

metr@file

Integrated Annual Report 2011

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Integrated Annual Report for the year ended June 2011

About this report

This integrated report, which is targeted at Metrofile's shareholders, potential investors and the Group's stakeholders, covers the activities and performance of the Group and its operating subsidiaries for the period 1 July 2010 to 30 June 2011. The report has been prepared to assist the Group's stakeholders to make an informed assessment of the Group and its ability to create and sustain value over the short- medium- and long-term.

The financial reporting contained in this report complies with International Financial Reporting Standards (IFRS), as applied to the annual financial statements. The principles of King III relating to integrated reporting have also been applied, as well as the provisions of the new Companies Act (71 of 2008, as amended) of South Africa.

The directors of Metrofile acknowledge their responsibility to ensure the integrity of the report and have collectively assessed the content of the Integrated Annual Report and believe it addresses the material issues, based on the recommendation of the Audit, Governance and Risk Committee and is a fair representation of the integrated performance of the Group. The board has therefore approved the 2011 Integrated Annual Report to the Group's stakeholders, based on the recommendation of the Audit, Governance and Risk Committee.

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 For more information

 Go online at:
www.metrofileholdings.com

Our company

Metrofile is the market leader in information and records management in Africa and is represented in all the major provinces of South Africa. Metrofile operates from 26 facilities covering more than 73 000 sqm of warehousing space and manages more than 21 billion records on behalf of its customers.

Services include Active Records Management, Image Processing, Hosting, Data backup (both vault and online), Archive Storage and Management, File Plan Development, Confidential Records Destruction, Paper Recycling as well as the sale and maintenance of a wide range of business equipment, including scanners, library security systems, mailing and packaging machines.

28 years of constant growth in revenue
and profit at operating company level



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

Our vision

To be our customers’ trusted information and records management partner.

Our mission

To enable organisations and their people to manage their records and information securely, rapidly, intelligently and cost-effectively.

Our values

Metrofile is built on four promises

- **Commitment** – we are dedicated to serving our customers
- **Integrity** – we act in the best interests of our stakeholders
- **Reliability** – we deliver on our promise
- **Resourceful** – we find ways to work smarter

Our services

metr@file

Working to internationally recognised standards and best practices, Metrofile offers a truly national footprint, modern purpose-built facilities and scalable capacity capable of dealing with all requirements. The integrated solutions offered by Metrofile cover all elements relating to the storage and management of both active and inactive records as well as the protection of data.

Active Records Management

Metrofiler

A sophisticated software suite that facilitates access to the storage and management of both imaged and physical records. Solutions offered include file planning and training as well as both on- and off-site active filing utilising proprietary software with modules being: enterprise manager, document manager, warehouse manager, eRecords and image manager, all of which are structured with server client or web client access.

Imaging

A legally compliant digitising solution that aids operating efficiency and customer service through the conversion of paper and analogue records into searchable, digital images. Solutions offered include on- and off-site conversion of paper records (all shapes and sizes including A0), the digitisation of analogue records (Microfiche, film, OCR, ICR and OMR) and the hosting of image repositories.

Data Protection

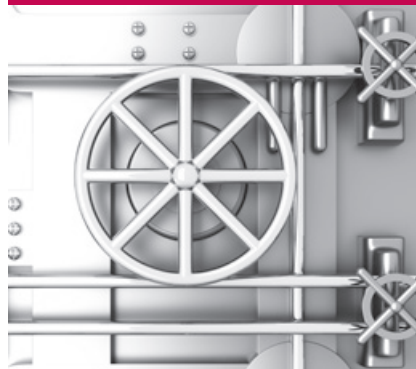
Data Safe

A unique 24/7 service offering which is integral in supporting customers' business continuity plans and disaster recovery processes. This highly dependable scheduled rotation service caters for storage of backup tapes, hard drives and other media in secure and environmentally controlled facilities. There are several tailored offerings available to meet all customers' needs regardless of size or complexity.

Backup Pro

A full data protection solution effective in minimising the risks and losses associated with hardware and software failure, data theft and leakage. Solutions offered include automated intelligent backup software (laptop/desktop and server applications). Customers, irrespective of size and complexity, are able to utilise one of the many tailored offerings available.

A broad selection of
complementary offerings



Archive Storage and Management

A total records management solution that ensures your records are efficiently and cost-effectively managed off-site using reliable proprietary systems allowing for integration of active records management and web enabled access. The solutions offered include file plan development and implementation, packing and upliftment, off-site storage, project management as well as a full range of archival boxes and filing stationery. Access to customer records is controlled through pre-identified, authorised users and can be requested through a number of channels. Deliveries and collections are effected through an extensive fleet of vehicles which are tracked and monitored via satellite.



CSX is a specialist third-party sales and service business that has been in existence since 1969. CSX specialises in the sale, installation and support of business solutions in various niche markets in Africa. Products sold and serviced cover a broad spectrum of business equipment which includes high-speed scanners, library security systems, packaging equipment, microfilm equipment, specialised optical mark reading equipment, certain medical equipment as well as mailing and forms equipment. The service division provides service of the highest quality assuring a combination of thorough preventative maintenance plus timely and efficient remedial maintenance. The technical staff are highly mobile and travel throughout Africa.

rainb@w

paper management

An environmentally-conscious paper collection and destruction service which ensures that paper is gathered and sorted into different grades in order to promote recycling of paper for use in large paper mills. These mills in turn manufacture recycled paper products.



Cleardata is South Africa's first nationwide provider of secure, on-site document destruction solutions for the corporate environment. Clients are provided with secure consoles around their offices, the contents of which are then emptied and shredded on the clients' premises using custom-built shredding vehicles.

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Training Academy

Established in 2007 and in response to customer demand, the Academy was set up as an Enterprise Development initiative with the former head of the Limpopo Department of Health and Social Development's records management service. The Academy assists customers with the development of strategy, file plans, policies and procedures, training in basic and advanced records management, training in the management of personnel, financial and patient records as well as information security. The Metrofile Training Academy is the only company accredited by SETA i.r.o. Archive and Records Management.

Our market

Metrofile is focused on cementing its role as the only records and information management partner, thereby playing a crucial role in our clients' risk mitigation programmes. This makes Metrofile's offering far beyond the simple supply of document management services which was traditionally the industry's focus. Metrofile's offerings create not only efficiency and cost savings for clients but also mitigate risks associated with the retention, confidentiality and destruction of business records whether in their physical or digital form.

With the new Acts, such as the Companies Act, the Consumer Protection Act and the anticipated Protection of Personal Information Act, along with the increased focus on governance and compliance, the requirement to properly manage records and data in both active and archive state is imperative.

The market place in which we operate has shown resilience during the economic downturn, fuelled in the main by an escalation in corporate governance requirements and a growing awareness of the need for more effective risk management.

Contributing to the stability of the market is the increasing reliance of businesses, organisations and consumers on information technology that has become more and more accessible. Contrary to predictions that this would lead to a paperless society, volumes of physical records have continued to grow although not at the rate currently experienced in the production of electronic information.

Advancements in, and greater access to, information technology has led to an increase in the risks that need to be managed as it has to give in to mounting demands from increasingly technically savvy users and consumers looking for instant access to records. These demands have led to a growing number of businesses and organisations reviewing the manner in which they make information available and how they manage their records.

These trends are likely to contribute to further growth of the information and records management sector. However, the extent of the opportunity has yet to be quantified given the lack of quality research data. Furthermore, current economic conditions are likely to limit investment in new technology and the outsourcing of information and records management operations.

Over 8 000 customers across
all industries, from corporates
to sole proprietors



Businesses who take compliance and risk mitigation seriously should be operating according to best practice and the Metrofile Group is able to assist in all aspects of records and information management

Legislative changes, inclusive of the
Companies Act, support our business
model and create new opportunities



Metrofile



Guy Kimble

Business positioning

The undisputed market leader in the supply of on-site and off-site information and records management services, working to internationally recognised standards and using tried and tested methods.

Services

- Active records management
- Data protection
- Archiving storage and management

Operational footprint

- Johannesburg
- Pretoria
- Bloemfontein
- Cape Town
- Port Elizabeth
- East London
- Durban
- Empangeni
- Nelspruit
- Mozambique

Metrofile Training Academy



Selelepoo Sebaka

Business positioning

Helping companies and organisations to develop effective information and records management strategies.

Services

- File plans
- Training on records management
- Policies and procedures

Operational footprint

- Johannesburg (servicing countrywide)

CSX Customer Services



Mario Martins

Business positioning

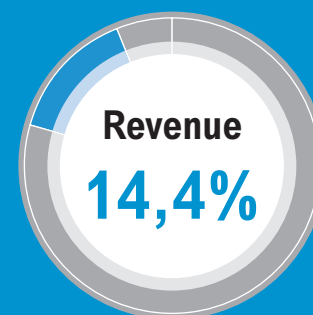
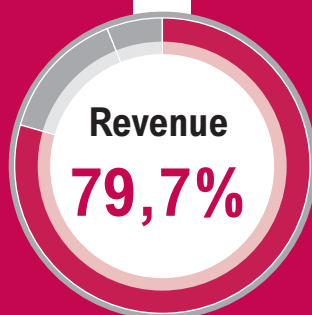
Sales and Services centre that provides exceptional service and high-quality products with its complete range of imaging, bulk mail handling, packaging and security equipment.

Services

- Equipment supply and maintenance Scanners, Optical mark readers, 3M products, Bulk and desk-top mailing systems

Operational footprint

- Johannesburg
- Bloemfontein
- Cape Town
- Port Elizabeth
- Durban
- Across Africa



Rainbow Paper Management



Dorota Boltman

Business positioning

Specialises in the efficient collection, sorting and the selling of high-grade paper waste to the manufacturers of recycled paper and other products.

Services

- Paper collection
- Paper recycling

Operational footprint

- Johannesburg (servicing Johannesburg, Pretoria and surrounding areas)
- Port Elizabeth

Cleardata



Gianmarco Lorenzi

Business positioning

The only national operator providing on-site confidential record destruction

Services

- Confidential record destruction
- Bulk shredding

Operational footprint

- Nationwide (SA) with offices in: Cape Town
Johannesburg
Durban

Non-financial highlights

- More than 8 000 tons of paper recycled per annum.
- Over 120 million images scanned with 58 million lines of data capture.
- Black empowerment partner, MIC, supports over 1 500 000 people.
- 1 223 permanent employees
- More than 73 000 square metres of warehousing.
- Over 1 million document retrievals by clients per annum.
- More than 80 million images, amounting to 4.2 terabytes of data, hosted for clients and accessible via the internet.
- Over 16 million files managed in active environments.
- Proprietary software which can be adapted to clients' requirements.
- More than 500 000 scheduled deliveries and collections of back-up tapes and drives.
- Over 8 000 clients utilising our variety of services.
- 60% of the premises occupied are owned by the Group.
- Mobile shredding vehicles can shred over 2 tons of paper per hour.
- The group has a fleet of over 100 vehicles which has reduced due to operational efficiencies.



Analysis of shareholding

The following analysis of shareholders was extracted from the shareholders registers as at June 2011 and June 2010

	2011				2010			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Portfolio size								
1 – 10 000	2 103	75,4	3 676 343	0,9	2 061	76,1	3 267 198	0,8
10 001 – 50 000	410	14,7	10 459 993	2,6	393	14,5	9 940 507	2,4
50 001 – 100 000	92	3,3	7 116 258	1,7	81	3,0	6 363 041	1,6
100 001 – 250 000	73	2,6	11 864 127	2,9	66	2,4	11 115 990	2,7
250 001 and over	112	4,0	374 968 525	91,9	107	4,0	377 398 510	92,5
	2 790	100,0	408 085 246	100,0	2 708	100,0	408 085 246	100,0
Distribution shareholders								
Directors and officers of the company	5	0,2	31 250 646	7,7	5	0,2	31 068 127	7,6
Endowment funds	9	0,3	131 919	0,0	7	0,3	115 393	0,0
Medical aid schemes	2	0,1	89 994	0,0	1	0,0	181 866	0,0
Mutual and hedge funds	59	2,1	81 337 898	19,9	37	1,4	77 195 511	18,9
Pension funds	55	2,0	21 287 720	5,2	41	1,5	20 079 654	4,9
Insurance companies	6	0,2	15 601 169	3,8	6	0,2	16 536 465	4,1
Institutions, companies, nominees, trusts and other	388	13,9	211 650 299	51,9	380	14,0	213 599 636	51,7
Individuals	2 266	81,2	46 735 601	11,5	2 231	82,4	49 308 594	12,1
	2 790	100,0	408 086 246	100,0	2 708	100,0	408 085 246	100,0
Public/Non-public shareholders								
Non-public shareholders:								
Directors and officers of the company	5	0,2	31 250 646	7,7	5	0,2	31 068 127	7,6
Management of the company	3	0,1	1 384 990	0,3	3	0,1	1 382 315	0,3
Mineworkers Investment Company	1	0,0	132 360 873	32,4	1	0,1	132 360 873	32,4
Public shareholders	2 781	99,7	243 088 737	59,6	2 699	99,6	243 273 931	59,7
	2 790	100,0	408 085 246	100,0	2 708	100,0	408 085 246	100,0
Beneficial shareholders holding 5% or more as extracted from the shareholders register as at 30 June								
Mineworkers Investment Company			132 360 873	32,4			132 360 873	32,4
Prudential Maximiser and Optimiser Funds			55 087 521	13,5			53 720 251	13,2
Corocap			44 497 742	10,9			44 497 742	10,9
RMB Asset Management			24 228 997	5,9			30 583 889	7,5
Sabvest Investments (Pty) Limited			20 400 000	5,0			20 000 000	4,9

Shareholder analysis provided by Thomson Reuters

Share price and volumes traded

	2011	2010	2009	2008	2007
Market prices (cents per share)					
Closing (30 June)	205	145	90	94	184
High	225	160	99	186	230
Low	138	88	68	80	97
Closing price/earnings ratio	11,3	11,1	8,4	6,2	13,1
Number of shares in issue					
– at year-end (000)	408 085	408 085	393 997	393 997	393 997
– weighted average (000)	408 085	403 868	393 997	393 997	252 337
– treasury shares (000)					
Volume of shares traded (000)*	34 761	42 950	95 875	103 329	135 795
Volume of shares traded to number in issue at year-end (%)**	8,5	10,5	24,3	26,2	53,0
Value of shares traded (R000)*	61 977	56 279	79 575	130 119	196 014

* Excluding shares issued in terms of the rights offer and acquisition of minorities in Metrofile (Pty) Limited during the year ended 30 June 2007

** Excluding shares issued in terms of the acquisition of minorities in Metrofile (Pty) Limited during the year ended 30 June 2007

Shareholders' diary

Announcement of results	31 August 2011
Publication of annual report	28 October 2011
Last day to lodge the form of proxy for the annual general meeting	Wednesday, 23 November 2011
Annual general meeting	Monday, 28 November 2011
Results of the general meeting published on SENS on	Tuesday, 29 November 2011
Interim results announcement	March 2012
Financial year-end	30 June 2012

Chairman's statement

In prior years, Metrofile's annual report contained an annual review by the Chairman and CEO, corporate governance, risk and sustainability reports.

This year, the Board is pleased to present Metrofile's first integrated report which combines the separate reports of prior years and applies the principles and requirements of the King Code of Governance Principles for South Africa 2009 ("King III") except where specifically stated to the contrary. The integrated report is presented on behalf of the Board by the CEO and CFO.

Strategy and performance

Metrofile's financial performance in the 2011 financial year once again reflected the soundness of its strategies, the excellence of its management, the stability of its business model and the benefits of its market-dominant position in South Africa.

Normalised headline earnings per share increased 24% to 18,1 cents per share, continuing the trend of steady growing non-cyclical earnings over the past five years.

The Group's high cash conversion ratio has enabled it to fund its capex programme, reduce debt levels and to now establish a maiden dividend policy. It is expected that dividends will be covered three to four times in future and the dividends for the current year were paid as an interim and final dividend of 2 cents and 2,5 cents respectively.

While share prices will obviously vary with market conditions over a period, the average growth in share price should reflect the growth in earnings. Over the past four financial years Metrofile's share price has grown from 94 cents to 205 cents at an annual growth rate of 22%.

Governance and directorate

The Board of Metrofile comprises two executive directors and seven non-executive directors of whom four are independent, three of whom are black and three of whom are female. With this sound and representative board in place, governance in the group is executed well.

During the year Mrs Mary Bomela, CA (SA), MBA, the CEO designate of Mineworkers' Investment Company (Pty) Limited (MIC) joined the board as a non-executive director. We welcome her experience and input to the Group's affairs. Mr Carl Coutts-Trotter, BBusSc (Actuarial Science), FASSA, FIA (UK) was approved by the board as an alternate director to myself.

I am pleased to report that the Board and all of its committees functioned well during

A continuing trend of steady growth in non-cyclical earnings



Christopher Seabrooke
Chairman

the year. The non-executive directors have an appropriate mix of business, financial, governance and human capital skills.

The Board regards its key functions as:

- Keepers of strategy;
- Monitors of risk;
- Custodians of management excellence; and
- Overseers of performance of the company.

I refer stakeholders to the detailed Corporate Governance Review contained in the integrated report.

