	12	**196 064**	196 064	**497 953**	497 953
Foreign currency translation reserve			(2 918)		
Accumulated losses		**(473 497)**	(491 958)	**(885 971)**	(841 274)
Attributable to equity holders of the parent		**(277 433)**	(298 812)	**(388 018)**	(343 321)
Minority interest		**12 162**	3 212		
Non-current liabilities		**430 789**	438 448	**393 717**	336 799
Interest-bearing provisions	13.1	**32 981**	36 899	**6 000**	
Interest-bearing liabilities	13.2	**171 531**	205 337		
Interest-bearing subordinated redeemable convertible loans	13.3	**219 522**	190 682	**89 443**	75 694
		424 034	432 918	**95 443**	75 694
Deferred taxation liability	5	**6 755**	5 530		
Amounts owing to subsidiaries – non-interest-bearing				**10**	11
– interest-bearing				**298 264**	261 094
Current liabilities		**69 799**	75 105	**1 154**	7 638
Trade payables		**10 266**	7 056	**90**	
Other payables		**24 680**	24 915	**1 064**	1 638
Provisions	20	**5 073**	5 902		
Deferred revenue		**3 374**	3 317		
Taxation		**8 944**	13 600		6 000
Interest-bearing liabilities	13.4	**17 462**	20 315		
Total equity and liabilities		**235 317**	217 953	**6 853**	1 116
Net liability per ordinary share (cents)		**(412,8)**	(459,4)		

metrofile holdings limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

	Share capital R000	Share premium R000	Foreign currency translation reserve R000	Accumu-lated losses R000	Attributable to equity holders of the parent R000	Minority interest R000	Total R000
GROUP							
Balance at 30 June 2004 as previously reported	408	195 656	(2 827)	(521 038)	(327 801)	441	(327 360)
Adjustments for changes in accounting policies as a result of IFRS adoption IAS 16 – Property, Plant and Equipment				10 974	10 974		10 974
Restated balance at 1 July 2004 (refer note 23)	408	195 656	(2 827)	(510 064)	(316 827)	441	(316 386)
Minorities sold during the year						(441)	(441)
Profit for the year				12 811	12 811	1 337	14 148
Profit for the period as previously reported				19 162	19 162		19 162
Adjustments for changes in accounting policies as result of IFRS adoption IAS 16 – Property, Plant and Equipment				2 567	2 567		2 567
IFRS 2 – Share-based Payments				(5 706)	(5 706)		(5 706)
Effect of IFRS adoption – loss on disposal of 35% of investment to minorities				(1 875)	(1 875)		(1 875)
Effect of IFRS adoption on minority interest in restated earnings for the period				(1 337)	(1 337)	1 337	
Adjustments for changes in accounting policies as a result of IFRS adoption booked directly to equity				5 295	5 295		5 295
Share of disposal of 35% of investment to minorities						1 875	1 875
Foreign currency translation reserve			(91)		(91)		(91)
Balance at 30 June 2005 (refer note 23)	**408**	**195 656**	**(2 918)**	**(491 958)**	**(298 812)**	**3 212**	**(295 600)**
Profit for the year				18 461	18 461	8 950	27 411
Foreign currency translation reserve			2 918		2 918		2 918
Balance at 30 June 2006	**408**	**195 656**		**(473 497)**	**(277 433)**	**12 162**	**(265 271)**
The costs of the BEE and employee share scheme transactions were directly booked to equity in terms of first-time adoption of IFRS. The R5,295 million represents the difference between the fair value of the equity instruments acquired by the parties and the actual amounts paid by the parties							
COMPANY							
Balance at 30 June 2004	452	497 501		(1 100 324)	(602 371)		
Profit for the year				259 050	259 050		
Balance at 30 June 2005	452	497 501		(841 274)	(343 321)		
Loss for the year				(44 697)	(44 697)		
Balance at 30 June 2006	**452**	**497 501**		**(885 971)**	**(388 018)**		

CASH FLOW STATEMENTS

for the year ended 30 June 2006

	Notes	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**278 772**	255 052		
Cash paid to suppliers and employees		**(184 697)**	(171 842)	**2 287**	2 141
Cash generated by operations	21.1	**94 075**	83 210	**2 287**	2 141
Net finance costs		**(46 695)**	(52 515)	**(48 766)**	(43 407)
Interest paid		**(49 335)**	(53 782)	**(48 775)**	(43 653)
Interest received		**2 640**	1 267	**9**	246
Dividends received		**2 077**		**2 077**	
Normal taxation paid	21.2	**(13 421)**	(10 593)		
Net cash inflow/(outflow) from operating activities		**36 036**	20 102	**(44 402)**	(41 266)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment to expand operations		**(24 892)**	(8 458)		
Replacement of property, plant and equipment to maintain operations		**(5 684)**	(3 179)		
Proceeds from sale of property, plant and equipment		**244**	39 350		
Outflow on disposal of financial assets		**(39)**	(35)		
Long-term receivables received/(raised)		**1 126**	(1 126)		
(Increase)/decrease in amount due from group company debtors				**(6 658)**	1 136
Net cash (outflow)/inflow from investing activities		**(29 245)**	26 552	**(6 658)**	1 136
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term liabilities		**(30 160)**	(72 511)		
Dividends received from subsidiaries					292 168
Advances (to)/from group companies				**37 169**	(260 689)
Increase in long-term liability		**27 893**	23 545	**13 749**	8 787
Net cash (outflow)/inflow from financing activities		**(2 267)**	(48 966)	**50 918**	40 266
Net increase/(decrease) in cash and cash equivalents		**4 524**	(2 312)	**(142)**	136
Cash and cash equivalents at the beginning of the year		**9 371**	11 683	**316**	180
Cash and cash equivalents at the end of the year		**13 895**	9 371	**174**	316
Bank balances and cash		**13 895**	9 371	**174**	316

metrofile holdings limited

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the current year, the group adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of IASB that are relevant to its operations and effective for the group's reporting period beginning on 1 July 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Share-based Payments (IFRS 2);
- Property, Plant and Equipment (IAS 16).

The impact of these changes in accounting policies is discussed in detail later in this note and note 23. The impact on basic and diluted earnings per share is disclosed in note 6.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6 *Exploration for and Evaluation of Mineral Resources*

IFRS 7 *Financial Instruments: Disclosures*

IFRIC 4 *Determining whether an Arrangement contains a Lease*

IFRIC 5 *Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

IFRIC 7 *Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies*

IFRIC 8 *Scope of IFRS 2*

IFRIC 9 *Reassessment of Embedded Derivatives*

IFRIC 10 *Interim Financial Reporting and Impairment*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group.

IFRS 2 – Share-based Payments

IFRS 2 – Share-based Payments requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of IFRS 2, the group did not recognise the financial effect of share-based payments until such payments were settled.

IAS 16 – Property, plant and equipment

IAS 16 – Property, plant and equipment requires all assets to be depreciated over their useful lives. Depreciable amounts should be determined after taking into consideration the residual value of any asset at the end of its useful life. Prior to the adoption of IAS 16 the group did not take into consideration the useful lies of each individual asset or any residual values of any assets at the end of their useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Joint ventures are those entities over which the group exercises joint control in terms of a contractual agreement. Joint ventures are proportionally consolidated, whereby the group's share of the joint venture's assets, liabilities, results and cash flows are combined with similar items, on a line-by-line basis, in the group's financial statements. The results of jointly controlled entities are proportionately consolidated from the effective date of acquisition up to and including the date of disposal.

2.2 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in calculating the profit or loss on disposal.

2.3 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs of disposal.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes. Sales of goods are recognised when goods are delivered and title has passed. Services are recognised when rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

2.6 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in South African rand, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts and options. For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in South African rand using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.8 Retirement benefit costs

Current contributions to the defined contribution pension fund registered in terms of the Pension Fund Act, 1956, are based on current service and current salaries as they are incurred.

2.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2.10 Property, plant and equipment

Land and buildings are stated at cost whilst other fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Depreciation is calculated on the straight-line basis, so as to write the cost of the assets down to their residual values, at the following rates, which are considered to approximate the estimated useful lives of the assets concerned:

Plant and equipment	6,7 – 20%
Leasehold improvements	25%
Motor vehicles	16,7%
Furniture and fittings	10%
Office equipment	20%
Computer software	50%
Computer equipment	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Redundant and slow-moving inventory items are identified and written down to their estimated economic or realisable value.