Shareholders

I am pleased to welcome all new shareholders who have invested in the Group during the year. The Group now has 2 790 registered shareholders including 2 266 individuals.

The Group has no controlling shareholder but its shareholder of reference and BEE partner is MIC which owns 32% of the shares in the company.

The number of Metrofile shares which traded in the past 12 months was 9% of issued share capital. In recent years, institutions have materially increased their holdings in Metrofile. While this is a credit to the company and its management, one of the side-effects is reduced liquidity in the company's shares.

Prospects

The partial recovery in the economy, the growing need for reliable and cost-effective records management, the Group's unique capacity to handle volume requirements in storage and access, the widening range of related services offered (such as on-site confidential destruction) and the opportunities to partner existing customers as the basis of expansion across Africa are all factors in our optimism for continued future growth in earnings, dividends and cash flows. Further, our pattern of growth continues to reflect the largely non-cyclical nature of our primary business units.

Appreciation

I record my personal appreciation to my colleagues on the Board, to our executive team and to our CEO and CFO in particular for their unflinching support and also to the Group's professional advisors and bankers, and Standard Bank in particular, for their support of and services to the Group.

Christopher Seabrooke



Revenue
12,4%

EBITDA
15,6%

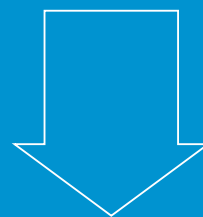
EBIT
13,9%

Cash
generated
from
operations
15,1%

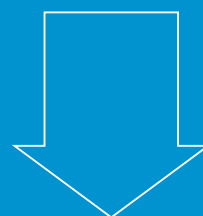
Normalised
HEPS
24,0%



Financial highlights

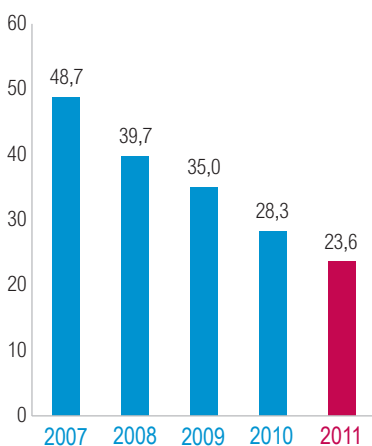


Net finance
costs
32,4%

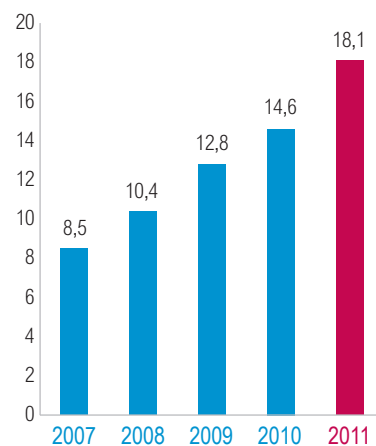


Final
dividend
per share of
2,5 cents

NET FINANCE COSTS (EXCLUDING
NON-RECURRING ITEMS) (R MILLIONS)



NORMALISED EARNINGS
PER SHARE (CENTS)



Five-year review

	2011	2010	2009	2008	2007
INCOME STATEMENTS					
Revenue	460 552	409 563	371 097	329 935	299 740
Operating income	127 124	111 642	105 976	95 539	90 924
Net finance costs	(23 642)	(34 953)	(46 636)	(22 638)	(44 839)
Finance income	1 588	380	2 330	5 138	2 708
Finance costs	(25 230)	(32 913)	(37 345)	(44 832)	(51 439)
Interest paid on loans	(22 461)	(30 210)	(43 254)	(50 157)	(54 086)
Interest (paid)/received relating to financial instruments	(2 769)	(2 703)	5 909	5 325	2 647
Once-off interest cost	–	(2 240)	–	–	–
Fair value adjustments relating to financial instruments	–	–	(11 621)	4 780	3 892
Once-off reversal of finance cost provision	–	–	–	12 276	–
Income before taxation	103 482	76 689	59 340	72 901	46 085
Taxation	(29 541)	(23 433)	(17 189)	(15 956)	(8 361)
Income after taxation	73 941	53 256	42 151	56 945	37 724
Non-controlling interests	(67)	(311)	(23)	–	(3 949)
Attributable income before exceptional items	73 874	52 945	42 128	56 945	33 775
Exceptional items net of non-controlling interests and taxation	–	–	–	2 368	1 486
Attributable income	73 874	52 945	42 128	59 313	35 261
STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	313 094	286 466	249 868	205 559	174 708
Intangibles	169 943	169 943	160 499	160 499	160 499
Deferred taxation asset	2 535	3 595	186	111	–
Financial assets	–	–	–	11 621	–
Current assets excluding cash	83 124	72 672	75 117	63 607	69 264
Cash resources	37 710	13 791	15 463	28 817	40 131
Total assets	606 406	546 467	501 133	470 214	444 602
Ordinary shareholders' interest	308 800	240 929	171 746	129 396	70 083
Non-controlling interests	1 643	1 330	25	–	–
Deferred taxation liability	9 420	6 692	7 215	10 306	8 661
Non-interest-bearing liabilities					
Short-term	62 004	50 466	63 444	43 951	39 903
Interest-bearing borrowings					
Long-term	198 734	221 784	226 070	257 342	304 335
Short-term	25 676	22 266	32 633	29 330	21 620
Bank overdraft	129	–	–	–	–
Total equity and liabilities	606 406	546 467	501 133	470 214	444 602
Ordinary shares in issue (thousands)	408 085	408 085	393 997	393 997	393 997
Weighted average ordinary shares in issue (thousands)	408 085	403 868	393 997	393 997	252 337
Headline earnings per ordinary share (cents)	18,1	13,1	10,7	14,4	13,9
Dividends per share (paid and proposed)	4,5	–	–	–	–

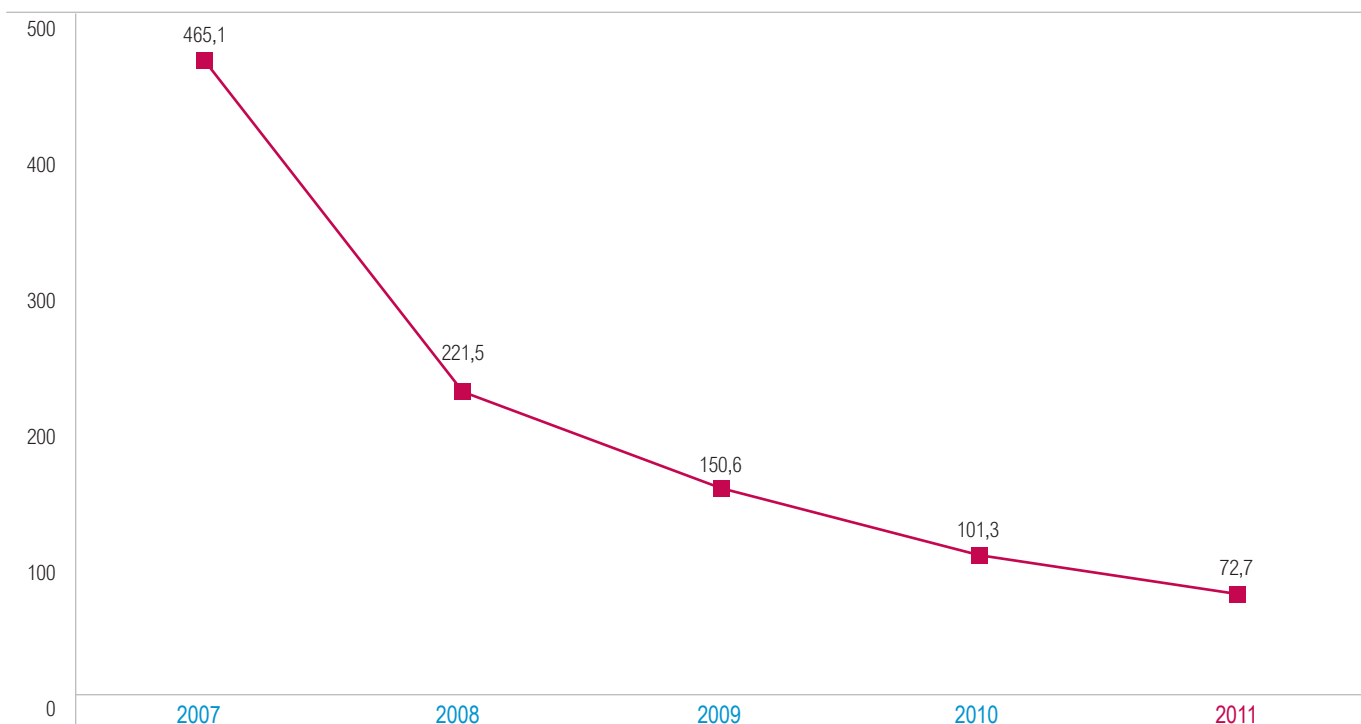
Financial ratios

	2011	2010	2009	2008	2007
Liability	1,0	1,2	1,9	2,6	5,2
Current	1,4	1,2	0,9	1,4	1,8
Quick	1,2	1,0	0,8	1,3	1,6
Interest cover (times)	5,4	3,2	2,2	4,2	2,0
Dividend cover (times)	4,0	-	-	-	-
Debt:Equity ratio (%)	72,7	101,3	150,6	221,5	465,1
Return on property, plant and equipment (%)	24,6	19,7	18,5	31,2	20,6
Return on capital employed (%)	25,0	24,1	26,6	24,7	24,3
Return on equity (%)	23,9	22,0	24,5	45,8	50,3
Operating income to revenue (%)	27,6	27,3	28,6	29,0	30,3
Operating income to average assets employed (%)	22,1	21,3	21,8	20,9	26,7
Number of employees	1 223	1 179	1 030	960	963

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 finance costs
Dividend cover	Headline earnings per share to dividend per share for the year
Debt:Equity ratio	Debt (excluding bank and cash) to ordinary shareholders' interest
Return on property, plant and equipment	Attributable income to property, plant and equipment
Return on capital employed	Operating income to ordinary shareholders' interest and interest-bearing liabilities
Return on equity	Attributable income to ordinary shareholders' interest
Average assets employed	Average total assets at the beginning and end of the financial year

DEBT: EQUITY (%)



Integrated report

Metrofile is pleased to present its first integrated report to stakeholders.

The report has been prepared in line with the recommendations of the King III Code and its format and content are based on the discussion paper issued in January 2011 by the Integrated Reporting Committee for South Africa.

Metrofile Holdings Limited ("Metrofile" or "the Company") is a South African company which owns several subsidiary companies with various divisions. The Company and its subsidiaries together constitute the Metrofile Group ("the Group") This integrated report covers the operations and activities of the Metrofile Group.

The Group's annual financial statements for the year ended 30 June 2011 are prepared in accordance with the recognition and measurement principles of International Financial Reporting, the AC500 standards issued by the Accounting Practices Board or its successor, the Listings Requirements of the JSE Limited and the Companies Act of South Africa.


The Board of Directors acknowledges its responsibility to ensure the integrity of the integrated report. In the opinion of the Board, the integrated report addresses all material issues of which it is aware and presents fairly the integrated performance of the organisation and its impact on stakeholders. The Board has authorised the integrated report to be presented as part of the 2011 annual report when it is dispatched to shareholders and posted on the Company's website.

Delivering exceptional
shareholder value

Average senior
management service
in excess of 10 years




Graham Wackrill
Chief Executive Officer

 Please see page 14



Richard Buttle
Chief Financial Officer

 Please see page 14

Business review

Overview

Metrofile is the undisputed market leader in information and records management providing end-to-end outsourced, insourced and co-managed solutions. The Company has continued to leverage off its significant products and services and is able to adapt to customers' needs due to the fact that we utilise proprietary systems which are developed internally. The Group has a significant annuity revenue base and is non-cyclical in nature which has resulted in 28 years of year-on-year growth at the operational level. The intellectual property, drive and passion embedded in our management teams across the Group have delivered results despite the challenges inherited due to the MGX collapse. The Metrofile Records Management division, which contributes 79,7% of the Group's revenue, is ideally positioned for continued growth due to the increased focus by businesses on corporate governance, legal compliance and risk mitigation relating to good record-keeping.

Strategy

Metrofile will continue to expand its services in the information management sector with continued focus on cross-selling the Group's diverse range of solutions and services to both new and existing customers. With legislative changes, including the Consumer Protection Act, the New Companies Act (which has amended the generic retention periods of documents from five to seven years) and the proposed Protection of Personal Information Act, the Group is well positioned to partner with its customers with regard to good record-keeping, legal compliance and risk mitigation.

Metrofile's expansion into Africa, driven by the demand of existing customers, has been slow due to the finalisation of partners and management's strategy of ensuring that the expansion will be at minimal risk to shareholders. Metrofile has finalised terms with the G4S group as our partner with respect to a Nigerian operation which is expected to trade in the near future and the expansion into other African countries will commence once the Nigerian business is fully operational. G4S is the world's leading international security solutions group and is listed on the London Stock Exchange.

Financial review

Revenue increased by 12,4% to R460,6 million and EBITDA by 15,6% to R146,2 million. Cash generation from operations of

R150,2 million represents a 15,1% growth on the comparative year. Reduced finance costs further add to the increased profit after tax. Currently 75% of the Group's debt is covered by interest rate swaps.

Headline earnings per ordinary share ("HEPS") increased by 38,2% to 18,1 cents (2010: 13,1 cents) while Normalised HEPS increased by 24,0% to 18,1 cents (2010: 14,6 cents). Normalised HEPS are calculated after adjusting HEPS for non-recurring items which impacted the comparative figures; it is expected that this is the last year for which we will need to report Normalised earnings.

Despite the high capex programme, overall gearing has continued to improve leading to a debt:equity ratio of 72,7% (2010: 101,3%).

Metrofile continues to account for its property portfolio on a cost basis. During the current reporting period as part of the group's capacity building, the Pretoria facility was extended and purpose-built third-party facilities were occupied in Johannesburg and Bloemfontein.

Commitments and expansion

The Group continues to monitor and optimise its balance of owned and leased premises to ensure the continued availability of space to meet expansionary demand relative to the cost of unutilised facilities. Owned premises comprised 50 000 sqm and leased premises 32 000 sqm at year-end. The carrying value of fixed property was R179,9 million which had an approximate market value of R287,9 million at year-end. Lease commitments over the next five years amount to R38,0 million. Capex for 2012 is budgeted as R58,4 million of which R49,9 million is for new capacity (2011 spend: R46,4 million of which R38,2 million was for new capacity).

Dividends

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

The dividend for the full year amounted to 4,5 cents made up of an interim dividend paid in April 2011 of 2 cents and a final dividend paid in October 2011 of 2,5 cents.

Undisputed market leader in information and records management



Board of directors' and company secretary profiles



1 Christopher Stefan Seabrooke

Independent non-executive Chairman
Chairman of the nomination and remuneration committee



4 Richard Matthew Buttle

Chief Financial Officer

1. Christopher Stefan Seabrooke (58)

BCom, BAcc, MBA, FCMA

Eight years' service

(Appointed 28 January 2003)

Chris is an international financier and investor who has been a director of over 20 stock exchange-listed companies over the years. Chris is currently CEO of Sabvest Limited, Deputy Chairman of Massmart Holdings Limited (both JSE listed), and a director of Brait SE (Luxembourg/JSE), Datatec Limited (LSE-AIM/JSE) and Net1 UEPS Technologies Inc (NASDAQ/JSE). He is also Chairman of The Alternative Equity Partners Fund and Chairman of Transaction Capital (Pty) Ltd. He is a former Chairman of The South African State Theatre, former Deputy Chairman of the inaugural National Arts Council of South Africa and is a member of The Institute of Directors.

Mr Carl Coultts-Trotter (34), BBusSc (Actuarial Science), FASSA, FZA (UK) was approved by the board in April 2011 as an alternate to Mr Seabrooke.



2 Aser Paul Nkuna

Non-executive director and deputy chairman
Member of the nomination and remuneration committee



5 Mary Sina Bomela

Non-executive director

2. Aser Paul Nkuna (59)

Five years' service

(Appointed 4 December 2006)

Paul started his career as a teacher before moving on to work in the mining sector. Appointed in 1984 as treasurer of the National Union of Mineworkers, Paul has played an important role in the development of both the industry and, following the 1996 elections, local government. He has served as chairman of the management committee of the Brakpan Transitional Local Government and he has served in a number of executive structures within local government including the Gauteng Association of Local Government (GALA) and the South African Local Government Association (SALGA). Paul has since been appointed to the boards of a number of South Africa's leading companies where he is able to drive his passion for transformation, with emphasis on broad-based empowerment, ownership, affirmative procurement, employment equity, skills development and transfer and the promotion of SMMEs. Paul's influence extends beyond the public sector.



3 Graham Dunbar Wackrill

Chief Executive Officer

3. Graham Dunbar Wackrill (57)

BCompt

Seven years' service

(Appointed 29 January 2004)

Graham is a pioneer of the industry in South Africa with more than 25 years' experience in providing information and records management services. A founding member of South Africa's first records storage company, Graham has played a key role in the industry's development and in Metrofile's rise to its position as the market leader. He has furthermore been instrumental in consolidating the Group and in building its capacity and capability. Graham, who is a director of all Metrofile Group companies, continues to spearhead the Company's development and its expansion into Africa.