2.12 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at proceeds received, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Trade payables

Trade and other payables are stated at their nominal value.

Derivative financial instruments and hedge accounting
The group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The group uses derivative financial instruments (primarily foreign currency forward contracts and interest rate swap agreements) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The significant interest rate risk arises from bank loans. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the group's risk management strategy.

The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The group's policy with regard to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Convertible loan notes
Convertible loan notes are regarded as financial liabilities. The interest expense on the liability is calculated by applying the contracted interest rate to the liability and added to the carrying amount of the convertible loan note.

2.13 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2.14 Share-based payments

The group issues certain equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on the straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and be adjusted for the effect of non-market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Cash-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and expensed on the straight-line basis over the vesting period.

2.15 Judgements made by management

Preparing financial statements in conformity with IFRS requires estimates and assumptions that effect reported amounts and related disclosures. Actual results could differ from these estimates. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments as follows:

Asset lives and residual value
Property, plant and equipment is depreciated over its useful life taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible assets other than goodwill
Intangible assets other than goodwill are amortised over their useful lives. The actual lives of the intangible assets are assessed annually and may vary depending on a number of factors. In reassessing intangible asset lives, factors such as technological innovation are taken into account.

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
3. OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS AND FINANCE COSTS				
Operating profit/(loss) before exceptional items and finance costs is stated after accounting for the following:				
Auditors' remuneration	**1 600**	1 933	**532**	362
– Current year – audit fee	**1 526**	1 238	**532**	362
– other services	**132**	494		
– Prior year (over)/underprovision	**(58)**	201		
Directors' emoluments paid by subsidiaries	**4 403**	4 692		
Executive directors	**3 665**	3 773		
Non-executive directors	**738**	919		
Finance costs	**49 335**	53 782	**48 775**	43 652
Financial institutions	**35 954**	39 995	**15**	233
Intercompany loans			**37 167**	33 831
Other	**13 381**	13 787	**11 593**	9 588
Foreign exchange (gains)/losses		(33)		
Depreciation	**12 760**	11 748		
Profit on disposal of furniture and equipment	**(90)**	(2 015)		
Managerial, secretarial and technical fees	**5 652**	563	**933**	452
Operating lease charges	**7 856**	5 530		
Plant, furniture and equipment		1 764		
Land and buildings	**7 856**	3 766		
Retirement benefit expenses	**7 339**	8 189		
Share-based incentive payments	**889**	1 806		
Employment costs	**111 029**	107 917		
Number of employees at the year-end was 1 078 (2005: 1 070).				
4. EXCEPTIONAL ITEMS				
Loss on disposal/liquidation of investments	**(3 138)**	(3 195)	**(52)**	(31)
Impairment of property, plant and equipment		(88)		
Recoupment of loans receivable	**5 259**		**4 232**	12 901
Profit on disposal of fixed property		521		
Cost to aquire a BEE partner		(3 900)		
Loss on sale of 35% investment to minorities		(1 875)		
Net raising of claims		6 795		5 099
	2 121	(1 742)	**4 180**	17 969

metrofile holdings limited

		Group		Company	
			Restated		Restated
		2006	2005	**2006**	2005
		R000	R000	**R000**	R000
5.	**TAXATION**				
5.1	**South African normal taxation**				
	Current taxation	**2 618**	(8 746)		6 000
	Current year	**10 040**	3 573		
	Prior year	**(7 422)**	(12 319)		6 000
	Deferred taxation	**1 225**	1 247		
	Current year	**1 225**	1 325		
	Rate change		(73)		
	Prior year		(5)		
5.2	**Other taxation**		2 470		
	Secondary tax on companies		420		
	Capital gains tax		2 050		
		3 843	(5 029)		6 000
5.3	**Taxation reconciliation**				
	Profit/(loss) before taxation	**31 254**	9 119	**(44 698)**	265 050
	Taxation at statutory taxation rate of 29% (2005: 29%)	**9 064**	2 645	**(12 962)**	76 865
	Net capital items/exempt income	**(903)**	480	**(602)**	(92 603)
	Non-deductible expenditure	**4 757**	5 257	**14 142**	15 403
	Prior year taxation	**(7 422)**	(12 324)		6 000
	Assessed loss utilised	**(1 572)**	(3 212)	**(577)**	
	Rate change adjustment		(73)		
	Secondary tax on companies		420		
	Capital gains tax		2 050		
	Temporary differences not recognised	**(81)**	(273)		335
	Actual taxation charged	**3 843**	(5 029)		6 000
		%	%	**%**	%
	Taxation rate reconciliation				
	Statutory taxation rate	**(29,0)**	(29,0)	**(29,0)**	(29,0)
	Net capital items/exempt income	**2,9**	(5,3)	**(1,3)**	34,9
	Non-deductible expenditure	**(15,2)**	(57,6)	**31,6**	(5,8)
	Prior year taxation	**23,7**	135,1		(2,3)
	Assessed loss utilised	**5,0**	35,2	**(1,3)**	
	Rate change adjustment		0,8		
	Secondary tax on companies		(4,6)		
	Capital gains tax		(22,5)		
	Temporary differences not recognised	**0,3**	3,0		(0,1)
	Effective taxation rate	**(12,3)**	55,1		(2,3)

		Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
5.	**TAXATION (continued)**				
5.4	**Deferred taxation**				
	Property, plant and equipment	**(8 071)**	(8 078)		
	Prepayments	**(590)**	(367)		
	Provisions	**1 452**	1 548		
	Other	**454**	1 547		
	Total	**(6 755)**	(5 350)		
	Net deferred taxation liability				
	Opening balance	**(5 530)**	(4 226)		
	Income statement movement	**(1 225)**	(1 247)		
	Other		(57)		
	Closing balance	**(6 755)**	(5 530)		
	Deferred taxation liability	**(6 755)**	(5 530)		
5.4	**Taxation losses**				
	Estimated taxation losses available for offset against future taxable income amount to:	**228 042**	231 098	**202 503**	201 787
	These taxation losses are unlikely to be used by normal operations and accordingly no deferred taxation asset has been raised.				
6.	**EARNINGS PER ORDINARY SHARE**				
6.1	**Earnings**				
	Earnings for purposes of earnings per share	**18 461**	12 812		
	Effect of dilutive potential ordinary shares:				
	Interest expense related to Metrofile Holdings convertible loan notes	**11 608**	9 588		
	Earnings for purposes of diluted earnings per share	**30 069**	22 400		
	Number of shares – earnings per share				
	Number of ordinary shares in issue (000)	**74 077**	74 077		
	Number of ordinary shares held in treasury (000)	**(6 877)**	(6 877)		
	Weighted average number of ordinary shares in issue after deducting treasury shares (000) for purposes of basic earnings	**67 200**	67 200		
	Effect of dilutive potential ordinary shares:				
	Metrofile Holdings convertible loan notes converted into ordinary shares (000)	**55 206**	307 249		
	Weighted average number of ordinary shares in issue (000) for purposes of diluted earnings	**122 406**	374 449		
	Earnings per share (cents)	**27,5**	19,1		
	Diluted earnings per share (cents)	**24,6**	6,0		

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
6. EARNINGS PER ORDINARY SHARE (continued)				
6.2 Headline earnings				
Basis for calculation				
The calculation of headline earnings per ordinary share is based on headline earnings of R16,2 million (2005: R19,3 million) and a weighted average number of 67,2 million (2005: 67,2 million) ordinary shares in issue during the year. Both headline earnings per share and earnings per share exclude 6,9 million (2005: 6,9 million) treasury shares. This basis is a measure of the trading performance and excludes profits and losses of a capital nature. It is derived, after taxation and outside shareholders' interest, as follows:				
Headline earnings				
Profit attributable to equity holders of the parent	**18 461**	12 812		
Adjusted for after tax:				
Profit on disposal of property, plant and equipment	**(90)**	(2 536)		
Capital loss/(profit) on disposal/liquidation of investments	**3 084**	8 970		
Impairment of property, plant and equipment		88		
Net recovery of loans previously impaired	**(5 259)**			
Headline earnings for purposes of headline earnings per share	**16 196**	19 334		
Effect of dilutive potential ordinary shares:				
Interest expense related to Metrofile Holdings loan notes	**11 608**	9 588		
Headline earnings for purposes of diluted headline earnings per share	**27 804**	28 922		
Headline earnings per ordinary share (cents)	**24,1**	28,8		
Diluted headline earnings per ordinary share (cents)	**22,7**	7,7		
	cents	cents		
6.3 Reconciliation of headline earnings/(loss) per share				
Profit per ordinary share	**27,5**	21,9		
Adjusted for after tax:				
Profit on disposal of property, plant and equipment	**(0,2)**	(3,8)		
Capital (profit)/loss on disposal/liquidation of investments	**4,6**	10,6		
Impairment of property, plant and equipment		0,1		
Net recovery of loans previously impaired	**(7,8)**			
Headline earnings per ordinary share	**24,1**	28,8		

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
6. EARNINGS PER ORDINARY SHARE (continued)				
6.3 Reconciliation of headline earnings/(loss) per share (continued)				
Impact of changes due to the adoption of IFRS				
The adoption of all new and revised Standards and Interpretations are outlined in note 1. These changes had a similar impact on the amounts reported for earnings per share as on the restated results reported for 2005.				
The following table summarises that impact on both basic and diluted earnings per share:				
Impact on basic earnings per share				
Depreciation		4,0		
Share-based payments		(13,8)		
		(9,8)		
Impact on diluted earnings per share				
Depreciation		4,0		
Share-based payments		(13,8)		
		(9,8)		

The adjustment to determine the diluted headline earnings per share and diluted earnings per share is directly attributable to an interest saving 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 (includes notes held by third parties 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.

	Group 2006 R000	Group Restated 2005 R000
6.4 Adjusted headline earnings		
Included in headline earnings as calculated in note 6.2 are certain non-recurring items. Headline earnings, adjusted for these non-recurring items are:		
Headline earnings as calculated in note 6.2	**16 196**	19 334
Adjusted for:		
Dividends received	**(2 077)**	
Taxation	**(6 000)**	
Adjusted headline earnings	**8 119**	19 334
Effect of dilutive potential ordinary shares:		
Interest expense related to Metrofile Holdings loan notes	**11 608**	9 588
Adjusted headline earnings for purposes of diluted headline earnings per share	**19 727**	28 922
Adjusted headline earnings per ordinary share (cents)	**12,1**	28,8
Adjusted diluted headline earnings per ordinary share (cents)	**16,1**	7,7

7. DIRECTORS' REMUNERATION

Rand	Directors' fees	Salary	Bonuses	Pension contribution	Gain in Metrofile (Proprietay) Limited options exercised	Other benefits	Total
2006							
DE Baloyi*	200 000					2 940	202 940
IN Matthews*	27 917					110	28 027
SR Midlane		707 733	550 000	84 479		143 682	1 485 894
CS Seabrooke*•	500 000					7 350	507 350
GD Wackrill		977 946	861 082	173 340		166 588	2 178 956
	727 917	1 685 679	1 411 082	257 819		320 670	4 403 167

*Non-executive director

•An amount of R0,7 million (2005: R0,5 million) was also paid to Sabvest Financial Services (Proprietary) Limited, of which Mr Seabrooke is a director, for time spent on group affairs outside of board and committee forums

Rand	Directors' fees	Salary	Bonuses	Pension contribution	Gain in Metrofile (Proprietary) Limited options exercised	Other benefits	Total
2005							
DE Baloyi*	260 732					4710	265 442
E Gutierrez-Garcia*•†	145 833						145 833
SR Midlane		734 849	740 000	85 600		160 685	1 721 134
CS Seabrooke*#	500 000					8 516	508 516
GD Wackrill		906 342	834 514	162 000	697 500	148 681	2 749 037
	906 565	1 641 191	1 574 514	247 600	697 500	322 592	5 389 962

*Non-executive director

•Paid to Brait South Africa Limited

†E Gutierrez-Garcia resigned as non-executive on 27 January 2005

#An amount of R0,5 million (2004: R0,7 million) was also paid to Sabvest Financial Services (Proprietary) Limited, of which Mr Seabrooke is a director, for time spent on group affairs outside of board and committee forums

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R000	Plant and machinery R000	Computer equipment owned R000	Computer equipment leased R000	Motor vehicles R000	Furniture and equipment R000	Total R000
Cost							
At 1 July 2005	99 298	62 423	33 067	46	8 204	6 388	209 426
Additions	15 472	9 665	2 926	603	1 197	713	30 576
Disposals	(7)	(4 496)	(1 761)		(561)	(471)	(7 296)
Reclassification	12	(25)	6		76	(69)	
At 30 June 2006	**114 775**	**67 567**	**34 238**	**649**	**8 916**	**6 561**	**232 706**
Accumulated depreciation							
At 1 July 2005	950	28 274	22 209	43	3 755	4 021	59 252
Depreciation	203	4 869	6 047	46	1 103	492	12 760
Disposals		(4 426)	(1 728)		(526)	(462)	(7 142)
Reclassification	7	(1)	8		1	(15)	
At 30 June 2006	**1 160**	**28 716**	**26 536**	**89**	**4 333**	**4 036**	**64 870**
Net book value							
At 30 June 2006	**113 615**	**38 851**	**7 702**	**560**	**4 583**	**2 525**	**167 836**
Cost							
At 1 July 2004	100 092	59 904	31 375	656	8 382	7 720	208 129
Additions	2 094	4 385	3 711		1 048	396	11 635
Disposals	(3 133)	(1 866)	(743)		(817)	(230)	(6 789)
Subsidiaries disposed			(317)	(366)	(409)	(38)	(1 130)
Reclassification	243			(243)			
Impairment of assets			(959)			(1 460)	(2 419)
At 30 June 2005	**99 298**	**62 423**	**33 067**	**46**	**8 204**	**6 388**	**209 426**
Accumulated depreciation							
At 1 July 2004	1 106	24 716	18 739	590	3 835	4 814	53 799
Depreciation	196	4 580	5 400	5	746	820	11 748
Disposals	(589)	(1 022)	(713)		(817)	(227)	(3 368)
Subsidiaries disposed			(258)	(315)	(9)	(15)	(597)
Reclassification	237			(237)			
Impairment of assets			(959)			(1 371)	(2 330)
At 30 June 2005	**950**	**28 274**	**22 209**	**43**	**3 755**	**4 021**	**59 252**
Net book value							
At 30 June 2005	**98 348**	**34 149**	**10 858**	**3**	**4 449**	**2 367**	**150 174**

A register of land and buildings is available for inspection at the registered office of the company.
All the assets have been pledged as security against certain loans as detailed in note 13.

		Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
9.	**FINANCIAL ASSETS**				
9.1	**Subsidiaries**				
	Shares at carrying value				
	Amounts owing by subsidiaries			**6 659**	
				6 659	
9.2	**Joint venture**				
	50% (2005: 50%) of Digital Initiatives (Proprietary) Limited				
	Directors' valuation is nil (2005: nil)				
9.3	**Other investments**				
	0% (2005: 25%) of Exsol Europe BC				
	Unlisted shares at cost		615		615
	Impairment adjustment		(615)		(615)
	0% (2005: 29,1%) of Computer Configurations Holdings Limited				
	Unlisted shares at cost		1 700		1 700
	Impairment adjustment		(1 700)		(1 700)
	Computer Configurations Limited has been liquidated.				
9.4	**Investment loans**				
	Motswedi investment loan				
	Unsecured loan		9 200		9 200
	Impairment adjustment		(9 200)		(9 200)
	All the investments were fully impaired during prior years when the related investment either became dormant or there were no further expectations of any future returns/cash flows from the investment.				
	Total financial assets			**6 659**	

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
9. FINANCIAL ASSETS (continued)				
9.5 Summarised financial information of joint venture				
The group's proportional interest in the joint venture (refer note 9.2) has been incorporated in the group's assets, liabilities and results as follows:				
Property, plant, equipment and investments	**775**	1 620		
Working capital	**(991)**	(803)		
Cash flow	**(1 592)**	(564)		
Revenue	**5 431**	2 730		
Profit/(loss) before tax	**496**	286		

At 30 June 2006, Metrofile had ceded and pledged its interests in all its financial assets as security to the capital providers.