4. Richard Matthew Buttle (39)

CA (SA)

Five years' service

(Appointed 4 December 2006)

Richard joined the Metrofile Group in 1996 following the completion of his articles and a one-year stint performing a forensic audit for a major South African concern. A key member of the management team, Richard has held several financial management and director roles within the Group and has played an active role in its development, financial restructuring and capacity building.

5. Mary Sina Bomela (38)

CA (SA), MBA

One year's service

(Appointed 8 September 2010)

Mary is an executive director of the Mineworkers Investment Company (Pty) Limited and previously held the positions of chief financial officer at Makhubu Logistics and executive of corporate services at the South African Institute of Chartered Accountants.


Cynthia Mapaura
Non-executive director

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6. Cynthia Mapaura (34)

BCompt Hons, CA (SA), CA (Zimbabwe)

Three years' service

(Appointed 27 February 2009)

Cynthia is a chartered accountant by profession having served articles with Deloitte & Touche (Zimbabwe). In 2000, Cynthia transferred to Deloitte & Touche South Africa where she was appointed as an audit manager and finally an audit partner in 2007. She subsequently left the profession to take up her current role with the Mineworkers Investment Company (MIC) where she is executive director responsible for finance and strategy. In addition to Metrofile, Cynthia serves on the boards of a number of the MIC group's strategic investments.

7. Ian Nigel Matthews (66)

MA (Oxon), MBA (UCT)

Five years' service

(Appointed 1 June 2006)

Nigel is a skilled campaigner with a long career in owning and managing service-related businesses. His career started in the hotel and tourism industry where he worked his way up to the post of managing director of Holiday Inns Limited and executive director of Rennies. Nigel left Holiday Inn to start his own business, the Sentry Group Limited, which he later sold to an international group (2001). He is currently a non-executive director of City Lodge Holdings Limited, Sun International Limited and Indian Ocean Real Estate Company Limited.

8. Ndumi Medupe (40)

BAcc, CA (SA)

Three years' service

(Appointed 1 February 2008)

Ndumi is a chartered accountant by profession having completed her articles at Deloitte & Touche. Since then she has been employed in financial positions with Vodacom, MTN, Gauteng Department of Finance and Johannesburg City Parks. The founding director of Indyebo Consulting, which specialises in forensic, risk, internal audit and compliance, Ndumi also holds non-executive directorships with City Lodge and PetroSA.


Ian Nigel Matthews
Independent non-executive director

Chairman of the audit, governance and risk committee and member of the nomination and remuneration committee

7


Stephen Roy Midlane
Independent non-executive director

Member of the audit, governance and risk committee

9

9. Stephen Roy Midlane (45)

BCom, BAcc, CA (SA)

Nine years' service

(Appointed 26 November 2002)

Roy started his career in the music industry as part of the leadership team that established Sony Music SA (Pty) Ltd. Roy then joined Set Point Holdings Limited as group financial director prior to the listing on the JSE. Later, he joined MGX Holdings Limited as the group financial director and was integrally involved in the successful turnaround of this distressed business. This business was subsequently renamed Metrofile Holdings Limited. In 2006 Roy became a non-executive director of Metrofile Holdings Limited and he joined Drive Control Services (Pty) Ltd, a large distributor of IT hardware, software and consumables, as financial director. After a period in private equity as the chief financial officer and compliance officer of African Global Capital (Pty) Ltd, Roy joined The House of Busby (Pty) Ltd as the group financial director – a business taken private by Ethos in 2008.


Ndumi Medupe
Independent non-executive director

Member of the audit, governance and risk committee

8

10. Leon Mark Thompson (45)

BCom, BCompt Hons, SAIPA

Five years' service

(Appointed 1 July 2006)

Leon worked in a number of senior financial positions in the mining, engineering and FMCG sectors after completion of his articles before joining MGX Holdings Limited as the Group Financial Manager in 2003. He was part of the corporate finance team that was integrally involved in the successful turnaround of this distressed business. This business was subsequently renamed Metrofile Holdings Limited. In 2008 Leon was appointed as the general manager of the Metrofile Pretoria Division.

Leon Mark Thompson
Company secretary

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Corporate governance and structure

Metrofile Holdings Limited and its subsidiaries confirm their commitment to the principles of openness, integrity and accountability as advocated by the King III Code and remain committed to complying with all legislation, regulations and best practices relevant to the business.

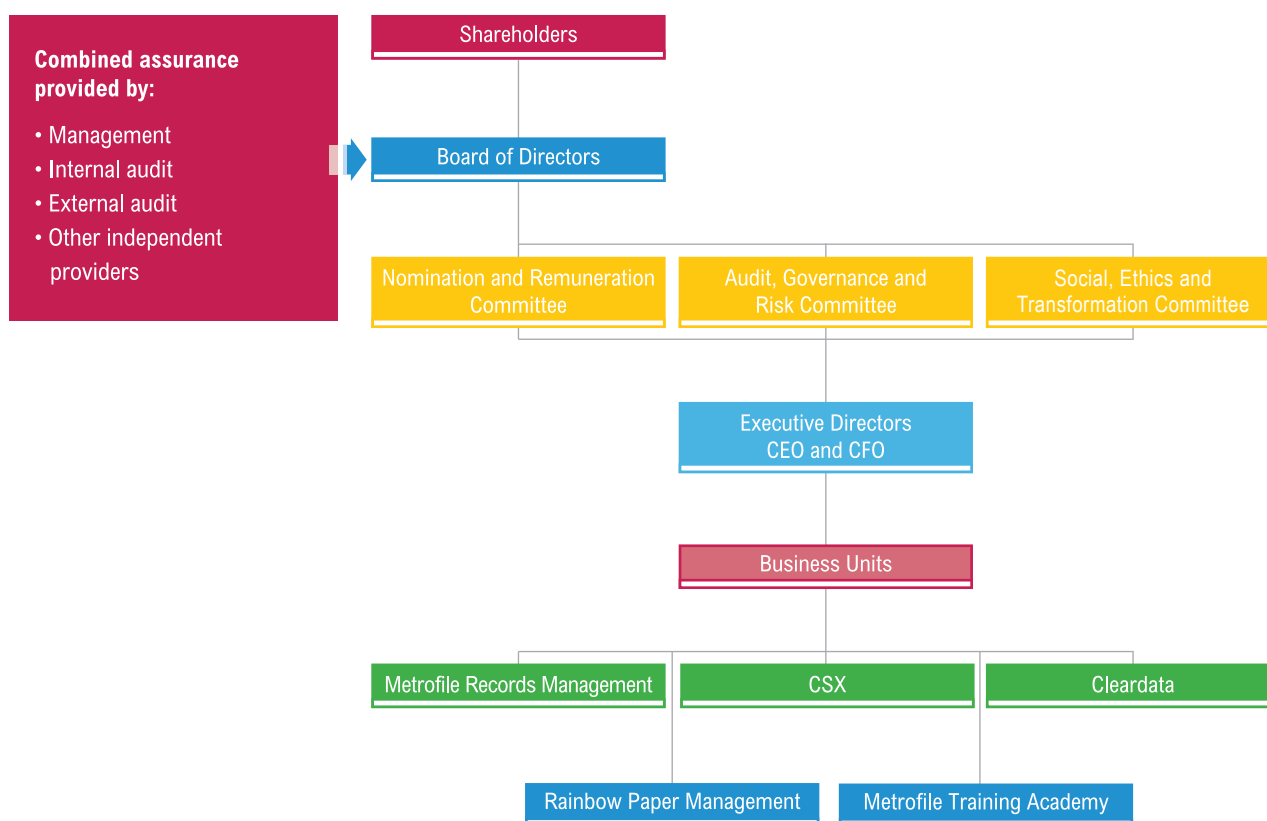
Throughout the year ended 30 June 2011 and up to the date of approval of this integrated report and annual financial statements, the principles articulated in the King III Code have been applied or if not applied, explanations are noted in the appropriate section of the Group's integrated report.

The Group's corporate governance structure is represented in the adjacent diagram:

A strong, experienced Board with the appropriate qualifications and skills

Metrofile has a robust risk management process





Board of directors

The Board of directors which is chaired by an independent non-executive director comprises four independent non-executive directors, three non-executive directors and two executive directors. All director appointments are formal and transparent.

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

The Board of Metrofile is responsible for directing the Group towards achieving its vision and mission. The Board is ultimately accountable for the development and execution of the Group's strategy, operating performance and financial results, practised within the Group's formal governance authorities. The Board is responsible for its own composition, the appointment of the chairman and chief executive officer and the constitution and composition of its committees.

The role of all directors is to bring independent judgement and experience to Board deliberations and decisions. Mr Christopher

Seabrooke continues his role as Chairman of the Board and Mr Graham Wackrill is the Chief Executive Officer. The separation of these two roles ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making. Brief biographical details of each Board member are reported on pages 14 and 15.

The Board meets at least four times a year and is responsible for Group strategy, policy and performance as well as the management, control, compliance and ethical behaviour of the group of 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. During the year, the Board received presentations from management on the strategic plans and budgetary matters as well as any other items requiring in-depth coverage in terms of the Group's authority framework.

The Board works to a formal agenda that covers strategy, structure, information technology, operating performance, growth initiatives and other key activities of the Group. To do so effectively, formal documents and minutes of all Board committees are included in the Board papers.

The Nomination and Remuneration Committee facilitates a comprehensive annual formal performance evaluation of the chief executive officer (CEO), comprising a self-evaluation and an evaluation by every non-executive director via a questionnaire that allows for detailed responses and comments. The chairman provides summary and feedback of these exercises to the CEO, and he is encouraged to probe and debate any aspect of the evaluation with the full Board. All Board members complete an evaluation of the effectiveness of the chairman via questionnaire, the results of which are sent directly to the company secretary for assessment and collation. All Board members complete a detailed self-assessment each year probing the composition, duties, responsibilities, process and effectiveness of the Board. All Board committee members complete a detailed self-assessment probing the composition, duties, responsibilities, process and effectiveness of their committees; this self assessment includes comments from permanent invitees as well as the external auditors.

In terms of the Company's articles of association, all non-executive directors retire by rotation every three years. In the event that no directors are due for rotation, the two with the longest period since reappointment

Corporate governance and structure (continued)

automatically retire. Retiring directors are proposed for re-election by shareholders. Shareholders must also ratify the initial appointment of each director at the first Annual General Meeting of shareholders following that director's appointment. At the 2011 Annual General Meeting, Miss Cynthia Mapaure, Mr Nigel Matthews and Mr Christopher Seabrooke will retire by rotation and, being eligible, will offer themselves for re-election. On behalf of the Board, the company secretary confirms that on the basis of the annual evaluation of the chairman, the performance and commitment of Mr Seabrooke throughout his period of office have been highly satisfactory. On behalf of the Board, the chairman confirms that on the basis of the annual evaluation of the Board and of the performance of individual directors, the performance and commitment of both Miss Mapaure and Mr Matthews throughout their periods of office have been highly satisfactory.



Directors' attendance at board meetings during the 2011 financial year

Directors	Date appointed	Meeting attendance
CS Seabrooke* #	28/01/03	5/5
AP Nkuna+	04/12/06	3/5
GD Wackrill (CEO)	29/01/04	5/5
RM Buttle (CFO)	04/12/06	5/5
MS Bomela	08/09/10	3/4
CN Mapaure	27/02/09	3/5
IN Matthews	01/06/06	4/5
N Medupe	01/02/08	5/5
SR Midlane	26/11/02	3/5

* Chairman

+ Deputy Chairman

Mr Carl Coutts-Trotter was appointed as alternate director to Mr Christopher Seabrooke on 13 April 2011.

The Board has established two committees to assist it with its duties namely the Nomination and Remuneration Committee and the Audit, Governance and Risk Committee. The Social, Ethics and Transformation Committee will be established with effect from November 2011.

The charters for each of these committees are available on the Group's website (www.metrofileholdings.com) or from the company secretary.

The Board is satisfied that it has complied with its legal and regulatory responsibilities throughout the period under review.

Audit, Governance and Risk Committee

The Group's Audit, Governance and Risk Committee comprises three non-executive directors, all of whom are independent and one of whom chairs the committee. These meetings are also attended by representatives of MIC, the executive directors, the external auditors and the internal auditors. The mandated functions of the audit, governance and risk committee are to:

- ensure and report on the integrity, reliability and accuracy of the Group's accounting and financial reporting systems;
- promote the overall effectiveness of corporate governance in the Group;
- review the findings and reports of the external auditors;
- consider and recommend the annual and interim financial statements for approval by the full Board of directors;
- consider that the going concern assertion remains appropriate;
- consider the risks in the Group's business environment;
- consider the independence and recommend the re-appointment of the external auditors; and
- ensure that it has oversight of the integrated report and the factors, risks and sustainability matters that may impact the integrity thereof.

The committee reviews the scope, independence and objectivity of the external auditors and agrees on appropriate fees.

The nature and extent of non-audit services provided by the external auditors is reviewed annually to ensure that fees for such services do not become significant enough to call into question their independence of Metrofile.



The committee has adopted a guideline that fees paid to the Group auditors for non-audit services should not exceed the level of audit fees charged to the Group. If it appears that this guideline will be breached consistently, non-audit services will be outsourced to third-party auditors. The audit, governance and risk committee recommends the appointment of the external auditors for Board and shareholder approval.

During the financial year, Deloitte & Touche were the external auditors for all Group companies. During the current and previous financial years, Deloitte & Touche provided certain non-audit services, including tax reviews and advice as well as reviews of information technology systems and applications.

The external auditors have unrestricted access to the Audit, Governance and Risk Committee and present formal reports to its meetings.

The Audit, Governance and Risk Committee reviews the operation of the Group's internal audit function and annually reviews the internal audit charter and recommends it to the Board.

The Audit, Governance and Risk Committee is responsible for selecting the external auditor and recommending its appointment to the shareholders. The committee monitors the external auditor as described in more detail later in this report.

As required by the JSE Listings Requirements, the Audit, Governance and Risk Committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the CFO. Furthermore, the committee considers annually the

appropriateness of the expertise and adequacy of resources of the Group's finance function and the experience of senior management responsible for the finance function. For the year under review, the committee has satisfied itself on this point.

The committee assists the Board in reviewing the risk management process and significant risks facing the Group. The committee sets the Group's risk strategy in liaison with the executive directors and senior management, making use of generally recognised risk management and internal control models and frameworks in order to maintain a sound system of risk management and internal control as described later in this report.



The committee identifies and monitors, at least annually, key performance indicators and key risks including operational, physical, human resources, technology, continuity, credit, market and compliance risks.

The committee reviews its performance annually by means of questionnaires completed by individual committee members and attendees which are then discussed at Board and committee meetings. These appraisals enable the committee to evaluate its effectiveness objectively and to conclude that it is operating effectively under the terms of reference set down in its charter.

The audit, governance and risk committee meets at least three times a year.

Attendance at Audit, Governance and Risk Committee meetings

Directors	Date appointed	Meeting attendance
IN Matthews*	01/06/06	4/4
N Medupe	01/02/08	4/4
SR Midlane	01/09/08	3/4

*Chairman

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive directors, one of whom chairs the committee.

The committee is responsible for the recruitment and nomination of new non-executive directors and advise on their remuneration and ensure that succession plans are in place for the chief executive, the executive directors and divisional heads of the Group's business units.

The committee is also responsible for formulating a remuneration strategy for senior executives in the Group, inclusive of the determining of any grants to executive directors and other senior employees made pursuant to the Company's share schemes, and satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives. This includes determining incentive pay structures for directors and senior executives in both the short- and long-term and aligning these levels with competitive practice locally and internationally as well as the Company's strategic objectives.

The committee must oversee the setting and administering of remuneration at all levels in the Company, regularly review incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules. It must also oversee the preparation of, and recommend to the Board, the remuneration report to be included in the integrated report and ensure that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year.

Metrofile aims to have a remuneration policy that enables it to recruit, retain and motivate executive talent in its primary business units and in its head office.

The committee employs the services of specialist consultants in the field of executive remuneration to assist it when necessary. The consultants who have been retained in this role to date are PricewaterhouseCoopers.

The committee meets at least three times a year.

Attendance of Nomination and Remuneration Committee meetings

Directors	Date appointed	Meeting attendance
CS Seabrooke*	07/10/05	3/3
IN Matthews	01/06/06	3/3
AP Nkuna	01/12/08	3/3

*Chairman

The Board has elected not to apply the King III Code recommendation that the chairman of the Board should not also chair the remuneration committee.

The Board is of the view that the Company's corporate governance and the effectiveness of the Nomination and Remuneration Committee are best served by the Board chairman also chairing the Nomination and Remuneration Committee in view of the high level of ongoing interaction between the chairman and the CEO and the resultant comprehensive knowledge of the Group's executives and their performance by the chairman.

The CEO and the CFO may be invited to attend meetings of the Nomination and Remuneration Committee but neither may take part in any discussions regarding their own remuneration.



Corporate governance and structure (continued)

Social, Ethics and Transformation Committee

The Group previously formed a transformation committee to support the Nomination and Remuneration Committee and the human resources function. The committee was chaired by Mr Paul Nkuna (deputy chairman and Mineworkers Investment Company representative) and included Ms Ndumi Medupe (independent non-executive director), Mr Graham Wackrill (chief executive officer) and Mrs Vera Massyn (human resources executive). The committee met as required and fed back information to the Board via the Nomination and Remuneration Committee.

The Board has noted the requirements for the establishment of a social and ethics committee under the new Companies Act. As a result the Board has formed a new committee, namely the Social, Ethics and Transformation Committee and dissolved the Transformation Committee noted above. The draft Social, Ethics and Transformation Committee charter will be presented to the Board in November 2011 for approval. It is intended that the committee will be chaired by Mrs Bomela and comprise, in addition, Mr Matthews, Mr Wackrill (the CEO) and Mr Buttle (the CFO).



The Group has a code of ethics and the leadership team continually enforces a culture of integrity and conducts itself accordingly. The CEO and CFO lead by example in terms of commitment, hard work, honesty and integrity. The Company previously subscribed to a whistle-blowers hotline which was established in order to create a channel for anonymous

tip-offs relating to any matter of concern impacting the Company or stakeholders. This service was suspended due to a lack of utilisation and the Company will re-evaluate the mechanism in the near future.

Company secretary

All directors have access to the advice and services of the company secretary and are entitled and authorised to seek independent and professional advice about affairs of the Group at the Group's expense. The company secretary, Mr Thompson, is responsible for the duties set out in section 88 of the Companies Act.



Internal financial control

The Board is responsible for the Group's system of internal control which is designed to safeguard assets, prevent and detect error and fraud and ensure the accuracy and completeness of accounting records and the reliability of financial statements. The internal audit function, which is outsourced to KPMG, has been in place since 2007, further enhancing the Group's commitment to ensuring adequate internal financial controls are in place at all times. The internal audit function has gained momentum and is covering a broader range of audit assignments than in previous years. There is also a clear plan which has been designed to cover all major areas of risk over the three-year period; this plan has been presented to and approved by the Audit, Governance and Risk Committee.

While we recognise that systems of internal control can provide only reasonable, and not absolute assurance, none of the reviews conducted indicated that the system of internal control was not appropriate nor functioning unsatisfactorily.

Based on the information and explanations given by management and both the internal and external auditors, the directors believe financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

Representations are made by management at a divisional level and management assurance forms part of the Group's combined assurance plan as disclosed on page 22 and 23.

Risk management

The appropriate emphasis placed by the King III Code 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 operations take place during each financial year. A comprehensive risk register is in place and constantly managed by the appropriate executive management members. There is no separate risk committee, however the Audit, Governance and Risk Committee takes responsibility for matters relating to risk and the mitigation thereof.

The risk management process involves the identification of the key risks facing the business and the implementation of controls to mitigate the risks where possible. The Board obtains assurance that the controls over the identified risks are operating effectively by means of external and internal assurance providers including the external auditors, internal auditors and other professional advisers as well as from management itself. During the 2011 financial year, the Board implemented a formal combined assurance framework in order to co-ordinate and monitor the provision of assurance. (More detail is covered on page 22 and 23 under Combined Assurance.)

The Board sets the level of risk tolerance and limits of risk appetite for Metrofile as part of its strategic direction setting of the Group. In evaluating the risk of acquiring new businesses and entering new geographies as well as directing the development of existing businesses, the Board takes a prudent approach to risk informed by many years of experience in the Group's main business streams. The Board also draws on the experience of its non-executive directors in other fields of business in setting the Group's approach to risk in a wider context.

The Board is responsible for the total process of risk management and has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Board and the Audit, Governance and Risk Committee monitor risk management activities as a standard item on their agendas and actively participate in discussions around risk topics raised.

Strategic risks are continuously reviewed and ranked by inherent risk based on the evaluation of the probabilities and severity for each risk. The mitigation of each risk is assessed based on controls put in place and the resultant residual risk is also calculated.

The different business operations within the Group all have operational risk registers which are monitored on a daily basis utilising CURA risk management software. Operational risks, along with health and safety requirements, have been identified and within each division risk owners have been assigned and daily, weekly, monthly or annual tasks have been specified along with the responsible person. Risk management has become a part of daily business life for all management and supervisors within the Group.



Risks associated with information technology are specifically identified and the Group has robust business continuity and disaster recovery plans. In addition, a technology report is presented annually to the Audit, Governance and Risk Committee and also to the Board, identifying key elements within the current structures, areas of concern and initiatives being investigated.

All computer equipment is sourced from DELL with full support and three- or five-year

maintenance agreements which further support the business continuity effort.

The key risks identified within the Group are noted below:

Systems continuity

The Group is critically dependent on its IT infrastructure and systems. Unexpected failures to the IT systems and infrastructure could cause severe interruptions to the business and result in lost productivity and poor service delivery to clients. Numerous controls are in place to mitigate this risk and ensure business continuity.

Applicable business strategy and business sustainability

The Group's combined and individual business unit strategies need to be sound and tested. There are numerous challenges and opportunities which arise out of the Group's existing offerings and changes in the environment we deal in. By engaging with our customers as to their requirements and adapting our solutions to meet their needs, we ensure that we are well positioned to evolve our strategy and ensure business sustainability. The Group keeps abreast of legal and regulatory changes which impact our environment and the strategic vision for the Company is constantly reviewed and actions taken to ensure that it is applicable to current and future market needs and trends.

Fire damage

The Group faces permanent loss of business revenue and potential damage to the corporate image if a fire was to occur and destroy a warehouse. The Board and management have various processes, personnel, policies and equipment in place in order to mitigate the risk of fire. These include preventative measures with respect to lighting, shutting down facilities as well as the installation of both fire detection and fire suppression systems of various forms. Fire-fighting teams have been appointed and receive regular training specific to our environment.

Funding and working capital

The high level of gearing which arose as a result of the MGX collapse resulted in onerous banking arrangements with extremely tight covenant requirements. The Board and management have created a culture of cost-cutting, efficiencies and tight working capital management which carried the Group through

tough times and mitigated the risk of default. Over the years, the Group has reduced the debt, easily complies with banking covenants and has excess cash for reduction of debt, expansion and dividends to shareholders. The financial risk relating to interest rates has been mitigated by way of interest rate swaps. The level of gearing and working capital management is well controlled, but remains a continued area of focus.

HIV/AIDS infections and staff wellness

The business is labour-intensive and the risk of employees being in poor health is high on a general basis as well as with respect to HIV/AIDS. The Group has had a strategy for years to combat this risk both for the benefit of our employees and the business. There are tests and counselling offered to all staff, free of charge on a continual basis. (Further detail is disclosed under the Employee Wellness section of the sustainability report on page 26.)

Richard Buttle, chief financial officer, assumes the role of chief risk officer.

Management reporting

The Group has established management reporting disciplines which include the preparation of annual budgets by operating entities. Monthly results and the financial status of operating entities are reported against approved budgets. Financial forecasting, inclusive of revenue, profit, interest, capital expenditure, cash flows and dividends, are reviewed regularly while working capital, borrowing facilities and bank covenant compliance are monitored on an ongoing basis. All financial reporting by the Group, including external financial reporting and internal management reporting, is generated from the same financial systems which are subject to the internal controls and risk management procedures described above.

Share dealings

All share dealings by a director or prescribed officer must be authorised by either the chairman or CEO. Any dealings by the CEO are authorised by the chairman and dealings by the chairman are authorised by the CEO. A formal share dealing guideline has been adopted by the Board. Restrictions are imposed upon directors and senior management in the trading of Metrofile shares and upon all employees regarding the exercising of Metrofile share-based incentives during certain "closed periods". In light of

Corporate governance and structure (continued)

the JSE Listings Requirements, the insider trading laws and good corporate governance, the Metrofile Nomination and Remuneration Committee has advised that employees are not permitted to exercise their share options during closed periods or when in possession of unpublished price-sensitive or inside information relating to Metrofile. The closed periods begin the day after each reporting date (these reporting dates being 31 December and 30 June) and end on release of Group results. A closed period also applies whenever Metrofile issues a cautionary announcement until it is withdrawn.

Stakeholder communication and investor relations

Metrofile has identified its stakeholders and has several channels for engagement and communication. The Group is currently expanding its engagement with customers and suppliers with regards to issues of mutual importance inclusive of sustainability and transformation.

The following stakeholder groups have been identified:

- Analysts
- Board of Directors
- Clients
- Communities in which the Group operates
- Employees
- Executive management
- Financiers
- Regulators
- Senior and junior management
- Shareholders
- Unions

Employees are engaged with “Metrofile employee representative committees” as well as “Employment equity committees” and through divisional and departmental management structures.

The Group strives to provide generous and frequent disclosure to all stakeholders. Metrofile reports formally to shareholders twice a year (in February and August) when half-year and full-year results, together with an executive review, are announced and issued to shareholders and the media. Presentations are done annually to analysts and shareholders after the release of the full-year results. During the year, apart from closed periods, the CEO and CFO meet regularly, but never alone, with institutional shareholders and are available for meetings with analysts and

any existing or prospective shareholder. All formal announcements, financial and services information are also available on the Group's websites.

Shareholders and their appointed representatives are encouraged to attend Metrofile's Annual General Meeting to vote on the resolutions placed before the meeting and to conduct relevant discussions with the Group's directors. As noted above, the chairmen of the Audit, Governance and Risk Committee and Nomination and Remuneration Committee attend the Annual General Meeting and are available to answer questions on the activities of the committees.

Business conduct

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



Combined assurance plan

A combined assurance plan aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Company. The Board has chosen to initially target a negative combined assurance outcome i.e. that nothing has come to the attention of the Board or committees indicating that there is not appropriate assurance. Collectively the activities of these assurance providers are referred to as the combined assurance model. As part of the combined assurance model, as recommended by the King III Code, an internal financial

control review was performed in June 2011 and all processes were found to be functioning at an acceptable level.

The objectives of the combined assurance framework is to:

- Identify and specify all the sources of assurance over Metrofile's risks.
- Provide the board of directors, Audit, Governance and Risk Committee and management with information and comfort on the completion and efficiency of the assurance being obtained from all the assurance parties.
- Demonstrate good governance through the linking of risk management with assurance. This will also assist the board of directors to form their opinion on the effectiveness of the risk management system.
- Provide a basis for identifying any areas where additional assurance may be required.
- Allow for the elimination of duplicated and/or excessive assurance where this is not considered cost-efficient.

The combined assurance framework is designed to highlight, for Metrofile's key risks, the assurance provided by management, internal audit, external audit and other external parties in order for the Board and sub-committees to be apprised of the risk management efforts undertaken to mitigate risks to an acceptable level.

The risk register updated by management formed the basis for determining the combined assurance framework for Metrofile. The framework was developed through:

- Analysis of the top 12 key risks facing Metrofile.
- Interviews with management, risk and control owners and assurance providers to determine the existing controls, key risk indicators, tolerance limits, reporting forums and the assurance provided for each of the identified risks.
- Identified control gaps and possible “to be” key risk indicators.
- Identify areas where internal audit could provide assurance.

The combined assurance framework was prepared in order to achieve the objectives above and to ensure that Metrofile obtains a high level of assurance coverage over its key risks. Within Metrofile, there are a number of assurance providers that either directly or



indirectly provide the Board and management with certain assurances over the effectiveness of those controls that mitigate the risks as identified during the risk assessment process described under risk management earlier in this report. The primary assurance provider is Metrofile management, supported by independent parties as well as the internal audit function (operational risks).



Based on the information obtained and subject to the effective provision of assurance by

all the parties, it can be seen that Metrofile has a comprehensive and robust assurance framework in place.

Internal audit function

The objective of an internal audit is to assist the Board, through the Audit, Governance and Risk Committee, to effectively discharge its responsibilities. An internal audit is a key assurance provider and provides the Board with a report of its activities which, along with other sources of assurance, is used by the Board in making its report on its assessment of the Company's system of internal controls and risk management.

Metrofile has outsourced the internal audit function of the Group to KPMG. The purpose of the internal audit is to have an independent appraisal function which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance processes. The internal audit operates within defined terms of reference as set out in its charter and authority granted to it by the Audit, Governance and Risk Committee and the Board and reports to the Audit, Governance and Risk Committee. Audit plans are presented in advance to the Audit, Governance and Risk Committee and are based on an assessment of risk areas involving an independent review of the Group's own risk assessments. The KPMG audit team reports to the CFO on day-to-day matters.

The Audit, Governance and Risk Committee is satisfied that the internal audit has met its responsibilities for the year with respect to its terms of reference.

External audit

The Audit, Governance and Risk Committee is responsible for recommending the external auditor for appointment by shareholders and for ensuring that the external auditor is appropriately independent. Shareholders ratified the appointment of Deloitte & Touche as external auditors to the Group at the previous Annual General Meeting and their reappointment will be sought at the Annual General Meeting on 28 November 2011.

The external auditor carries out an annual audit of all the Group's subsidiaries in accordance with international auditing standards and reports in detail on the results of the audit to the Audit, Governance and Risk Committee. The external auditor is thus the main external assurance provider for the Board in relation to the Group's financial results for each financial year.

The audit committee regularly reviews the external auditor's independence and maintains control over the non-audit services provided by the external auditors. Pre-approved permissible non-audit services performed by the external auditors include taxation and due diligence services. The external auditors are prohibited from providing non-audit services including valuation and accounting work where their independence might be compromised by later auditing their own work. Other non-audit services provided by the external auditors are required to be specifically approved by the chairman of the committee or by the full committee if the fees are likely to be in excess of R200,000 in aggregate.

The external auditor has the policy of rotating the lead audit partner every five years.



Sustainability

The Board acknowledges its responsibility to consider the impact of the Group's operations, and decisions made, on the environment and the communities in which it operates. The Group is committed to the principles of sustainability in achieving Metrofile's strategy to deliver long-term, sustainable returns to shareholders. Sustainability encompasses social and environmental responsibility as well as corporate governance and ethics and the principles of sustainability are fundamental to the way in which Metrofile interacts with all its stakeholders.

Policy statement

The Metrofile Group is fully committed to the principles of sustainable enterprise development and corporate social responsibility. There is specific focus on the implementation of sustainable business practices, minimising our impact on the environment and developing our local communities.

Metrofile's sustainability policy, which is overseen by the Board and implemented by the management team, encompasses a broad range of principles that includes the need to encourage suppliers and customers to adopt the same standards in the operation of their businesses. The policy is as follows:

Metrofile, its subsidiaries and staff are directed and encouraged at all times to:

- pursue ethical business practices;
- operate within the bounds of the law;
- comply with international best practice;
- conduct its business in an environmentally sensitive manner;
- reuse or recycle waste generated on all our sites;
- play an active role in the development, health and well-being of our staff; and
- use our resources to develop our communities.

Furthermore, Metrofile will actively encourage customers, suppliers and partners to adopt similar practices and to use its know-how, technology and resources to:

- encourage customers to adopt environmentally friendly practices;
- develop and offer products and services that reduce paper wastage;
- offer paper recycling services; and
- assist charitable institutions in building capacity to support their communities.

Caring for our communities



Recycled fibre reduces air emissions in papermaking by 70%



Metrofile's sustainability initiatives are covered under three main headings, namely "Economic", "Social" and "Environmental".

Economic

The Company strives to continuously improve its quality of services to clients with a desire to partner rather than merely be a source of supply. Over the years, Metrofile has engaged more with clients through our management, account executives, records management consultants and customer services consultants so as to deliver quality services through understanding the client's needs and striving for improved efficiencies and responsiveness. Innovation and cross-selling of the Group's offerings is an ongoing process which the Company strives for to maximise benefits for all stakeholders thus delivering growth to the shareholders, better value to clients, career advancement opportunities for employees and sound partnerships for suppliers.

The security of client information is of utmost importance to the Group and as such the expansion of the businesses continually takes this into account. Metrofile is a key part of the client's governance and risk mitigation process when it comes to records and information management. The Metrofile environment is governed through numerous access and user controls inclusive of authorised users as predefined by clients so as to maximise the safeguarding of clients' information. This is further enhanced through bar-coding of records so as to assist in the track and trace thereof and reduce information disclosure through user authority levels.

The Group continually reviews the regulatory environment for threats and opportunities to both its own business operations as well as the offerings it takes to market.

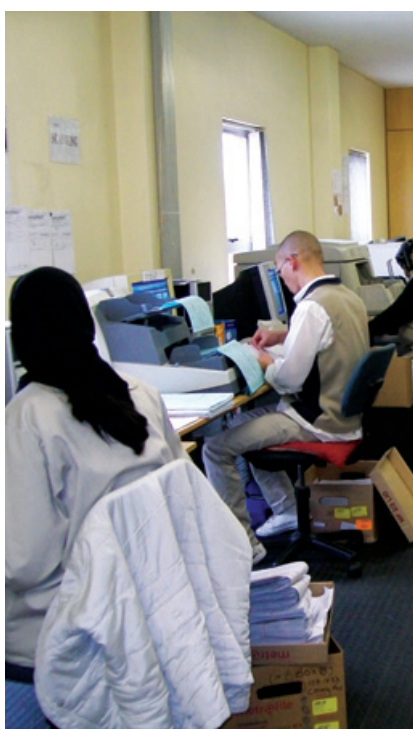
The Group has adequate access to funding and comfortably complies with the banking covenants linked to its loan agreements. The debt within the Group is mostly inherited and the business operations have continued to deliver year-on-year growth for 28 years.