For further details on security and other information refer to page 45.

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
10. INVENTORIES				
Maintenance spares	**12 793**	11 693		
Goods available for sale	**1 352**	1 132		
Consumables	**1 307**	1 565		
Total inventory	**15 452**	14 390		
Less: Provisions	**(6 204)**	(6 361)		
Net inventory	**9 248**	8 029		

Inventories have been ceded as security to the capital providers in terms of the restructure.

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
11. TRADE AND OTHER RECEIVABLES				
At 30 June 2006, Metrofile had ceded and pledged its trade and other receivables as security to its capital providers. Included in other receivables in 2005 was R5,5 million for an outstanding insurance claim	**8 145**	10 342	**20**	800
12. ORDINARY SHARE CAPITAL AND SHARE PREMIUM				
12.1 Share capital				
Authorised				
100 000 000 ordinary shares of 0,6146 cents each	**615**	615	**615**	615
Issued				
74 077 413 ordinary shares of 0,6146 cents each	**456**	456	**456**	456
Less: Treasury shares offset	**(48)**	(48)	**(4)**	(4)
	408	408	**452**	452

As a consequence of the group's holding in, and the subsequent acquisition of Computer Configurations Holdings Limited, a subsidiary of Metrofile Holdings owns 6,9 million (2005: 6,9 million) ordinary shares in Metrofile Holdings Limited. During the previous year these shares were transferred to MGX Management Services (Proprietary) Limited and held as treasury shares. These treasury shares have been excluded from any earnings/(loss) per share and headline earnings/(loss) per share calculations.

		Group		Company	
			Restated		Restated
		2006	2005	**2006**	2005
		R000	R000	**R000**	R000
12.	**ORDINARY SHARE CAPITAL AND SHARE PREMIUM (continued)**				
12.2	**Share premium**	**195 656**	195 656	**497 501**	497 501
	Total share capital and share premium	**196 064**	196 064	**497 953**	497 953

12.3 Share incentive schemes

The original MGX share incentive scheme was approved in terms of an ordinary resolution passed at a general meeting of shareholders on 22 June 1995.

An updated scheme was adopted to ensure that more appropriate incentives were granted to Metrofile employees. The scheme was approved at a general meeting on 21 February 2001, subject to the condition that both schemes cumulatively will not exceed 15% of the total issued share capital.

During the year all the share options were cancelled when all the remaining employees unanimously agreed to cancel the existing incentive scheme.

12.3.1 MGX Management Incentive Trust

The MGX Management Incentive Trust purchased shares in Metrofile Holdings (previously known as "MGX Holdings"). These shares were paid for by the participants and were transfered to these participating individuals during the year after obtaining all the documentation required by the scheme. A decision was taken to legally terminate the incentive scheme but not to deregister the trust.

12.3.2 Metrofile Employees Share Incentive Trust

During February 2005 the Metrofile Employees Share Incentive Trust purchased 5% of the ordinary shares in Metrofile (Proprietary) Limited. These shares were paid for and delivered to the participating individuals during the previous financial year.

		Group		Company	
			Restated		Restated
		2006	2005	**2006**	2005
		R000	R000	**R000**	R000
13.	**NON-CURRENT LIABILITIES**				
13.1	**Interest-bearing liabilities**				
	Provisions	**32 981**	36 899	**6 000**	
	Should the claims be proved and accepted in terms of the Section 311 Scheme of Arrangement, the liability will form part of the Metrofile loan notes (previously known as the "MGX" loan notes). The Metrofile loan notes are subordinated in favour of any third party creditor and will be compulsorily convertible into Metrofile Holdings shares in the event that the notes have not been redeemed for cash within five years of the date of the debt refinancing becoming unconditional. Refer to note 13.3 for full disclosure of terms and conditions of the Metrofile loan notes	**32 981**	36 899	**6 000**	
	Total interest-bearing provisions	**32 981**	36 899	**6 000**	

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
13. NON-CURRENT LIABILITIES (continued)				
13.2 Interest-bearing liabilities				
Metrofile A facility	**80 000**	80 000		
Being a five-year senior loan facility, accruing interest at the prime rate minus 1% on a nominal annual compounded quarterly ("NACQ") basis. The Metrofile A facility lenders have the first right of recourse to the security, together with the providers of the working capital facility	**80 000**	80 000		
Metrofile B and B1 facility	**81 527**	114 205		
Being a five-year loan, accruing interest at the prime rate which interest will be capitalised on a NACQ basis, repayable from excess cash flows after the working capital facility has been repaid and the Metrofile A facility has been reduced to R80 million and secured by a second right of access to the security ranking pari passu with the rights of the Metrofile B1 facility (see below). The balance of the Metrofile B facility, inclusive of accrued and capitalised interest, outstanding on the happening of certain default events or the final date for repayment of the Metrofile B facility, will be convertible, at the election of the lenders of the Metrofile B facility and the Metrofile B1 facility, into Metrofile (Proprietary) Limited ordinary shares	**97 181**	132 698		
Less: Amounts payable within one year reflected under current liabilities	**(15 654)**	(18 493)		
Bonds	**10 004**	11 132		
Secured by first mortgage bond over properties with estimated net book values of R25,8 million (2005: R25,8 million). The loans bear interest at prime less 1,25% and are repayable in equal monthly instalments. Although the mortgage bond does not form part of the restructured debt, it was agreed that only the interest should be paid for a two year period, commencing on 4 March 2004. The last payment is due on 31 May 2013	**11 812**	11 132		
Less: Amounts payable within one year reflected under current liabilities	**(1 808)**			

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		Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
13.	**NON-CURRENT LIABILITIES (continued)**				
13.2	**Interest-bearing liabilities** (continued)				
	Finance leases				
	Secured over assets held under finance leases having a book value of R3,2 million in 2005. The total balance outstanding of R1,8 million in 2005 was repayable within one year		1 822		
	Less: Amounts payable within one year reflected under current liabilities		(1 822)		
	Total interest-bearing liabilities	**171 531**	205 337		
13.3	**Interest-bearing subordinated redeemable convertible loans**				
	Metrofile C facility	**130 079**	114 988		
	Being a five-year loan, accruing interest at the prime rate plus 2% capitalised on a NACQ basis, repayable from excess cash flows after the settlement of the capital and interest of the Metrofile B facility and the Metrofile B1 facility, secured by a third right of access to the security. The balance of the Metrofile C facility outstanding, inclusive of accrued and capitalised interest, will automatically convert into Metrofile (Proprietary) Limited ordinary shares, on the final repayment date of the Metrofile C facility or, if the Metrofile B facility and the Metrofile B1 facility convert at any time. In addition, on the happening of certain default events, the Metrofile C facility will be convertible into ordinary shares in Metrofile (Proprietary) Limited if the Metrofile B facility does not convert into shares	**130 079**	114 988		
	Metrofile Holdings loan notes	**89 443**	75 694	**89 443**	75 694
	The notes accrue interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, be repayable from the excess cash flows from Metrofile once the capital and interest on the Metrofile C facility has been repaid, have a fourth right of recourse to the security and are compulsorily convertible into Metrofile Holdings shares if the Metrofile C facility converts into Metrofile (Proprietary) Limited ordinary shares at any time or in the event that the notes have not been redeemed for cash within five years of the date of the debt refinancing becoming unconditional. Redemption is in terms of a predetermined formula and no voluntary conversion of the notes into Metrofile Holdings shares is provided for	**89 443**	75 694	**89 443**	75 694

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000

13. NON-CURRENT LIABILITIES (continued)

13.3 Interest-bearing subordinated redeemable convertible loans (continued)

Both the Metrofile C facility and the Metrofile Holdings loan notes have been subordinated by the capital providers in favour of any third party creditor (not being any finance party or shareholder) to the extent that such third party creditor's claim will rank in priority to the capital providers pro rata to their outstanding debt.