The Group maintains its position as the market leader in records management and its services cover the information lifecycle with the key areas being as follows:

- Define records structures, retention periods and train all employees.

- Manage all active records, inclusive of authorised access.
- Protect all data.
- Archive records in a structured manner so as to enable easy, timely retrieval.
- Destroy records confidentially at the end of the retention period.

The Group has several offerings which it is finalising to take to market that are not commented about in this report due to the risk of negating the competitive advantage they create.



Metrofile is committed to a process of transformation that will, with the support of, the Mineworkers Investment Company, result in greater opportunities for all staff members and at all levels. The Group is committed to the seven pillars of BEE and is working hard at identifying and growing the skills of our people to achieve their goals and further their careers. This philosophy will, over time, improve our employment equity ratios and the representation by PDIs at management and supervisory levels within the organisation.

The Mineworkers Investment Company maintained its ownership percentage during the year at 32,4% and their directors are members of our Board, Audit, Governance and Risk Committee, Nominations and Remuneration Committee and the soon-to-be-established Social, Ethics and Transformation Committee.

The Group remains committed to procuring services and supplies from BEE-compliant businesses and are targeting improvement of spend with black-owned and black woman-owned businesses.

The company has several different BBEE scorecards for the different entities within the Group with the main businesses of Metrofile Records Management, CSX Customer Services and Rainbow Paper Management forming part of Metrofile (Pty) Ltd. Metrofile (Pty) Ltd is currently a Level 4 value adding contributor which allows clients to claim 125% of spend for procurement purposes and is targeting Level 3 status.

Social

Overview

Metrofile, being a provider of services and solutions, regards people as central to the success of the organisation and the delivering of our promises to our clients. More specifically, the standard of service that we provide to customers is reliant on the commitment, quality and capability of our team members, as is the overall effectiveness and efficiency of the organisation. As such, the welfare and development of team members is of utmost importance to us and attention is therefore given to the constant enhancement of the support we provide to staff in their growth and development. The Group is pleased to note that although we continually strive for efficiency and cost reduction we have still managed to grow our permanent staff complement from 960 in 2008 to 1,223 in 2011 representing a 27,4% increase despite the general depressed economic climate.

Employment Equity

Metrofile recognises the importance of the abilities and contributions made by employees in the development and achievements of its businesses and achieving their goals. The Group's employees are seen as important stakeholders in the business and their training and development is an important aspect of the Group's sustainability.

The Group is an equal opportunity employer and its training and development initiatives are structured so as to realise employees' full potential and advance their careers, preferably within the organisation. All business units have committed to a transformation process designed to minimise barriers to employment

Sustainability (continued)



equity and this is tied into a portion of the short-term incentive portion of remuneration for the executive directors and senior management.

The Company is verified against the generic BEE scorecard and the business focuses on seven pillars which takes into account all aspects of employment equity and transformation. Over the last few years a job grading system has been introduced and although some of our employees' progression does not reflect in the Employment Equity statistics the improvement and consistent advancing of identified talented employees reflects within the band and can be seen when specific job functions are reviewed.

The Group is committed to a working environment that is free from any discrimination and seeks to develop skills and talent inherent in its workforce.

Succession planning

Succession planning is required to be structured within the Group and driven by the Board, the Nomination and Remuneration Committee and through management. Both long-term and emergency succession plans are in place.

Health and safety

A formal health and safety policy is in place and the areas covered under this section are entrenched within the risk management process as the Group wishes to mitigate its risk of injury to all employees as much as is feasible. During the past financial year

Metrofile has recorded 20 injuries on duty (IOD) which is a reduction of 4 from the previous year. The Group aims to maintain or reduce the quantity and severity in future years. It should be noted that no major injuries were experienced over this period.

Employee wellness

Metrofile's employee health awareness programme takes employees' knowledge of their health beyond only HIV/AIDS. The programme ensures assessment for many conditions which are often not tested for due to cost or reliance on the public health system. Metrofile is pleased that the programme has been appreciated by employees and made a difference to many lives in that it has identified staff's risk with respect to potentially fatal conditions in addition to HIV/AIDS. On-site counselling sessions help to further educate staff on any conditions they may have thereby giving them the power to act.

All Metrofile facilities continue to be visited, on a monthly basis, by a registered nurse who provides staff with basic health checks and advice, guidance and counselling. The service, which is also available to family members, is available both on-site and telephonically during and after office hours and includes guidance on how to work or live with family members, friends and colleagues who have been diagnosed as HIV-positive. Assistance is also provided to staff with treatment and in obtaining the required medication. The statistics have improved since the inception of this programme in 2006 and the infection rate expressed as a percentage of our employees has reduced from 12% to 7% over the period. In addition 84% of our employees infected with HIV are on the employee support programme which includes assistance with anti-retroviral medication.

Corporate social responsibility has become a part of everyday life for both the Group as a corporate citizen and our staff.

Training and development

Our talent management programme and training initiatives are gathering momentum into its second year. We have been overwhelmed by the dedication of our staff in relation to the courses they are participating in. Attendance is high and commitment to submitting assignments and contributing during work group sessions has been exceptional to say the least.



The Group's training facilities and induction programmes have been improved and training for the period under review also continued to focus on adult basic skills and computer literacy courses.

The following key programmes were also continued with:

- **Learnership Programme – General Education and Training Certificate – Business Practice (NQF Level 1):** this 12-month programme had 56 participants who had previously completed the required level of Adult Basic Education Training (ABET). Of the 56 participants, 51 successfully completed the learnership programme. A second group of 40 employees started the course in November 2010, the majority of whom will shortly be completing the programme.
- **Supervisory Training:** this programme was run for supervisors currently employed so as to identify potential candidates for growth into the next level of management. Selected individuals are fast-tracked by participating in a one-year programme, the completion of which will give them a management qualification at an NQF 4 level.
- **Management Development:** certain general management and operational courses have been identified in order to grow the skills of general managers through to junior managers.
- **Sales training:** all general managers, sales managers, account executives, records management consultants and customer service consultants are embarking on detailed sales training courses so as to enhance their skills and ensure that we engage appropriately with our customers so as to maximise our delivery to the

customers, evolve them into partner relationships and grow the business and returns for shareholders.

- Interns and unemployed learnerships:** over the past year, at any one time, the company has had in excess of 50 interns and/or unemployed learners obtaining workplace experience. Many of the participants have subsequently been placed on contract for specific projects. This initiative assists both the communities we operate in and improves our pool of possible individuals for recruitment purposes.

The learnership and intern programmes initially covered Gauteng and have been expanded to cover the Western Cape and KwaZulu-Natal.

During the financial year ended 30 June 2011, the Group's training spend, as recognised for BEE scorecard purposes, was in excess of R6 million.



Our communities

Support is provided to charities within the communities from which we draw staff and in which we do business. These organisations are provided with free services or assistance with building their capacity or overcoming major obstacles. Collections are also undertaken on behalf of charities who require transport to collect donated goods received from other corporate donors.



The following areas were focused on during the year:

- Assisting hospitals, community support centres other non-profit organisations in establishing or improving their records management processes.
- The donation of Metrofile's proprietary records management software, the continuation of free services and assistance in sorting and indexing existing filing.
- Free records management and system training.
- Charities supported during the year include the Edenvale Care Centre, the Desmond Tutu HIV Foundation, Refilwe, the Hospice Association, Durban Child Welfare, Transoranje Institute for special education, St Luke's Hospice, Amcare, Tsenang homes of safety, Durbanville children's home, ABBA House, The Light house, Meals on Wheels, Cosmo City schoolhouse project and Save the Children.

Metrofile, through its CSX Customer Services brand, donated a prefabricated library to Lepelle-Nkumpi Municipality inclusive of furniture and monitoring equipment. This initiative supports the Group's desire to focus on children's education. In the period ahead the Group is looking to enhance its contribution to education in whatever way possible. The Group is cognisant of the challenges facing communities and is conscious that all initiatives need to be sustainable and add value rather than simply being a form of donation.



Environmental

The company is extremely aware of the need to establish more efficient ways of conducting business from both process and resource utilisation perspectives.

The business units have been structured over the years to use less resources whilst delivering exceptional service and minimising impact on employee working environments.

The following are areas of key focus within the Group:

- Minimum power is used within warehouses so as to reduce cost and also the risk of fire. This is done by utilising natural light as much as possible through the use of translucent sheeting during construction.
- In conjunction with natural light, employees working within warehouses utilise headlamps so as to ensure that their safety is optimised at all times whilst reducing the requirement and risk of powered lighting.
- The temperatures of geysers are managed and are switched off when not required.
- Lights are switched off when offices and meeting rooms are not in use and low-energy bulbs are being implemented where possible.
- The Group has monitored ways in improving the efficiency of the use of its fleet of vehicles and has managed to reduce the number of vehicles utilised. We also have a maintenance and replacement policy which ensures that both economically and environmentally, vehicles are replaced timeously.
- Recycling is an inherent part of the Metrofile records management, Rainbow Paper Management and Cleardata business units and the group recycles hundreds of tons of paper on a monthly basis.

The Cleardata business unit is currently carbon-neutral and over the coming year, the Group will look into establishing what its carbon footprint is as a whole, how to further reduce our carbon dioxide emissions and whether a target of being carbon-neutral for the Group is attainable.



Remuneration

Remuneration policy

The Nomination and Remuneration Committee ensures that the remuneration of executives and staff is competitive.

The Nomination and Remuneration Committee seeks to ensure that executive directors and senior managers are rewarded for their contribution to the Group's operating and financial performance at levels which take into account country benchmarks. There are no direct industry comparisons to be made but comparisons are also made with other service businesses. In order to promote a common interest with shareholders, performance-linked variable pay and share-based incentives are considered to be important elements of executive incentive policy.

The objective of the remuneration policy is that the executive directors and senior management should receive remuneration which is appropriate to their scale of responsibility and performance and which will attract, motivate and retain individuals of the necessary calibre.

The remuneration policy distinguishes between three main classes of remuneration:

- Basic annual total cost package.
- Short-term incentives (annual performance bonuses).
- Long-term incentives (share linked remuneration plans).

The remuneration of executives directors and prescribed officers is set out in note 5 of the annual financial statements attached. It should however be noted that the salaries of the three highest-paid employees, as recommended by the King III Code, and the names of the prescribed officers have not been disclosed due to the risk associated with such disclosure.

This remuneration policy will be put before shareholders for an advisory vote at the Annual General Meeting.

Remuneration summary

Metrofile's policy is to pay cost to company packages at the median for comparable positions.

Executive directors and senior management's remuneration consists of three components designed to balance short-term and long-term objectives and align to shareholders' interests.

A high-performance environment supported by the group remuneration policy



A basic annual total cost package is paid as well as performance-related variable pay which are linked to short-term and long-term performance requirements. The main objective of the basic annual total cost package is to provide individuals with a fixed income to represent the job they do. The performance-related remuneration is designed to encourage and reward superior performance and to align the interests of the executive directors and senior executives as closely as possible with the interests of the shareholders. Long-term incentives are inherently retentive but there are no schemes specifically in place for the sole purpose of the retention of key employees. In addition to these main ingredients, the executive directors and senior executives also receive retirement and other benefits as outlined below.

Basic package

The basic annual total cost package of the executive directors and senior management is subject to an annual review by the Nomination and Remuneration Committee and is set with reference to individual performance and external market data relating to comparable local service businesses. For this benchmarking process, the committee has determined to set a basic annual cost package for executive directors at the median of comparator groups because, in its view, this is essential to attract and retain the calibre of management necessary. Included in the basic annual total package are compulsory contributions to the company's retirement schemes and voluntary participation in the company's medical schemes. In addition to the basic annual total cost package, allowances are paid with respect to cell phones and fuel for the purpose of business travel whilst no company cars exist.

Short-term incentives

Annual performance bonuses are paid based on the achievement of short-term performance targets set out for each individual. The bonuses are directly linked to the performance achieved during a financial year and are determined by the Nomination and Remuneration Committee and include measures of corporate or divisional financial performance and individual objectives which are aligned to the business strategy.

The elements making up the performance targets include financial elements and vary

depending on the individual's business division, job role and function and are payable on outperforming budgeted targets. Qualitative elements are included; in addition to financial outperformance these elements are at least partially dependent on the financial targets being met. The main elements of the annual performance bonus are the following:

- Revenue targets;
- Gross margin targets;
- EBIT targets;
- Accounts receivable management;
- Transformation targets being achieved; and
- Other strategic targets as set out on an individual basis.

Each individual is allocated a base incentive which becomes payable on a sliding scale once financial budgets have been achieved. This base incentive increases based on a predefined formula and is limited to two times the defined base incentive.

At the end of each financial year the achievement of the corporate financial targets are measured utilising the audited results and the achievement of qualitative targets are assessed by the Nomination and Remuneration Committee. The bonuses payable to the executive directors in respect of the year ended 30 June 2011 are disclosed later in this report.

For the financial year ended 30 June 2011 the on-target bonus level was set at 44,0% of the basic annual total cost package for the Chief Executive Officer and 33,3% of the basic annual total cost package for the Chief Financial Officer. The bonus was capped at 88,0% of basic annual total cost package for the Chief Executive Officer and at 66,6% of the basic annual total cost package for the Chief Financial Officer. The Nomination and Remuneration Committee has determined that the on-target bonus level will increase with effect from 1 July 2011 to 50% of the basic annual total cost package for both the Chief Executive Officer and the Chief Financial Officer and the bonus will be capped at 100% of the basic annual total package for both directors.

Annual performance bonuses are paid in cash, less appropriate income tax, after the release of the Group's audited results and are subject to a portion being used by individuals to purchase shares in the Company in

accordance with the Metrofile Holdings Limited Deferred Bonus plan which is referred to later in this report under "Long-term incentives".



Long-term incentives

The company operates the following equity settled share based incentive schemes for executive directors and senior management:

- share appreciation rights scheme; and
- deferred bonus plan.

Both schemes were voted for by shareholders at a general meeting on 9 October 2008 with the first issue to participants taking place directly thereafter. Previous schemes related to the old MGX group and were cancelled in 2005.

The scheme rules were amended at the Annual General Meeting on 30 November 2009 in order to ensure compliance with the changes to Schedule 14 of the JSE Listings Requirements. The changes include specifying scheme limits in terms of a fixed number of shares and removing Board/Nomination and Remuneration Committee discretion in certain areas such as the treatment of leavers.

Share appreciation rights scheme

Eligible employees may receive annual grants of Share Appreciation Rights (SARs) which are rights to receive shares equal to the value of the difference between the exercise price and the grant price. Eligible employees are executive directors and managers employed within the Group. The number of SARs granted is proportional to the base salary of the recipient. The face value of an SAR is taken to be the 30-day volume weighted Metrofile Holdings Limited share price on the grant date and recipients are granted SARs with a face value in the range of 50% to 100% of their basic annual total cost package.

Vesting of the SARs is subject to performance conditions. The duration and specific nature of the performance conditions and performance period are stated in the letter of grant. The condition that has been imposed for grants of SARs was that EBIT must increase by 2% per annum above consumer price index (CPI) inflation over a three-year performance period. Retesting of the performance conditions is permitted on the first and second anniversary of the end of the performance period (i.e. years 4 and 5). If the condition is not satisfied after the end of the performance period or after retesting, the SARs will lapse. This means that vesting is either 100% if the condition is met or nothing at all if it is not met after retesting.

For the 2008 SARs awards the EBIT growth performance condition was met in October 2011 and accordingly the SARs awards vested. After vesting, the SARs become exercisable. Upon exercise by a participant, the company will settle the value of the difference between the exercise price and the grant price by delivering shares. SARs not exercised within the period specified in the letter of grant, will lapse.

The Nomination and Remuneration Committee has proposed changing the SARs to remove the retesting in years 4 and 5 if the performance condition is not met and to amend the performance condition to be based on headline earnings per ordinary share ("HEPS") on headline earnings per share with the requirement being that it must increase by 3% per annum above CPI inflation over the three-year performance period in order to achieve 100% of the grants. The vesting will change from 100% at the end of the three-year period to a third at the end of year 3, a third at the end of year 4 and a third at the end of year 5. The Nomination and Remuneration Committee is proposing this change in order to improve the alignment of the Group's share schemes with the creation of shareholder value. This change will apply from the 2012 grants onward (subject to shareholder approval being obtained) and the size of grants to be awarded will increase commensurately with the more demanding performance condition and loss of retesting opportunities. Shareholder approval for this change is sought in a resolution to be proposed at the Annual General Meeting.

Remuneration (continued)

Details of the grants under the Metrofile Holdings Limited SAR Scheme, made to date, are as follows:

Metrofile Holdings Limited Share Appreciation Rights Scheme

Date of grant	9 September 2011	7 September 2010	4 September 2009	10 October 2008
Number of SARs granted	8 161 705	4 080 852	5 510 734	7 377 604
Number of SARs exercised	–	–	–	–
Number of SARs lapsed	–	–	–	(1 308 222)
Number of SARs remaining in issue at 30 June 2011	8 161 705	4 080 852	5 510 734	6 069 382
Number of eligible employees to whom SARs were issued	15	12	13	14
Number of employees who have exercised SARs	–	–	–	–
Number of lapsed holdings of SARs	–	–	–	(2)
Number of employees remaining entitled to SARs at 30 June 2011	15	12	13	12
Grant price (Rand)	1.96	1.42	1.03	0.89
Life	7 years	7 years	7 years	7 years

Deferred bonus plan

Eligible employees are permitted to use a portion of the after-tax component of their annual bonus to acquire shares (pledged shares). A matching award will be made to the participant after a three-year pledge period on the condition that the participant remains in the employ of the company and retains the pledged shares over the period. In this context, a matching award means a conditional right to receive shares at nil cost to the employee at the end of the three-year pledge period subject to the employment condition being satisfied. The number of shares which can be acquired under the matching award is equal to the number of pledged shares i.e. a 1:1 match. Currently the employees eligible for the DBP are the executive directors and the purchase of the pledged shares is limited to 50% of after-tax value of the short-term incentives.

The participant remains the full owner of the pledged shares for the duration of the pledge period and will enjoy all shareholder rights in respect of the pledged shares. Pledged shares can be withdrawn from the pledge at any stage, but the matching award is forfeited in this case. The shares subject to the matching award are only acquired by the eligible employee at the end of the pledge period and he has no shareholder rights in respect of those shares before then.

Pledged shares have been acquired under the terms of the DBP by eligible employees as follows:

In October 2008: 264,176 (2 Participants)
 In September 2009: 312,546 (2 Participants)
 In September 2010: 182,519 (2 Participants)
 In September 2011: 278,210 (3 Participants)

Limits applicable to the SAR scheme and DBP

The aggregate number of shares which may be issued under the SAR Scheme and the DBP will be limited to 19 699 830 (approximately 5% of Metrofile's ordinary shares in issue at 9 October 2008).

The maximum number of new shares which can be issued to any single participant under the SAR Scheme and the DBP is 9 849 915 (approximately 2,5% of Metrofile's ordinary shares in issue at 9 October 2008).

The face value of the grants made to an employee in any financial year under the SAR Scheme should not exceed 100% of his/her base salary at the date of the offer.

Directors' service contracts

In order to properly reflect their spread of responsibilities, executive directors have employment contracts as follows: Graham Wackrill (CEO) and Richard Buttle (CFO) both have contracts with Metrofile Holdings Limited.

The employment contracts of both executive directors are terminable at six months' notice by either party.

All the non-executive directors have letters of appointment with Metrofile Holdings Limited. Under these contracts, non-executive directors retire in accordance with the articles of association of the Company, which is at least every three years. Retiring directors may offer themselves for re-election.

Director's emoluments

The table of the remuneration, including bonuses, for individual directors and prescribed officers who held office during the financial years ended 30 June 2011 and 30 June 2010 are reflected on page 51. The Nomination and Remuneration Committee has approved the executive directors' emoluments.

King III Code recommends that the remuneration paid to the three most highly paid executives (other than the executive directors) of the Group be disclosed in the integrated report but the Nomination and Remuneration Committee has decided not to apply this recommendation because it is not in the interests of the Company to do so as there would potentially be a negative impact competitively.

Director's share interest

The directors who held office at 30 June 2011 and 30 June 2010 are reflected as part of the Report of directors on page 35 and 36.

Directors holding office at 30 June 2011 held the following share appreciation rights under the rules of the SAR Scheme:

	Date of purchase of pledged shares	Share price	SARs held at beginning of year	Granted during the year	Exercised during the year	SARs held at year-end
Graham Wackrill	10 October 2008	89 cents	835 690	–	–	835 690
	4 September 2009	103 cents	931 471	–	–	931 471
	7 September 2010	142 cents	–	736 228	–	736 228
Sub-total			1 767 161	736 228	–	2 503 389
Richard Buttle	10 October 2008	89 cents	576 703	–	–	576 703
	4 September 2009	103 cents	562 450	–	–	562 450
	7 September 2010	142 cents	–	485 724	–	485 724
Sub-total			1 139 153	485 724	–	1 624 877
Total			2 906 314	1 221 952	–	4 128 266

Directors holding office at 30 June 2011 held the following Metrofile shares acquired and pledged under the terms of the DBP:

	Grant date	Grant price	Pledged shares held at beginning of year	Pledged shares purchased during the year	Matched during the year	Pledged shares held at year-end
Graham Wackrill	October 2008	85 cents	120 000	–	–	120 000
	September 2009	117 cents	203 674	–	–	203 674
	September 2010	161 cents	–	113 735	–	113 735
Sub-total			323 674	113 735	–	437 409
Richard Buttle	October 2008	84 cents	144 156	–	–	144 156
	September 2009	109 cents	109 872	–	–	109 872
	September 2010	153 cents	–	68 784	–	68 784
Sub-total			254 028	68 784	–	322 812
Total			577 702	182 519	–	760 221

The pledged shares shown above are included in the directors' share interests.

Non-executive director's remuneration

Non-executive directors receive annual fees for their roles as directors and as Board committee members. The Board does not regard separate attendance fees as appropriate or necessary unless the time allocation to meetings expected of directors is materially more than normal in a particular year.

The committee did not consider it necessary to split directors' fees into a base fee and attendance fee components, as recommended by the King III Code, because of the satisfactory attendance record of directors at Board meetings and time spent outside these meetings reviewing business operations.

Non-executive directors are reimbursed for travel costs necessary for attending

Board meetings and do not receive any employment benefits.

The terms and conditions of the appointment of non-executive directors are available on request from the company secretary. Non-executive directors are not eligible to participate in the annual bonus plan or any of the long-term incentive plans.

Non-executive directors fees	Year ended 30 June 2011	Year ended 30 June 2012
Chairman	519 000	550 000
Deputy chairman	*	*
Non-executive directors	190 000	210 000
Chairman of Audit, Governance and Risk Committee	220 000	240 000
Chairman of Nomination and Remuneration Committee	147 000	155 000
Social, ethics and transformation member	N/A	50 000
Committee members/Invitees	74 000	80 000
Mineworkers Investment Company *	840 000	1 000 000

* For the services of the Deputy Chairman and two other directors on the board and as committee members and in their capacities as such outside of Board and committee forums

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Independent auditor's report

To the shareholders of Metrofile Holdings Limited

We have audited the group annual financial statements and annual financial statements of Metrofile Holdings Limited which comprise the consolidated and separate statements of financial position as at 30 June 2011 and the consolidated and separate income statements, consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' report as set out on pages 35 to 66.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatements whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with international standards on auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Metrofile Holdings Limited as at 30 June 2011 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.



Deloitte & Touche

Registered Auditors

G Krog

Partner

31 August 2011

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit

DL Kennedy Risk Advisory & Legal Services NB Kader Tax L Geeringh Consulting L Bam Corporate Finance JK Mazzocco Human Resources CR Beukman Finance TJ Brown Chairman of the Board

MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

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 20 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 minutes of all shareholders' meetings, board of directors' meetings and meetings of sub-committees 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 33.

These annual financial statements have 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 board believes that all companies within the group are going concerns for the following reasons:

- The company's cash requirements for normal operational expenditure are satisfactorily covered by the company's current and projected cash flows.
- All payments to SARS and trade creditors are up to date.
- Balance sheet assets have been carefully tested for impairment and none are overvalued.
- Key executive management is in place.
- The company is trading in line with budget.

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 2011 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 35 to 66 were approved by the board on 29 August 2011 and are signed on their behalf by:



Graham Wackrill
Chief Executive Officer



Richard Buttle
Chief Financial Officer

Johannesburg
31 August 2011

Report of the directors

To the members of Metrofile Holdings Limited

Your directors submit their report together with the audited annual financial statements of Metrofile Holdings Limited ("Metrofile" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2011.

Nature of business

The company holds an investment of 100% in Metrofile (Pty) Limited. The Group is a specialist in information management and a leading supplier of products and services for the management, storage, conversion, retrieval, distribution and destruction of records, documents and information. In addition, during the prior financial year, the Company acquired 100% of Innovative Document Management (Pty) Limited (18 July 2009), 100% of Infovault (Pty) Limited (28 October 2009) and 55% of Cleardata (Pty) Limited (16 December 2009).

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

- Records management – archival, storage, retrieval and destruction of records
- Image processing – conversion of paper and analogue records to digital formats
- Backup management – rotation management and storage of backup media
- Information solutions – professional consultancy and records management software
- Paper management – waste paper collection and recycling
- Document handling equipment – sale and maintenance

Innovative Document Management (Pty) Limited focuses on Image processing, Infovault (Pty) Limited offers records management services and Cleardata (Pty) Limited is a specialist confidential records destruction service provider.

Directors and Company Secretary

The names of the directors and company secretary at the date of this report are set out on pages 14 and 15.

All directors who retired in terms of the Company's articles of association were reappointed for a further term of office as approved at the annual general meeting held on 30 November 2010. During the current financial year, Mrs Mary Bomela was appointed to the Board as a non-executive director, whilst Mr Carl Coutts-Trotter was appointed as an alternate director to Mr Christopher Seabrooke.

At 30 June 2011, interests of the directors and Company Secretary in the shares of the Company were as follows:

Directors	Beneficial		Non-beneficial		Total shares %
	Direct	Indirect	Direct	Indirect	
Mary Sina Bomela					0,00
Richard Matthew Buttle	3 108 158				0,76
Cynthia Nomsa Mapaure					0,00
Ian Nigel Matthews					0,00
Nondumiso Medupe					0,00
Stephen Roy Midlane	787 993				0,19
Aser Paul Nkuna					0,00
Christopher Stefan Seabrooke				20 400 000	5,00
Leon Mark Thompson (Company Secretary)	97				0,00
Graham Dunbar Wackrill	7 354 398				1,80

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

Report of the directors continued

At 30 June 2010, interests of the directors and Company Secretary in the shares of the Company were as follows:

Directors and officers	Beneficial		Non-beneficial		Total shares %
	Direct	Indirect	Direct	Indirect	
Richard Matthew Buttle	3 039 374				0,74
Cynthia Nomsa Mapaure					0,00
Ian Nigel Matthews					0,00
Nondumiso Medupe					0,00
Stephen Roy Midlane	787 993				0,19
Aser Paul Nkuna					0,00
Christopher Stefan Seabrooke				20 000 000	4,90
Leon Mark Thompson (Company Secretary)	97				0,00
Graham Dunbar Wackrill	7 240 663				1,77

Directors' interests in transactions

None of the directors, except where indicated in note 20 to the annual financial statements, has any interest in any transactions that were entered into by the Group during the current or prior financial year, or during an earlier financial year, which remain in any respect outstanding.

Financial results

The income statements and other comprehensive income set out on page 39 reflect the results of the operations of the Company and of the Group for the year ended 30 June 2011.

Statement of financial position

To present a statement of financial position that fairly reflects the financial position, asset values have been tested for impairment and no impairment is required. 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 in 2008 and rolling forward the results thereof with a comparison being made to yield based calculations.

Lease commitments

At the reporting date, future committed leasing charges for premises, equipment and motor vehicles amounted to R39,4 million of which R11,8 million is payable within one year (30 June 2010: R28,4 million, R12,1 million).

Significant contracts

Save for those agreements that have been disclosed to shareholders in terms of the Listings Requirements of the JSE Limited ("JSE"), 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

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.

Basis of preparation and accounting policies

The Group results have been prepared, under the supervision of Mr RM Buttle CA (SA), in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including the AC 500 standard issued by the Accounting Practices Board or its successor, the requirements of the South African Companies Act, and the listing requirements of the JSE. The same accounting policies and methods of computation were applied as in the prior year annual financial statements.

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

Dividends

The improvements in the Group's financial structure and cash flows have enabled the Board to introduce a policy of paying interim and final dividends for the first time. These will be calculated on a minimum of four times cover, with an ultimate target of three times cover. In the 2011 financial year an interim dividend of 2,0 cents per share was declared and paid and a final dividend of 2,5 cents per share has been proposed.

The Board of directors confirm having applied the solvency and liquidity test and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed dividend distribution.

Subsidiaries

Details of the Company's material operating subsidiaries at 30 June 2011 are set out on page 66.

Associated companies

The Company held no investment in associates at 30 June 2011.

Share capital

The authorised ordinary share capital of the Company remained unchanged at 500 million ordinary shares of 0,6146 cents each during the year.

The following ordinary shares were in issue at the end of the year under review:

	2011	2010
Opening balance	408 085 246	393 996 603
Issued in terms of vendor placements for acquisitions	–	14 088 643
Closing balance	408 085 246	408 085 246

Further details of share capital can be found in note 11 to the annual financial statements.

Special resolutions

Metrofile passed and registered two special resolutions on 4 August 2011, approving:

- The authority to provide financial assistance to any Group Company; and
- Approving the non-executive directors' fees and fees to related entities for the period 30 June 2011 and 2012.

Except for the above, no special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Metrofile Group, were passed by the Company or its subsidiaries during the period covered by this annual report.

Review of operations

Revenue increased by 12,4% to R460,6 million and EBITDA by 15,6% to R146,2 million. Cash generation from operations of R150,2 million represents a 15,1% growth on the comparative year. Reduced finance costs further add to the increased profit after tax. Currently 75% of the Group's debt is covered by interest rate swaps.

Despite the high capex programme, overall gearing has continued to improve leading to a debt/equity ratio of 72,7% (2010: 101,3%).

Metrofile continues to account for its property portfolio on a cost basis. During the current reporting period there was the Pretoria addition to the portfolio and purpose-built third-party facilities were occupied in Johannesburg and Bloemfontein.

Going concern

The directors are of the opinion that the business will be a going concern in the year ahead. In reaching this opinion, the directors considered the following factors:

- The Group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the Group's current and projected cash flows
- No recurring operating losses
- Well-controlled working capital
- Approved short- and long-term financing with sufficient additional short-term working capital borrowing capacity if required
- Balance sheet assets have been carefully tested for impairment and none are overvalued
- Budgets to June 2012 reflect a continuation of this positive trading
- Key executive management is in place.

Subsequent events

No events material to the understanding of the annual financial statements have occurred in the period between the year-end date and the date of the report.

Report of the directors continued

Audit, Governance and Risk committee

The Audit, Governance and Risk Committee has reviewed the scope as well as the independence and objectivity of the external auditors. The committee has satisfied itself that the external auditor is independent as defined by the Companies Act and the committee has approved the audit fees for the year. The audit committee has nominated Deloitte & Touche as external auditor for the 2012 financial year and Grant Krog as the designated partner; for approval at the annual general meeting. Refer to the section on corporate governance on pages 18 and 19 for further details on the composition, role, purpose and principal functions of the audit committee.

Certification by Company Secretary

I certify that, to the best of my knowledge and belief, in accordance with Section 88(2) of the Companies Act, 2008, that the company, Metrofile Holdings Limited, has, during the period 1 July 2010 to 30 June 2011, lodged with the Companies and Intellectual Property Commission all such returns as are required by a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



LM Thompson
Company Secretary

Johannesburg
31 August 2011

Income statements

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Revenue		460 552	409 563		
Direct costs		(202 603)	(184 383)		
Gross profit		257 949	225 180		
Other income		2 275	1 293	222	–
Gross profit before indirect expenditure		260 224	226 473	222	–
Indirect (expenditure)/income		(114 024)	(100 039)	8 514	(3 741)
Operating profit/(loss) before depreciation and net finance costs		146 200	126 434	8 736	(3 741)
Depreciation		(19 076)	(14 792)		
Operating profit/(loss) before net finance costs	2	127 124	111 642	8 736	(3 741)
Finance income		1 588	380		
Finance costs		(25 230)	(32 913)		
Interest paid		(22 461)	(30 210)		
Interest paid relating to financial instruments		(2 769)	(2 703)		
Once-off interest cost		–	(2 420)		
Profit/(loss) before taxation		103 482	76 689	8 736	(3 741)
Taxation	3	(29 541)	(23 433)	(816)	–
Profit/(loss) for the year		73 941	53 256	7 920	(3 741)
Attributable to:					
Owners of the parent		73 874	52 945	7 920	(3 741)
Non-controlling interests		67	311		
		73 941	53 256	7 920	(3 741)
Earnings per share – basic (cents)	4	18,1	13,1		
Fully diluted earnings per share – basic (cents)	4	18,1	13,1		

Statements of comprehensive income

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Profit/(loss) for the year	73 941	53 256	7 920	(3 741)
Other comprehensive income/(loss) for the year net of tax	103	(1 184)		
Hedge accounting for fair value on interest rate swaps	(542)	(1 041)		
Currency movement on translation of foreign subsidiary	645	(143)		
Total comprehensive income/(loss) for the year	74 044	52 072	7 920	(3 741)
Attributable to:				
Owners of the parent	73 731	51 761	7 920	(3 741)
Non-controlling interests	313	311		