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
Total interest-bearing convertible loans	**219 522**	190 682	**89 443**	75 694
Total non-current liabilities	**424 034**	432 918	**95 443**	75 694
13.4 Current liabilities				
Interest-bearing liabilities	**17 462**	20 315		
Short-term portion of long-term liabilities	**17 462**	20 315		
– Metrofile B facility	**15 654**	18 493		
– Mortgage bond	**1 808**			
– Finance leases		1 822		
Total current liabilities	**17 462**	20 315		

Security for the Metrofile facilities and the Metrofile Holdings loan notes (previously known as the "MGX loan notes"), is provided by Micawber 305 (Proprietary) Limited ("the guarantor"), a special purpose vehicle created to facilitate a security mechanism for the capital providers, in the form of guarantees issued to the capital providers and to the holders of the notes ("the security"). The guarantor holds the underlying assets of Metrofile Holdings and Metrofile (Proprietary) Limited as security for its obligations under the guarantees provided by it to the capital providers.

14. COMMITMENTS

14.1 Authorised capital expenditure

Metrofile (Proprietary) Limited has a budgeted capital expansion and replacement programme of approximately R22,6 million in 2006/07 which will be funded from surplus cash generated through operating activities, after servicing its debt obligations.

		Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
14.	**COMMITMENTS (continued)**				
14.2	**Operating leases** (continued)				
	Future leasing charges for premises and equipment				
	Payable within one year	**7 544**	7 287		
	Payable within two to five years	**3 279**	2 531		
	In 2003 Metrofile (Proprietary) Limited entered into various long-term lease agreements related to buildings not owned by the group. The last agreements expire in 2011 and the company has the option to renew and extend the agreements for a further term. All the leases are market related and annual escalations range between cpi and 8% in all the various agreements.				
		10 823	9 818		

15. CONTINGENT LIABILITIES

15.1 MGX/Eureka Pension Fund

The company is in the process of transferring the assets of this pension fund to other funds subject to approval from the Financial Services Board and 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 in certain of which it is alleged that the company may have contingent liabilities of up to R9 million. It is expected that this matter will be resolved in the coming financial year.

15.2 Businesses sold

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

15.3 Secondary tax on companies

The group has contingent liabilities for STC in certain of its dormant and operating subsidiaries. These will only arise in the event of liquidation of the dormant companies with distributable reserves.

16. BORROWING POWERS

In terms of its articles of association the company's borrowing powers are unlimited.

In terms of the restructure agreement, known as the "common terms agreement", borrowing powers of the remaining group companies are limited to the "Metrofile working capital facility". The short-term facility is limited to R10 million, being a revolving working capital facility, accruing interest at the prime rate minus 1% on a NACQ basis, to be repaid in full on the earlier of 12 months after the date on which advanced or on the date upon which the Metrofile A facility reaches a level of R80 million and ranking pari passu with the Metrofile A facility as regards access to the security. The facility has been extended for an indefinite period and management is in the process of regularising the working capital facility.

Security for the Metrofile facilities and the Metrofile Holdings notes (previously known as "MGX notes"), is provided by Micawber 305 (Proprietary) Limited ("the guarantor"), a special purpose vehicle created to facilitate a security mechanism for the capital providers, in the form of guarantees issued to the capital providers and to the holders of the notes ("the security"). The guarantor holds the underlying assets of Metrofile Holdings and Metrofile (Proprietary) Limited as security for its obligations under the guarantees provided by it to the capital providers.

17. FINANCIAL RISK MANAGEMENT

17.1 Foreign currency exposure

In the normal course of business, the group enters into transactions denominated in a variety of foreign currencies. As a result the group is subject to transactions and translation exposures resulting from fluctuations in currency exchange rates. The group uses forward exchange contracts, foreign currency borrowings and natural hedges to minimise the foreign currency exchange exposures associated with its foreign currency transactions. Exposure to the group companies is generally controlled at a subsidiary level. It is not the group's policy to take speculative positions in foreign currencies. Existing forward exchange contracts cover existing and future trade commitments as well as other liabilities.

	Currency	Amount in foreign currency (000)	Exchange rate used	Reported value 2006 R000	Reported value 2005 R000
17. FINANCIAL RISK MANAGEMENT (continued)					
17.1 Foreign currency exposure (continued)					
As at 30 June 2006 the group's foreign currency exposure was as follows:					
Uncovered foreign denominated liabilities included in trade payables	US$	8,7	7,17	**62**	31
	GBP				11
	Euro	9,1	9,16	**83**	115
Uncovered foreign denominated assets	US$				10
	GBP				8
	Euro				1
Existing foreign currency forward exchange contracts covering balance sheet items included at fair value in trade payables are:					
Buy contracts	US$	33,1	7,18	**238**	386
	GBP	6,6	13,27	**88**	99
	Euro	649,9	9,38	**6 098**	

17.2 Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash, bank overdrafts and medium and long-term liabilities. The interest rates applicable to these financial instruments are comparable with those currently available in the market. Certain interest rate swap agreements were entered into to eliminate interest rate fluctuations on a portion of the debt over a four-year period.

Included in other receivables is an amount of R3,5 million, being the fair value of the aggregate interest rate swap agreements at reporting date. The fair values are calculated as the aggregate difference between the discounted cash flows at the fixed interest rate for each individual interest rate swap agreement and discounted cash flows of forward projections of prime interest rates over the remaining period of each individual agreement. All cash flows are discounted at market rates at the reporting date when calculating present values.

17.3 Credit risk

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. This is implemented and controlled at an operating subsidiary level.

Credit risk evaluations are performed on all customers requiring credit. This is implemented and controlled at an operating subsidiary level.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

17.4 Fair values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

17.5 Financial instruments

During the prior year, Metrofile Holdings sold 25% of its Metrofile shares in a BEE transaction to the Mineworkers Investment Company ("MIC"). In the event that the Metrofile B or Metrofile C loan notes are not repaid or refinanced by 4 March 2009 and either or both of the series of notes are converted to equity in Metrofile, MIC's effective shareholding will reduce from 25% to 10% of the total increased share capital of Metrofile. These conditions included in the sale agreement give rise to a derivative. The fair value of this derivative, based on the likelihood of the conversion conditions occurring, is insignificant since the triggering events are not likely to occur, and no fair value adjustment has been made in the financial statements.

In 2005 Metrofile Holdings sold 5% of its Metrofile shares to Sabvest. A call and put option exist over these shares. Amongst other, this option includes the dilution of Sabvest's shareholding from 5% to 2,5% of the total increased issued share capital of Metrofile should the Metrofile B or C facilities convert into Metrofile shares. These conversion features (call and put option) included in the sale agreement also give rise to derivatives. The fair value of these derivatives, based on the likelihood of the conversion conditions occurring are insignificant since the triggering events are not likely to occur and no fair value adjustments have been made in the financial statements.

17. FINANCIAL RISK MANAGEMENT (continued)

17.5 Financial instruments (continued)

Details of certain interest rate swap agreements that were entered into during the year are:

R80 million – Termination date 19 September 2009 fixed at rate of 10,62% and payable quarterly in arrears. This agreement is linked to the R80 million Metrofile A facility, accruing interest at prime rate less 1%.

R70 million – Termination date 19 September 2009 fixed at rate of 11,62% and payable quarterly in arrears. This agreement is linked to the R97 million Metrofile B facility, attracting interest at prime rate.

An aggregate amount of R1,6 million was paid to financial institutions, being the net difference between the higher swap rates and the interest rates of the loans linked to these swap agreements.

18. RETIREMENT BENEFIT PLANS

All the retirement benefit plans operated by group companies domiciled in the Republic of South Africa are governed by the Pension Funds Act, 1956 (Act No 24 of 1956) ("the Act").

Defined contribution plans

Of the group's employees, certain are members of two defined contribution retirement benefit plans administered by Pioneer Employee Benefits (Proprietary) Limited and Sanlam Life Assurance Limited. Both the group and the employees are required to contribute to the retirement benefit scheme to fund the benefits.

The only obligation of the group with respect to the retirement benefit scheme is to make the specified contributions. The total cost charged to income of R7,4 million (2005: R8,2 million) represents contributions paid to the scheme.

19. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors and senior management. The group and its subsidiaries, in the ordinary course of business, enter into various transactions with entities in which the group has an interest. These transactions are entered into on an arm's length basis. Significant related party transactions are detailed below.

Inter-company trading and group management fees

There was no inter-company revenue between subsidiaries during the year (2005: nil).