Statements of financial position

as at 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Assets					
Non-current assets					
Property, plant and equipment	6	313 094	286 466		
Investment in unlisted subsidiaries	7			354 153	354 153
Goodwill	8	169 943	169 943		
Deferred taxation assets	3	2 535	3 595		
		485 572	460 004	354 153	354 153
Current assets					
Inventories	9	12 343	10 221		
Trade receivables	10	66 144	58 909		
Other receivables	10	4 637	3 542	114	107
Bank balances		37 710	13 791	135	32
Amounts owing by subsidiaries – non-interest-bearing	25			1 100	1 100
		120 834	86 463	1 349	1 239
Total assets		606 406	546 467	355 502	355 392
Equity and liabilities					
Equity					
Ordinary share capital and share premium	11	521 325	521 325	823 170	823 170
Accumulated losses		(215 144)	(280 856)	(700 400)	(700 159)
Other reserves	12	2 619	460		
Equity attributable to owners of the parent		308 800	240 929	122 770	123 011
Non-controlling interests		1 643	1 330		
		310 443	242 259	122 770	123 011
Non-current liabilities					
Interest-bearing liabilities	13.1	198 734	221 784		
Deferred taxation liabilities	3	9 420	6 692		
		208 154	228 476		
Current liabilities					
Trade and other payables	14	49 710	40 726	781	430
Provisions	21	1 779	1 683		
Deferred revenue		10 000	7 065		
Taxation		515	3 992		
Bank overdraft		129	–		
Interest-bearing liabilities	13.2	25 676	22 266		
Amounts owing to subsidiaries – non-interest-bearing	25			231 951	231 951
		87 809	75 732	232 732	232 381
Total equity and liabilities		606 406	546 467	355 502	355 392
Net asset per ordinary share (cents)		75,7	59,7		
Tangible net asset per ordinary share (cents)		34,5	17,6		

Statements of changes in equity

for the year ended 30 June 2011

	Share capital R'000	Share premium R'000	Accumulated losses R'000	Other reserves R'000	Attributable to owners of the parent R'000	Non-controlling interests R'000	Total equity R'000
Group							
Balance at 30 June 2009	2 421	502 904	(333 801)	222	171 746	25	171 771
Shares issued in terms of vendor placements for acquisitions	87	15 913			16 000		16 000
Minority portion of reserves relating to acquisition of subsidiary IFRS2 Equity reserve relating to share schemes				1 422	1 422	994	994
Total comprehensive income for the year ended 30 June 2010			52 945	(1 184)	51 761	311	52 072
Balance at 30 June 2010	2 508	518 817	(280 856)	460	240 929	1 330	242 259
Shares issued in terms of vendor placements for acquisitions							
IFRS2 Equity reserve relating to share schemes				2 302	2 302		2 302
Dividends declared and paid			(8 162)		(8 162)		(8 162)
Total comprehensive income for the year ended 30 June 2011			73 874	(143)	73 731	313	74 044
Balance at 30 June 2011	2 508	518 817	(215 144)	2 619	308 800	1 643	310 443
Company							
Balance at 30 June 2009	2 421	804 749	(696 418)		110 752		
Shares issued in terms of vendor placements for acquisitions	87	15 913			16 000		
Total comprehensive loss for the year ended 30 June 2010			(3 741)		(3 741)		
Balance at 30 June 2010	2 508	820 662	(700 159)		123 011		
Shares issued in terms of vendor placements for acquisitions							
Dividends declared and paid			(8 162)		(8 162)		
Total comprehensive income for the year ended 30 June 2011			7 920		7 920		
Balance at 30 June 2011	2 508	820 662	(700 400)		122 770		

Statements of cash flows

for the year ended 30 June 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Cash flows from operating activities					
Cash receipts from customers		453 403	405 036		
Cash paid to suppliers and employees		(303 459)	(274 745)	(3 770)	(1 884)
Cash generated by/(utilised in) operations	22.2	149 944	130 291	(3 770)	(1 884)
Net finance costs		(23 642)	(34 953)		
Interest paid		(25 230)	(35 333)		
Interest received		1 588	380		
Dividends paid		(7 931)	–	(7 931)	–
Normal taxation paid	22.3	(29 229)	(35 420)	(816)	–
Net cash inflow/(outflow) from operating activities		89 142	59 918	(12 516)	(1 884)
Cash flows from investing activities					
Investment in property, plant and equipment: expansion		(38 164)	(31 891)		
Investment in property, plant and equipment: replacement		(8 261)	(8 479)		
Proceeds from sale of property, plant and equipment		1 008	701		
Acquisition of subsidiaries	22.4	–	(16 000)	–	(16 000)
Net cash outflow from investing activities		(45 417)	(55 669)	–	(16 000)
Cash flows from financing activities					
Repayment of long-term liabilities		(32 935)	(30 821)*		
Proceeds from new financing facilities		13 000	8 900		
Issue of shares in terms of vendor placements		–	16 000	–	16 000
Decrease in loan to group company				12 414	1 915
Net cash (outflow)/inflow from financing activities		(19 935)	(5 921)	12 414	17 915
Net increase/(decrease) in cash and cash equivalents		23 790	(1 672)	103	31
Cash and cash equivalents at the beginning of the year		13 791	15 463	32	1
Cash and cash equivalents at the end of the year		37 581	13 791	135	32
Represented by:					
Bank balances		37 710	13 791		
Bank overdraft		(129)	–		

* This amount represents the net position as an amount of R236,6 million was repaid against the "old" debt and raised as "new" debt on 1 April 2010

Notes to the annual financial statements

for the year ended 30 June 2011

1. Significant accounting policies

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

During the current financial year, the following applicable Standards and Interpretations issued, amended or revised became effective and were adopted in the current financial year:

- IFRS 2 – Share-based payment – Amendment relating to group cash-settled share-based payment transactions
- IFRS 3 – Business combinations – Amendments resulting from May 2010 annual improvements to IFRS
- IFRS 5 – Non-current assets held for sale and discontinued operations – Amendments resulting from April 2009 improvements to IFRS
- IFRS 8 – Operating segments – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 1 – Presentation of financial statements – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 7 – Statement of cash flows – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 17 – Leases – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 24 – Related Party Disclosures
- IAS 27 – Consolidated and separate financial statements – Amendments resulting from May 2010 annual improvements to IFRS
- IAS 32 – Financial instruments presentations – Amendments relating to classification of rights issues
- IAS 36 – Impairment of assets – Amendments resulting from April 2009 annual improvements to IFRS
- IAS 39 – Financial instruments recognition and measurement – Amendments resulting from April 2009 annual improvements to IFRS
- IFRIC 14 – Prepayments of a minimum funding Requirement
- IFRIC 19 – Extinguishing financial liabilities with equity instruments:

These new, revised or amended standards and interpretations did not have a major effect on the financial statements other than enhanced disclosure. The adoption of IFRS 8 – Operating Segments results in additional disclosure as per note 24.

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the business of the group and may have an impact on future financial statements:

- IFRS 1 (amended) – First-time Adoption of International Financial Reporting Standards
- IFRS 7 (amended) – Financial Instruments: Disclosures
- IFRS 9 (amended) – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 1 (amended) – Presentation of Financial Statements
- IAS 12 (amended) – Income Taxes
- IAS 19 (amended) – Employee Benefits
- IAS 24 (revised) – Related Party Disclosures
- IAS 27 (amended) – Consolidated and Separate Financial Statements
- IAS 28 (amended) – Investments in Associates
- IAS 34 (amended) – Interim Financial Reporting
- IFRIC 13 (amended) – Customer Loyalty Programmes
- IFRIC 14 /IAS 19 (amended) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors are in the process of assessing the impact of the above changes on the entity. Management believe that none of these new or revised standards and interpretations will have a significant effect other than enhanced disclosure.

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 on adjacent page:

Notes to the annual financial statements continued

for the year ended 30 June 2011

1. Significant accounting policies continued

1.1 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. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling 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.

1.2 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.

1.3 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 the 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.

1.4 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 statement of financial position 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.

1.5 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.

1. Significant accounting policies continued

1.5 Foreign currencies continued

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 statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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 the statement of changes in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

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 statement of financial position 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 other comprehensive income 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.

1.6 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.

1.7 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.

1.8 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 statement of financial position 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 statement of financial position 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 statement of financial position 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.

Notes to the annual financial statements continued

for the year ended 30 June 2011

1. Significant accounting policies continued

1.9 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.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted 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.

1.11 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position 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.

1. Significant accounting policies continued

1.11 Financial instruments continued

Derivative financial instruments and hedge accounting continued

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 other comprehensive income 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 other comprehensive income is retained in there until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss for the period.

1.12 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 statement of financial position date, and are discounted to present value where the effect is material.

1.13 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.

1.14 Judgments made by management

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect 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.

Provision for doubtful debts

Provision for doubtful debts is based on a detailed review and reflects an appropriate allowance for estimated irrecoverable amounts.

Notes to the annual financial statements continued

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
2. Operating profit/(loss) before net finance costs				
Operating profit/(loss) before net finance costs is stated after accounting for the following:				
Auditors' remuneration	2 254	2 376	540	420
– Current year – audit fee	1 900	2 153	540	420
– other services	270	125		
– Prior year underprovision	84	98		
Directors' emoluments paid by subsidiaries (note 5)	7 451	5 648		
Executive directors	5 699	4 066		
Non-executive directors	1 752	1 582		
Profit on disposal of plant and equipment	(279)	(152)		
Managerial, secretarial and technical fees	4 201	4 086	–	120
Operating lease charges	15 915	12 397		
Inventory expensed	41 308	32 660		
Inventory written off	2 224	392		
Retirement benefit expenses	11 083	10 136		
Share-based incentive accruals	2 302	1 422		
Employment costs	160 419	146 029		
Number of employees at the year end was 1 223 (2010: 1 179).				
Operating leases relating to premises rental have been smoothed over the period of the lease, as a result the total lease smoothing creditor, at the end of the year amounts to R1 194 000 (2010: R560 000).				
3. Taxation				
3.1.1 South African normal taxation				
Current year	27 925	22 469		
Prior year	(3 202)	793		
	24 724	23 262		
3.1.2 Deferred taxation				
Current year	2 244	171		
Prior year	1 757	–		
	4 001	171		
3.1.3 Secondary tax on companies				
Current year	816	–	816	–
	816	–	816	–
	29 541	23 432	819	–
3.2 Taxation reconciliation				
Profit/(loss) before taxation	103 482	76 689	8 736	(3 741)
Taxation at statutory taxation rate of 28%	28 975	21 473	2 446	(1 047)
Non-deductible expenditure	45	786	(2 967)	–
Prior year taxation	(1 444)	793		
Deferred tax asset not raised	521	1 150	521	1 047
Statutory taxation rate difference due to foreign subsidiary	26	(455)		
Deductible allowances	602	(314)		
Secondary tax on companies	816	–	816	–
Actual taxation charged	29 541	23 433	816	–

	Group 2011 %	Group 2010 %	Company 2011 %	Company 2010 %
3. Taxation continued				
3.2 Taxation reconciliation continued				
Taxation rate reconciliation				
Statutory taxation rate	28,0	28,0	28,0	28,0
Non-deductible expenditure	0,0	1,0	(34,0)	–
Prior year taxation	(1,4)	1,0		
Deferred tax asset not raised	0,5	1,4	6,0	(28,0)
Statutory taxation rate difference due to foreign subsidiary	0,0	(0,6)		
Deductible allowances	0,6	(0,4)		
Withholding taxation	0,8	–	9,3	–
Effective taxation rate	28,5	30,4	9,3	–
	R'000	R'000	R'000	R'000
3.3 Deferred taxation				
Property, plant and equipment	(15 044)	(10 308)		
Trade receivables	195	261		
IFRS2 charge relating to share schemes	1 204	559		
IFRS rent adjustment	339	160		
Prepayments	(343)	(378)		
Provisions	1 954	1 802		
Deferred revenue	1 090	735		
Deferred tax in other reserves	744	533		
Assessed losses	2 976	3 539		
Total	(6 885)	(3 097)		
Net deferred taxation liability				
Opening balance	(3 097)	(7 029)		
Add: Subsidiaries acquired	–	3 570		
Income statement movement	(4 001)	(171)		
Other	213	533		
Closing balance	(6 885)	(3 097)		
Deferred taxation asset	2 535	3 595		
Deferred taxation liability	(9 420)	(6 692)		
3.4 Taxation losses				
Deferred tax asset raised on estimated taxation losses available for offset against future taxable income amount to:	2 976	3 539		
Estimated capital losses:			41 253	41 253
These capital losses are unlikely to be used by normal operations and accordingly no deferred taxation asset has been raised.				
4. Earnings per ordinary share				
4.1 Earnings – basic				
Earnings for purposes of earnings per share	73 874	52 945		
Effect of dilutive potential ordinary shares	–	–		
Earnings for purposes of diluted earnings per share	73 874	52 945		
Number of shares – earnings per share				
Number of ordinary shares in issue (thousands)	408 085	408 085		
Weighted average number of ordinary shares in issue (thousands)	408 085	403 868		
Earnings per ordinary share – basic (cents)	18,1	13,1		
Fully diluted earnings per ordinary share – basic (cents)	18,1	13,1		

Notes to the annual financial statements continued

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
4. Earnings per ordinary share continued				
4.2 Headline earnings				
Basis for calculation				
The calculation of headline earnings per ordinary share is based on headline earnings of R73,7 million (2010: R52,8 million) and a weighted average number of 408,1 million (2010: 403,9 million) ordinary shares in issue during the year.				
This basis is a measure of the trading performance and excludes profits and losses of a capital nature. It is derived, after taxation and non-controlling interests, as follows:				
Headline earnings				
Attributable profit	73 874	52 945		
<i>Adjusted for after tax:</i>				
Profit on disposal of property, plant and equipment	(279)	(152)		
Tax effect of profit on disposal of property, plant and equipment	78	43		
Headline earnings for purposes of headline earnings per share	73 673	52 836		
Effect of dilutive potential ordinary shares	–	–		
Headline earnings for purposes of diluted headline earnings per share	73 673	52 836		
Headline earnings per ordinary share (cents)	18,1	13,1		
Fully diluted headline earnings per ordinary share (cents)	18,1	13,1		
	cents	cents		
4.3 Reconciliation of headline earnings per ordinary share				
Earnings per ordinary share	18,1	13,1		
<i>Adjusted for after tax:</i>				
Profit on disposal of property, plant and equipment	–	–		
Headline earnings per ordinary share	18,1	13,1		
	R'000	R'000		
4.4 Normalised headline earnings				
Included in headline earnings as calculated in note 4.2 are certain non-recurring.				
Headline earnings, adjusted for these non-trading items are:				
Headline earnings as calculated in note 4.2	73 673	52 836		
<i>Adjusted for:</i>				
Non-recurring taxation and interest cost	–	7 387		
Tax effect of above adjustments	–	(1 174)		
Normalised headline earnings	73 673	59 049		
Normalised headline earnings for purposes of diluted headline earnings per share	73 673	59 049		
	cents	cents		
<i>Headline earnings per share as calculated in note 4.2 has also been based on the weighted average number of shares in issue during the year of 408,1 million (2010: 403,9 million).</i>				
Normalised headline earnings per ordinary share (cents)	18,1	14,6		
Normalised diluted headline earnings per ordinary share (cents)	18,1	14,6		
Normalised earnings per share are presented for comparative purposes only.				

	Directors' fees R	Salary R	Bonuses R	Retirement benefit contribution R	Other benefits R	Total R
5. Directors' and prescribed officers remuneration						
5.1 Directors' remuneration						
2011						
MS Bomela*▲ †						
RM Buttle		1 050 858	775 676	182 318	148 455	2 157 307
CN Mapaure*▲						
N Matthews*	484 000					484 000
N Medupe*	264 000					264 000
SR Midlane*	264 000					264 000
AP Nkuna *▲						
CS Seabrooke*^	740 000					740 000
GD Wackrill		1 607 094	1 459 351	276 345	198 458	3 541 248
	1 752 000	2 657 952	2 235 027	458 663	346 913	7 450 555

* Non-executive director

† MS Bomela was appointed as a non-executive director on 8 September 2010

^ CP Coutts-Trotter was appointed as an alternate to CS Seabrooke on 4 April 2011

▲ An amount of R0,84 million (2010: R0,72 million) was also paid to Mineworkers Investment Company (Pty) Limited for services, inclusive of the non-executive and committee roles performed by AP Nkuna, MS Bomela and CN Mapaure.