During the year, management fees in the amount of R6,0 million (2005: R9,6 million) were charged to subsidiaries which have been eliminated on consolidation.

Loans

Inter-company loans are repayable on demand unless subordinated. Interest is charged at market rates where applicable. A loan related to leased assets also exists between MGX Management Services (Proprietary) Limited and Digital Initiatives (Proprietary) Limited, a joint venture investment. The R1,2 million (2005: R2,3 million) portion of the loan related to the third party is accounted for under short and long-term receivables.

Compensation of key management personnel

Messrs GD Wackrill and SR Midlane, executive and non-executive directors of Metrofile Holdings respectively, and Mr RM Buttle, Chief Financial Officer of Metrofile (Proprietary) Limited, earned interest on the portion of the Metrofile C facility which they aquired during the previous year. The interest amounts earned by these individuals were R0,2 million, R0,1 million and R0,1 million respectively. Messrs GD Wackrill and RM Buttle both also hold small quantities of shares in Metrofile Holdings Limited. In both instances, these shares were acquired on the open market a number of years ago as part of their private share portfolios.

The Metrofile C facility accrued interest at a rate of prime plus 2% during the year.

Mr GD Wackrill acquired 2,5% of the issued share capital of Metrofile (Proprietary) Limited during the prior financial year and in terms of IFRS 2 earned share-based payments of R0,7 million during 2005.

During the financial year Sabvest Financial Services (Proprietary) Limited ("Sabvest") performed certain managerial services to the value of R0,7 million (2005: R0,5 million) for the Metrofile Group. Chris Seabrooke ("Seabrooke"), Non-executive Chairman of Metrofile, is also CEO of Sabvest. The Seabrooke family trust has a voting interest of 67% and an economic interest of 32% in the shares of Sabvest. Notwithstanding these transactions, the board is still satisfied that the extent of Sabvest's interest is not material enough to compromise Mr Seabrooke's independence. Sabvest Finance & Guarantee Corporation Limited earned interest of R4,6 million on the Metrofile B and C facilities which it aquired during the previous financial year. The Metrofile B and C facilities accrued interest at a rate of prime and prime plus 2% during the year respectively.

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000

19. RELATED PARTY TRANSACTIONS (continued)

Compensation of minority shareholders
During the prior financial year Sabvest acquired 5% of the issued share capital of Metrofile (Proprietary) Limited and in terms of IFRS 2 earned share-based payments of R0,9 million (2005: R0,4 million) during the year. MIC earned R0,6 million in management fees in terms of the shareholders' agreement with Metrofile (Proprietary) Limited.

In addition to being the company secretary until 30 June 2006, Mr Charl du Plessis also performed certain legal services for the group during the year. Mr du Plessis also assisted with the winding up of the dormant companies at an agreed fee.

Mr Leon Thompson also assisted with the winding up all these dormant companies at an agreed fee, as previously approved by the board.

20. PROVISIONS

Included in other payables and provisions are the following provisions:

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
Opening balance on 1 July 2005	**5 902**	10 469		
Provision for labour dispute		5 781		
Provision for bonuses				
Provision for leave pay	**4 148**	4 069		
Provision for PAYE dispute	**1 427**	553		
Provision for RSC levy dispute		19		
Provision for insurance claim	**250**			
Provision for licences	**43**			
Provision for legal costs	**34**	47		
Provisions raised/(decreased)	**(829)**	(4 567)		
Provision for labour dispute		(5 781)		
Provision for bonuses	**1 379**			
Provision for leave pay	**(454)**	79		
Provision for PAYE dispute	**(1 427)**	874		
Provision for RSC levy dispute		(19)		
Provision for insurance claim	**(250)**	250		
Provision for licences	**(43)**	43		
Provision for legal costs	**(34)**	(13)		
Closing balance on 30 June 2006	**5 073**	5 902		
Provision for bonuses	**1 379**			
Provision for leave pay	**3 694**	4 148		
Provision for PAYE dispute		1 427		
Provision for insurance claim		250		
Provision for licences		43		
Provision for legal costs		34		

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
21. CASH FLOW STATEMENT				
21.1 Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations				
Profit/(loss) before taxation	**31 254**	9 119	**(44 698)**	265 051
Adjusted by:	**53 561**	84 046	**46 689**	(260 668)
Profit on disposal of property, plant and equipment	**(90)**	(2 015)		
Depreciation and trademark amortisation	**12 760**	11 747		
Goodwill amortisation and impairment				
Net finance cost	**46 695**	52 515	**48 766**	43 406
Loss/(profit) on disposal of investments		3 127		
Impairment of loans receivable				(11 906)
Dividends received	**(2 077)**		**(2 077)**	(292 168)
Other non-cash flow items	**(3 727)**	18 672		
Operating profit/(loss) before working capital changes	**84 815**	93 165	**1 991**	4 383
Changes in working capital	**9 260**	(9 545)	**296**	(2 242)
Increase in inventories	**(1 219)**	(578)		
Decrease/(increase) in receivables	**8 361**	(4 310)	**780**	1 430
Decrease in payables	**2 118**	(5 068)	**(484)**	(3 672)
Cash generated by operations	**94 075**	83 210	**2 287**	2 141
21.2 Taxation paid				
Taxation balance at the beginning of the year	**(13 600)**	(17 749)		
Current tax expense for the year	**(2 619)**	6 276		
Disposal of subsidiaries		(720)		
Non-cash flow items	**(592)**			
Amounts reversed from long-term provisions	**(5 554)**	(12 000)		
Taxation balance at end of the year	**8 944**	13 600		
Total taxation paid	**(13 421)**	(10 593)		

22. SEGMENTAL REPORT

No segmental and geographical analysis has been prepared as the group's only operating investment carries out trading in a single economic segment in South Africa only.

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
23. EXPLANATION OF TRANSITION TO IFRS				
This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under SA GAAP were for the year ended 30 June 2005 and the date of transition was therefore 1 July 2004.				
Refer to the statement of changes in equity for additional information related to the first-time adoption of IFRS.				
Reconciliation of equity at 1 July 2004 (date of transition to IFRS)				
Property, plant and equipment				
As previously reported under SA GAAP	**141 264**			
IAS 16	**13 066**			
As reported under IFRS	**154 330**			
Net deferred taxation liability				
As previously reported under SA GAAP	**2 134**			
IAS 16	**2 092**			
As reported under IFRS	**4 226**			
Equity capital and deficits				
Accumulated losses				
As previously reported under SA GAAP	**(521 038)**			
IFRS 2				
IAS 16	**10 974**			
As reported under IFRS	**(510 064)**			
Reconciliation of equity at 30 June 2005 (end of last period presented under previous SA GAAP)				
Property, plant and equipment				
As previously reported under SA GAAP	**134 400**			
IAS 16	**15 774**			
As reported under IFRS	**150 174**			
Other payables				
As previously reported under SA GAAP	**24 503**			
IFRS 2	**412**			
As reported under IFRS	**24 915**			
Net deferred taxation liability				
As previously reported under SA GAAP	**3 298**			
IAS 16	**2 232**			
As reported under IFRS	**5 530**			

	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company Restated 2005 R000
23. EXPLANATION OF TRANSITION TO IFRS (continued)				
Equity capital and deficits				
Accumulated losses				
As previously reported under SA GAAP	**(501 876)**			
IFRS 2	**(190)**			
IAS 16	**10 108**			
As reported under IFRS	**(491 958)**			
Minority interest				
As previously reported under SA GAAP				
IFRS 2	**(102)**			
IAS 16	**3 314**			
As reported under IFRS	**3 212**			

SUBSIDIARIES

Subsidiary	Nature of business	Percentage holding 2006 %	Percentage holding 2005 %	Cost of investment 2006 R000	Cost of investment 2005 R000	Net indebtedness 2006 R000	Net indebtedness 2005 R000
Infracom (Proprietary) Limited†	Dormant	**100**	100	**169 500**	169 500	**(231 951)**	(203 698)
Mail Processing Systems (Proprietary) Limited*	Dormant	**100**	100	**10**	10	**(10)**	(10)
Metrofile (Proprietary) Limited†	Off-site document and data storage	**65**	65			**5 905**	
Boxdorm One (Proprietary) Limited (previously Metrofile (Proprietary) Limited)•	Dormant		100		584		(1)
MGX Enterprise Solutions (Proprietary) Limited†	Dormant	**100**	100			**(41 275)**	(36 138)
MGX Holdings UK Limited	Investment holding company		100		1		16 836
MGX Management Services (Proprietary) Limited*	Management services	**100**	100			**209 494**	211 610
MGX Property (Proprietary) Limited•	Sold		100		25 000		8 647
MGX Storage Solutions One (Proprietary) Limited•	Dormant	**100**	100			**(24 192)**	(21 166)
				169 510	195 096	**(82 029)**	(23 920)
Provision for permanent diminution in value				**(169 510)**	(195 096)	**(209 586)**	(237 185)
						(291 615)	(261 105)
Reflected as:	Amounts owing by subsidiaries					**6 659**	
	Amounts owing to subsidiaries – non-interest bearing					**(10)**	(11)
	Amounts owing to subsidiaries – interest bearing•					**(298 264)**	(261 094)

**At 30 June 2006, Metrofile Holdings Limited (previously "MGX Holdings Limited") had ceded and pledged all material amounts owing to any member of the Metrofile group to the capital providers.*

•*At 30 June 2006, Metrofile Holdings Limited (previously "MGX Holdings Limited") had ceded and pledged all its interests in the claims and shares of the subsidiaries to the capital providers.*

It should be noted that throughout the group there are sureties provided to the capital providers in terms of the "common terms agreement", as entered into with the restructure of the group.

•*The inter-company loans have been settled with Metrofile loan notes. The notes accrue interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, be repayable from the excess cash flows from Metrofile once the capital and interest on the Metrofile C facility has been repaid, have a fourth right of recourse to the security and are compulsorily convertible into Metrofile Holdings shares if the Metrofile C facility converts into Metrofile (Proprietary) Limited ordinary shares at any time or in the event that the notes have not been redeemed for cash within five years of the date of the debt refinancing becoming unconditional. Redemption is in terms of a predetermined formula and no voluntary conversion of the notes into Metrofile Holdings shares is provided for.*

SHARE PRICE PERFORMANCE

	2006	2005	2004	2003
Market prices (cents per share)				
Closing (30 June)	**199**	37	11	11
High	**230**	42	11	840
Low	**38**	4	3	11
Closing price/earnings ratio	**7,2**	1,9	*	*
Number of shares in issue				
– at year-end (000)	**74 077**	74 077	74 077	74 077
– weighted average (000)	**67 200**	67 200	67 200	66 589
– treasury shares (000)	**6 877**	6 877	6 877	6 877
Volume of shares traded (000)•	**46 109**	34 798	479	24 947
Volume of shares traded to number in issue (%) (annualised)	**62,2**	46,9	0,7	33,7
Value of shares traded (R000)	**43 787**	7 868	24	72 686

**Due to a loss incurred in the period, a price/earnings ratio cannot be calculated.*

•Source: I-Net Bridge

ANALYSIS OF SHAREHOLDING

	2006				2005			
	Number of shareholders	**%**	**Number of shares**	**%**	Number of shareholders	%	Number of shares	%
Portfolio size								
1 – 10 000	**2 592**	**87,4**	**3 561 243**	**4,8**	2 703	90,6	2 567 821	3,5
10 001 – 50 000	**234**	**7,9**	**5 578 932**	**7,5**	161	5,4	4 039 035	5,5
50 001 – 100 000	**61**	**2,1**	**4 704 192**	**6,4**	49	1,6	3 758 014	5,1
100 001 – 250 000	**41**	**1,4**	**6 509 770**	**8,8**	38	1,3	6 090 810	8,2
250 001 and over	**37**	**1,2**	**53 723 276**	**72,5**	32	1,1	57 621 733	77,8
	2 965	**100,0**	**74 077 413**	**100,0**	2 983	100,0	74 077 413	100,0
Shareholders								
Directors	**2**	**0,1**	**100 204**	**0,1**	2	0,1	75 296	0,1
Trusts	**16**	**0,5**	**9 470 184**	**12,8**	4	0,1	11 304 910	15,3
Institutions, companies and nominees	**45**	**1,5**	**40 675 160**	**54,9**	472	15,8	43 610 049	58,8
Individuals	**2 902**	**97,9**	**23 831 865**	**32,2**	2 505	84,0	19 087 158	25,8
	2 965	**100,0**	**74 077 413**	**100,0**	2 983	100,0	74 077 413	100,0
Major shareholders								
Eureka Industries Limited							18 258 039	24,7
Liberty Group			**8 882 615**	**12,0**			8 882 615	12,0
MGX Management Services (Proprietary) Limited			**6 877 024**	**9,3**			6 971 894	9,4
Capital Africa Limited			**4 594 920**	**6,2**			4 594 920	6,2
South African Private Equity Trust 111			**4 045 589**	**5,7**			4 045 589	5,7
Prudential Maximiser Fund			**3 703 801**	**5,0**				
Investment Solutions Preservation Provident Fund			**2 024 492**	**2,7**			2 704 130	3,7

Shareholder analysis provided by Computershare Limited

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Metrofile Limited (hereinafter "Metrofile") will be held at 09:30 on Monday, 4 December 2006 at The Park Hyatt Johannesburg, 191 Oxford Road, Rosebank, Gauteng, for the purpose of considering and if deemed fit, passing with or without modification, the following resolutions and transacting the following business:

1. CONSIDERATION OF ANNUAL FINANCIAL STATEMENTS

ORDINARY RESOLUTION NUMBER 1

"Resolved that the audited annual financial statements of the company and the group and the directors' report for the financial year ended 30 June 2006 be and are hereby approved and confirmed."

2. RE-ELECTION OF DIRECTORS

ORDINARY RESOLUTION NUMBER 2

"Resolved that Mr K Pillay who retires in terms of the company's Articles of Association ("the Articles") and who offers himself for re-election, be and is hereby re-elected as a director of the company."

3. RE-ELECTION OF DIRECTORS

ORDINARY RESOLUTION NUMBER 3

"Resolved that Mr SR Midlane who retires in terms of the company's Articles of Association ("the Articles") and who offers himself for re-election, be and is hereby re-elected as a director of the company."

4. RE-ELECTION OF DIRECTORS

ORDINARY RESOLUTION NUMBER 4

"Resolved that Mr IN Matthews who retires in terms of the company's Articles of Association ("the Articles") and who offers himself for re-election, be and is hereby re-elected as a director of the company."

5. APPROVAL OF AUDITORS' REMUNERATION

ORDINARY RESOLUTION NUMBER 5

"Resolved that the directors of the company be and hereby authorised to fix and pay the auditors' remuneration for the year ended 30 June 2006."

6. RE-APPOINTMENT OF AUDITORS

ORDINARY RESOLUTION NUMBER 6

"Resolved that Messrs Deloitte & Touche be re-appointed as auditors of the company from the conclusion of this meeting to the conclusion of the next annual general meeting."

7. RATIFICATION OF DIRECTORS' REMUNERATION

ORDINARY RESOLUTION NUMBER 7

"Resolved that the remuneration of the directors of the company for the past financial year as reflected in note 7 to the annual financial statements be and is hereby ratified."

metrofile holdings limited

8. PLACE UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

ORDINARY RESOLUTION NUMBER 8

"Resolved that 10 million of the authorised but unissued ordinary shares in the company be and are hereby placed under the control and authority of the directors of the company to fund any contingent liabilities and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, provided that they are issued in terms of resolution no. 9 for the purposes of financing contingent liabilities of the group that become constructive obligations, subject to the provisions of the Companies Act (Act 61 of 1973) as amended ("the Act"), the Articles of Association of the company and the JSE Securities Exchange South Africa ("JSE") Listings Requirements, when applicable, such authority to remain in force until the next annual general meeting."

9. GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

ORDINARY RESOLUTION NUMBER 9

"Resolved that the directors of the company be and they are hereby authorised by way of a general authority, to issue 10 million of the authorised but unissued ordinary shares in the company, for cash, as and when they in their discretion deem fit, provided that they are issued for the purposes of financing contingent liabilities of the group that become constructive obligations, subject to the Companies Act (Act 61 of 1973) as amended ("the Act"), the Articles of Association of the company, the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), when applicable, and the following limitations:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees;
- this authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on the net tangible asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the company."

In terms of the JSE Listings Requirements, 75% of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution 9 for it to be approved.

10. AUTHORITY TO SIGN ALL DOCUMENTS REQUIRED

ORDINARY RESOLUTION NUMBER 10

"Resolved that, subject to the passing of terms of the ordinary resolutions 1 to 9, any director of the company or the company secretary shall be and is hereby authorised to sign all the documents and perform all acts which may be required to give effect to such ordinary resolutions numbers 1 to 9 passed at the annual general meeting."

INSTRUCTIONS

Shareholders holding certificated Metrofile shares and shareholders who have already dematerialised their Metrofile shares and who have elected "own-name" registration in a subregister through a CSDP or broker (only shareholders who have dematerialised their Metrofile shares through Computershare Investor Services 2004 (Proprietary) Limited can qualify as having elected "own name" registration), who are unable to attend the general meeting but wish to be represented thereat must complete and return the attached form of proxy, in accordance with the instructions contained therein, to the office of the transfer secretary, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretary by no later than 09:30 on Wednesday, 29 November 2006, or if the general meeting is adjourned or postponed, by not later than 24 hours prior to the time of the adjourned or postponed general meeting.

Shareholders who have already dematerialised their Metrofile shares through a CSDP or broker and who have not elected "own name" registration in the subregister maintained by a CSDP (ie shareholders who have not dematerialised their shareholding through Computershare Investor Services 2004 (Proprietary) Limited cannot qualify as having elected "own name" registration), and who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend, or, if they do not wish to attend the general meeting and wish to vote by way of proxy, they may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of Metrofile) to attend, speak and vote in place of that shareholder at the annual general meeting.

By order of the board
METROFILE HOLDINGS LIMITED

LM Thompson
Company Secretary

Johannesburg
3 November 2006

SHAREHOLDERS' DIARY

Announcement of results	Thursday, 31 August 2006
Publication of annual report	Friday, 10 November 2006
Last day to lodge the form of proxy for the annual general meeting	Wednesday, 29 November 2006
Annual general meeting	Monday, 4 December 2006
Results of the annual general meeting published on SENS on	Tuesday, 5 December 2006
Results of the annual general meeting published in the press on	Wednesday, 6 December 2006
Interim results announcement	March 2007
Financial year-end	Saturday, 30 June 2007

DIRECTORATE AND ADMINISTRATION

Directors

Christopher Stefan Seabrooke (53)*†#
BCom, BAcc, MBA, FCMA
Non-executive Chairman
Appointed 28 January 2003

Danisa Eileen Baloyi (50)*†#
BA, HDL, MA, MEd, DEd
Appointed 23 April 1997

Stephen Roy Midlane (40)•†
BCom, BAcc, CA(SA)
Appointed 26 November 2002

Graham Dunbar Wackrill (52)
BCompt
Appointed 29 January 2004

Keshan Pillay (39)*†#
BCom
Appointed 7 October 2005

Ian Nigel Matthews (61)*†#
MA (Oxon), MBA (UCT)
Appointed 1 June 2006

**Non-executive – Independent*
•Non-executive
†Audit committee member
#Remuneration committee member

Secretary and registered office
LM Thompson
3 Gowie Road, The Gables, Cleveland, 2049
PO Box 40264, Cleveland, 2022
Telephone +27 11 677 3000
Facsimile +27 11 622 9085

Company registration number
1983/012697/06

Date of incorporation of Metrofile
18 November 1983

Transfer secretaries
Computershare Investor Services 2004 (Proprietary) Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Telephone +27 11 370 5000
Facsimile +27 11 370 5487

Auditors
Deloitte & Touche Chartered Accountants (SA)
The Woodlands, Woodlands Drive, Woodmead, Sandton, 2146
Private Bag X6, Gallo Manor, Sandton, 2052

Bankers
Citibank, N.A., South Africa Branch
The Standard Bank of South Africa Limited

Sponsor
The Standard Bank of South Africa Limited
5th Floor, 3 Simmonds Street, Johannesburg, 2001
PO Box 61344, Marshalltown, 2107

Attorneys to Metrofile
Webber Wentzel Bowens
10 Fricker Road, Illovo Boulevard, Johannesburg, 2196
PO Box 61771, Marshalltown, 2107

Business unit telephone numbers

Metrofile Holdings Limited	+27 11 677 3000
Metrofile (Proprietary) Limited	+27 11 677 3000

Websites
www.metrofileholdings.com
www.metrofile.co.za

FORM OF PROXY

METROFILE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL – ISIN code: ZAE000010542

("Metrofile" or "the company")

For use only by Metrofile shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their Metrofile shares and who have elected "own name" registration (only shareholders who have dematerialised their Metrofile shares through Computershare Investor Services 2004 (Proprietary) Limited (previously known as Computershare Limited) can qualify as having elected "own name" registration) at the annual general meeting of shareholders of Metrofile, to be held at 09:30 on Monday, 4 December 2006 at The Park Hyatt, Johannesburg, 191 Oxford Road, Rosebank, Gauteng, or at any adjournment or postponement thereof.

I/We (BLOCK LETTERS please)

of

Telephone work ( ) Telephone home ( )

being the holder/s or custodians of Metrofile shares, hereby appoint (see note 1 overleaf):

1. or failing him/her,

2. or failing him/her,

the chairman of the general meeting of shareholders, as my/our proxy to act for me/us at the general meeting of shareholders for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for or against such resolutions or abstain from voting in respect of the Metrofile ordinary shares registered in my/our name (see note 2 overleaf) as follows:

	In favour of resolution	Against resolution	Abstain from voting
Ordinary resolution number 1 – Acceptance of annual financial statements			
Ordinary resolution number 2 – Re-election of K Pillay			
Ordinary resolution number 3 – Re-election of SR Midlane			
Ordinary resolution number 4 – Re-election of IN Matthews			
Ordinary resolution number 5 – Authorisation of auditors' remuneration			
Ordinary resolution number 6 – Re-appointment of auditors			
Ordinary resolution number 7 – Ratifying directors' remuneration for the past financial year			
Ordinary resolution number 8 – Placing 10 million of the unissued shares under the control of the directors			
Ordinary resolution number 9 – General authority to issue 10 million shares for cash			
Ordinary resolution number 10 – Authority to sign all documents required			

and generally to act as my/our proxy at the said general meeting of shareholders. (Tick whichever is applicable. If no directions are given, the proxy holder will be entitled to vote or to abstain from voting, as that proxy holder deems fit.)

Signed at on this day of 2006

Signature

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of Metrofile) to attend, speak and vote in place of that shareholder at the general meeting of shareholders.

Please read the notes and instructions on the overleaf.

metrofile
holdings limited

NOTES AND INSTRUCTIONS

A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the general meeting of shareholders", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

1. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. So as to provide for voting on a show of hands or on a poll, as the case may be, shareholders are requested to complete the form of proxy by stating the number of shares held by them. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
2. The completion and lodging of this form of proxy by shareholders holding certificated shares, nominee companies of CSDPs or brokers and shareholders who have dematerialised their shares or who have elected "own name" registration (only shareholders who have dematerialised their Metrofile shares through Computershare Limited can qualify as having elected "own name" registration) will not preclude the relevant shareholder from attending the general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares through a CSDP or broker and who have not elected "own name" registration in the subregister maintained by the CSDP, and who wish to attend the general meeting of shareholders, must instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the general meeting, must provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.
3. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as a power of attorney, resolution or extract from the minutes of an authorised meeting or other written authority) must be attached to this form of proxy.
4. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
5. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares they hold or represent, provided that a proxy shall, irrespective of the number of shareholders they represent, have only one vote.
6. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Metrofile share held by such shareholder.
7. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by the chairman of the general meeting of shareholders or any person entitled to vote at such meeting.
8. If a poll is demanded, the resolutions put to the vote shall be decided on a poll.
9. The chairperson of the annual general meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a member wishes to vote.
10. To be valid, the completed form of proxy must be lodged with the transfer secretary of the company, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them by no later than 09:30 on Wednesday, 29 November 2006, or if the general meeting is adjourned or postponed, by not later than 24 hours prior to the time of the adjourned or postponed general meeting.