	Directors' fees R	Salary R	Bonuses R	Retirement benefit contribution R	Other benefits R	Total R
2010						
RM Buttle		875 253	350 000	154 508	149 850	1 529 611
CN Mapaure*▲						
N Matthews*	415 600					415 600
N Medupe*	242 000					242 000
SR Midlane*	242 000					242 000
AP Nkuna *▲						
CS Seabrooke*	682 500					682 500
GD Wackrill		1 501 875	600 000	255 879	178 353	2 536 107
	1 582 100	2 377 128	950 000	410 387	328 203	5 647 818

* Non-executive director

▲ An amount of R0,72 million (2009: R0,66 million) was also paid to Mineworkers Investment Company (Pty) Limited for services, inclusive of the non-executive and committee roles performed by AP Nkuna and CN Mapaure

	Salary R	Bonuses R	Retirement benefit contributions R	Other benefits R	Total R
5.2 Prescribed officers remuneration					
2011					
Prescribed officer 1	1 059 031	582 978	189 999	176 188	2 008 196
Prescribed officer 2	611 374	218 272	129 308	151 933	1 110 887
	1 670 405	801 250	319 307	328 121	3 119 083
2010					
Prescribed officer 1	837 159	250 000	168 525	154 467	1 410 151
Prescribed officer 2	555 600	220 532	118 638	144 193	1 038 963
	1 392 759	470 532	287 163	298 660	2 449 114

Notes to the annual financial statements continued

for the year ended 30 June 2011

Group	Land and buildings R'000	Plant and machinery R'000	Computer equipment owned R'000	Computer equipment leased R'000	Motor vehicles R'000	Office furniture and equipment R'000	Total R'000
6. Property, plant and equipment							
Cost							
At 1 July 2010	169 215	132 276	25 685	80	30 563	8 874	366 693
Additions	14 192	17 696	4 381		9 203	1 193	46 664
Disposals		(1 612)	(1 423)		(1 749)	(451)	(5 235)
At 30 June 2011	183 406	148 360	28 643	80	38 017	9 616	408 122
Accumulated depreciation							
At 1 July 2010	1 942	47 814	16 312	74	8 594	5 491	80 227
Depreciation		12 238	3 905		2 069	864	19 076
Disposals		(1 257)	(1 392)		(1 178)	(447)	(4 274)
At 30 June 2011	1 942	58 795	18 825	74	9 485	5 908	95 028
Net book value							
At 30 June 2011	181 464	89 565	9 818	6	28 532	3 707	313 094
Cost							
At 1 July 2009	167 317	104 621	22 071	428	13 787	7 724	315 948
Additions	1 399	24 876	4 873		8 161	1 062	40 370
Subsidiaries acquired	566	3 061	1 771		10 014	382	15 793
Disposals	(67)	(281)	(3 030)	(348)	(1 399)	(294)	(5 419)
At 30 June 2010	169 215	132 276	25 685	80	30 563	8 874	366 693
Accumulated depreciation							
At 1 July 2009	1 456	38 312	15 008	375	6 149	4 780	66 080
Depreciation	358	8 501	3 017	47	2 007	862	14 792
Subsidiaries acquired	195	1 279	1 284		1 324	143	4 226
Disposals	(67)	(278)	(2 997)	(348)	(887)	(294)	(4 871)
At 30 June 2010	1 942	47 814	16 312	74	8 594	5 491	80 227
Net book value							
At 30 June 2010	167 273	84 462	9 373	6	21 970	3 383	286 466

A register of land and buildings is available for inspection at the registered office of the Company.

The majority of the assets have been pledged as security against certain loans as detailed in note 13.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
7. Investment in unlisted subsidiaries				
7.1 Subsidiaries				
Unlisted				
Shares at cost ▲			354 153	354 153
▲ <i>Metrofile has ceded and pledged its interests in all its assets and investments as security to the capital providers.</i>				
8. Goodwill				
Net carrying value at the beginning of the year	169 943	160 499		
Acquisition of subsidiaries	–	9 444		
Net carrying value at the end of the year	169 943	169 943		
Goodwill is tested for impairment on an annual basis. The method used for testing impairment is the market capitalisation less the net asset value of the enterprise.				
9. Inventories				
Maintenance spares	15 677	15 202		
Goods available for sale	1 101	1 148		
Consumables	1 595	1 161		
Total inventory	18 373	17 511		
Less: provisions	(6 031)	(7 290)		
Net inventory	12 343	10 221		
Inventories have been ceded and pledged as security to the capital providers.				
10. Trade receivables				
Trade receivables	67 557	60 771		
Other receivables	4 637	3 542	114	107
Provision for doubtful debts	(930)	(1 245)		
Provision for credit notes	(483)	(617)		
	70 781	62 451	114	107
Trade and other receivables are stated after the following allowances for impairment:				
Provision for doubtful debts and credit notes				
Opening balance	(1 862)	(2 332)		
Impairment loss recognised	(268)	(67)		
Impairment loss reversed	717	537		
Closing balance	(1 413)	(1 862)		
At 30 June 2011, Metrofile had ceded and pledged its trade and other receivables as security to its capital providers.				

Notes to the annual financial statements continued

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
11. Ordinary share capital and share premium				
11.1 Share capital				
Ordinary shares of 0,6146 cents each				
Number of shares				
<i>Authorised</i>				
Authorised ordinary shares at end of year	500 000	500 000	500 000	500 000
<i>Issued</i>				
Shares issued at the end of the year	408 085	408 085	408 085	408 085
Unissued shares at the end of the year	91 915	91 915	91 915	91 915
The authorised but unissued ordinary shares in the Company were placed under the control and authority of the directors of the Company who were 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, subject to the provisions of the Companies				
Act (the Act), the articles of association of the Company and the JSE Limited (JSE) Listings Requirements, when applicable, such authority to remain in force until the next annual general meeting. This authority was restricted to 5% of the Company's issued share capital.				
Value of shares				
<i>Issued</i>				
Issued at beginning of year	2 508	2 421	2 508	2 421
Issued by way of vendor placements for acquisition of subsidiaries		87		87
Issued at the end of the year	2 508	2 508	2 508	2 508
11.2 Share premium				
Balance at beginning of year	518 817	502 904	820 662	804 749
Raised by way of vendor placements for acquisition of subsidiaries		15 913		15 913
Balance at the end of the year	518 817	518 817	820 662	820 662
Total share capital and share premium	521 325	521 325	823 170	823 170

	Group 2011 R'000	Group 2010 R'000
12. Other reserves		
Balance at the beginning of the year	460	222
Share-based payment reserves *	2 302	1 422
Hedging reserve**	(752)	(1 574)
Foreign currency translation reserve***	645	(143)
Non-controlling interest	(247)	–
Tax effect of above	211	533
Balance at the end of the year	2 619	460

* **Share incentive schemes**

New share incentive schemes were approved by shareholders during the 2009 financial year, the schemes introduced were a Deferred Bonus Plan (DBP) and a Share Appreciation Rights (SAR). These schemes vest over a three-year period, with a maximum term of seven years, and are equity settled by the Company acquiring shares on the market. The schemes have certain performance conditions attached which need to be achieved in order for vesting to occur. On 7 September 2010, the Company issued 4 080 852 and 318 053 grants with regard to the SAR and DBP schemes respectively. The SAR scheme grants were issued at a price of R1,03 (based on the 30 days volume weighted average price) whilst the DBP were bought on the market, further details of which are disclosed under note 20. In the prior financial year, on 4 September 2009 the Company issued 5 510 734 and 391 931 grants with regard to the SAR and DBP schemes respectively. In the 2009 financial year, on 14 October 2008 the company issued 7 377 604 and 502 328 grants with regard to the SAR and DBP schemes respectively. The SAR scheme grants were issued at a price of R1,03 in 2009 and R0,89 in 2008 (based on the 30 days volume weighted average price) whilst the DBP were bought on the market, further details of which are disclosed under note 20. In determining the number of grants issued the Black Scholes model was utilised. The IFRS 2 charge relating to the schemes has been debited to employee costs and credited to equity.

** **Hedging reserve**

The hedging reserve relates to the fair value adjustment on the interest rate swaps which has been recorded under other reserves as the requirement for hedge accounting has been met.

*** **Foreign currency translation reserve**

The foreign currency translation reserve relates to the difference that arose in translation of Metrofile Mozambique from Metical to Rands.

	Group 2011 R'000	Group 2010 R'000
13. Non-current liabilities		
13.1 Interest-bearing liabilities		
“Amortising” facility	100 015	125 406
Being a six-year senior facility, accruing interest at a rate equal to a three-month (Johannesburg interbank agreed rate) (JIBAR) plus 3,00% on a nominal annual compounded quarterly (NACQ) basis. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital and interest to be repaid in twenty-four equal quarterly instalments, starting at the end of the first quarter and ending on 31 March 2016.	121 745	145 305
Less: Amounts payable within one year reflected under current liabilities	(21 730)	(19 899)

Notes to the annual financial statements continued

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000
13. Non-current liabilities continued		
13.1 Interest-bearing liabilities continued		
“Bullet” facility	79 257	86 671
Being a six-year senior facility, accruing interest at a rate equal to a three-month JIBAR plus 3,60% on a NACQ basis. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital to be repaid in one lump sum at the end of the six-year loan period, on 31 March 2016.	79 257	86 671
In terms of the loan agreement, certain additional capital repayments (capital prepayments) will be required during the period of the loans. These capital prepayments will be financed from 50% of residual free cash as defined in the loan agreement. If there is insufficient residual free cash to achieve such repayment, it will not constitute an event of default. Such prepayments will be made on specific measurement periods for the first three years, as defined in the loan agreement and annually thereafter. The capital prepayments will be apportioned across the “Amortising” and “Bullet” facilities in a ratio of 30% and 70% respectively. In February 2011 a mandatory repayment amounting to R12,0 million was made against the loans. The mandatory prepayment for the 30 June 2011 and 31 December 2011 measurement periods has been waived by Standard Bank.		
Instalment sale agreements	1 780	3 349
Being instalment sale agreements with Nedbank Limited, the last one terminating on 31 August 2013. The agreements are financed at prime plus 1% and are secured by movable assets of Cleardata (Pty) Limited.	3 264	4 875
Less: Amounts payable within one year reflected under current liabilities	(1 484)	(1 526)
Loan facility – Industrial Development Corporation	8 460	7 763
Being two loan facilities which accrue interest at a rate equal to prime plus 1%. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. Capital and interest to be repaid in twenty-four equal quarterly instalments, starting at the end of the fifth quarter and ending on 30 April 2015.	9 409	8 900
Less: Amounts payable within one year reflected under current liabilities	(949)	(1 137)
“CAPEX A” facility	10 331	
Being a six-year senior facility, accruing interest at a rate equal to a three-month (Johannesburg interbank agreed rate) (JIBAR) plus 3,00% on a nominal annual compounded quarterly (NACQ) basis. Interest payable will be calculated on the basis of actual number of days elapsed in a year of 365 days and is payable quarterly in arrears. In the event of default, the interest rate on the facility will increase by 3%, which will remain in place until the default event has been remedied or the facility has been cancelled and repaid. Capital and interest to be repaid in twenty-four equal quarterly instalments, starting at the end of the first quarter and ending on 31 December 2016.	12 141	
Less: Amounts payable within one year reflected under current liabilities	(1 809)	
Total interest-bearing liabilities	199 843	223 189
Less: Prepaid facility fees amortised over the six-year period of the facilities	(1 109)	(1 405)
Total non-current liabilities	198 734	221 784

	Group 2011 R'000	Group 2010 R'000
13. Non-current liabilities continued		
13.2 Current liabilities		
Interest-bearing liabilities		
Short-term portion of long-term liabilities		
– “Amortising” facility	21 730	19 899
– Instalment sale agreements	1 484	1 526
– Loan facility – Independant Development Corporation	949	1 137
– “CAPEX A” facility	1 809	–
Less: Prepaid facility fees amortised over the next year	(296)	(296)
Total current liabilities	25 676	22 266
Total interest-bearing liabilities	224 410	244 050

Security for the Metrofile facilities is provided by Micawber 305 (Pty) 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 (the security). The Guarantor holds the underlying assets of Metrofile Holdings and Metrofile (Pty) Limited as security for its obligations under the guarantees provided by it to the Capital Providers. Cleardata (Pty) Limited has secured its borrowings recorded under note 13.1 utilising all of its underlying assets.

Metrofile (Pty) Limited is compliant with all aspects of the Common Terms of Agreement with Standard Bank of South Africa Limited and all loan covenants.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
14. Trade and other payables				
Trade payables	12 103	8 958	10	9
Accrued expenses	16 531	8 535	540	421
Dividends for shareholders	231	–	231	–
Net VAT creditor	4 791	3 939		
Payroll accruals	2 979	3 280		
Credit balances in debtors	3 962	2 841		
Leave pay accrual	5 199	4 658		
Financial instruments – Fair value of interest rate swaps	2 658	1 904		
Lease smoothing creditor	1 194	560		
Outstanding cheques	24	5 266		
Sundry creditors	38	785		
	49 710	40 726	781	430

Notes to the annual financial statements continued

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000
15. Commitments		
15.1 Authorised capital expenditure		
Metrofile (Pty) Limited has planned capital expansions of R49,9 million (2010: R35,5 million) and replacement projects of R8,5 million (2010: R13,0 million), of which R12,3 million (2010: R4,1 million) has been authorised and committed and R46,1 million (2010: R44,4 million) authorised but not committed. The capital expenditure will be financed by way of a CAPEX facility amounting to R19 million for the purpose of building additional facilities and from the group's cash resources. The CAPEX facility has a six-year term, accruing interest at a rate equal to a three-month (Johannesburg interbank agreed rate) (JIBAR) plus 3,00% on a nominal annual compounded quarterly (NACQ) basis. The facility will be made available in January 2012 and is repayable quarterly in arrears in twenty-four equal payments.		
15.2 Operating leases		
Future leasing charges for premises, equipment and motor vehicles		
Payable within one year	11 766	12 093
Payable within two to five years	27 659	16 266
Metrofile (Pty) Limited has entered into various long-term lease agreements related to buildings not owned by the Group. The last agreements expire in 2016 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 consumer price index (CPI) and 8% in all the various agreements.		
	39 425	28 359

16. Contingent liabilities

There are no known contingent liabilities to report.

17. 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" available to Metrofile (Pty) Limited. The short-term facility is limited to R10 million, being a revolving working capital facility, accruing interest at the prime rate. The facility is renewable on an annual basis subject to the sole and absolute discretion of the lender. In the event of receipt of a written demand from the lender, the facility is to be repaid in full within a period of 14 days.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
18. Financial instruments				
18.1 Carrying amounts of financial instruments				
Loans and receivables				
Trade receivables	66 144	58 909		
Other receivables	2 453	1 890	114	107
Bank balances	37 710	13 791	135	32
	106 307	74 590	249	139
Financial instruments designated at fair value through profit and loss				
Total financial assets	106 307	74 590	249	139
Financial liabilities at amortised cost				
Interest-bearing liabilities	(224 410)	(244 050)		
Trade and other payables	(25 560)	(21 225)	(781)	(430)
Bank overdraft	(129)	-		
	(250 099)	(265 275)	(781)	(430)
Financial instruments – Fair value of interest rate swaps	(2 658)	(1 904)		
Total financial liabilities	(252 756)	(267 179)	(781)	(430)
Total net financial liabilities	(146 449)	(192 589)	(532)	(291)

18. Financial instruments continued

18.2 Carrying amounts and fair value amounts of financial instruments

Fair value hierarchy level

Financial assets and liabilities at fair value have been categorised in the following hierarchy structure:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset/liability.

Level 3 – Inputs for the asset/liability that are not based on observable market data (unobservable inputs).

Level 2 – Interest rate swap amount to R2,7 million (2010: R1,9 million). At 30 June 2011 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

Of the financial assets and liabilities as at 30 June 2011 and 2010, the interest-bearing borrowings had their fair values determined based on published price quotation in active market. The borrowings' net present value (NPV) is calculated using the nominal annual compounding annually (NACA) rate.

No financial assets and liabilities had their fair value determined using valuation techniques during the year ended 30 June 2011 or 2010.

18.3 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 to minimise the foreign currency exchange exposures associated with its foreign currency transactions. Foreign exchange contracts are taken out for the majority of orders placed overseas. 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.

As at 30 June 2011 the group's foreign currency exposure was as follows:

	Currency	Amount in foreign currency	Exchange rate used	Reported value 2011 R'000	Reported value 2010 R'000
Uncovered foreign-denominated liabilities included in trade payables					
	Euro'000	8,0	9,83	79	224
	US\$'000	1,9	6,80	13	3
There were no uncovered foreign-denominated assets at 30 June 2011 (2010: nil)					
Existing foreign currency forward exchange contracts covering statement of financial position items included at fair value in trade payables are:					
Buy contracts	US\$'000	126,7	6,79	860	646
	Euro'000	3,0	9,78	29	325

Total foreign purchases for the year amounted to R17,5 million (2010: R10,0 million). A 10% increase/decrease on the exchange rate would have resulted in a R1,7 million (2010: R1,0 million) increase/decrease in purchases respectively. All purchases are receipted into stock and booked out against sales invoices, maintenance contracts or as direct inputs in the conversion bureaus. The impact of exchange rate fluctuations on the company's profits is estimated to be limited to 11,5% of the purchases. Direct sales to customers of foreign sourced goods are adjusted daily to cater for exchange rate fluctuations.

The following average and spot rates used in the translation of the foreign subsidiary were 4,16 and 4,81 Meticals to the Rand respectively.

Notes to the annual financial statements continued

for the year ended 30 June 2011

18. Financial instruments continued

18.4 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, these were initiated in April 2010.

The interest rate risk is inherently high due to the level of gearing of the entity. The risk is mitigated by the interest rate swaps which are in place; In essence, these swaps fix the interest rate for 75% (2010: 70%) of the debt. The balance of the debt amounts to R54,4 million (2010: R74,0 million) and would be exposed to interest rate movements. The interest rate risk was higher in the prior year due to the coverage of the swaps. The current interest rate swaps step down in value annually and expire in March 2014 after which the debt exposed to interest rate fluctuations is expected to be a maximum of R99 million; however, this amount will be reduced by any prepayments made in terms of cash flow sweeps and voluntary payments in terms of the banking agreements. The reducing nature of the swaps is expected to maintain the coverage of the outstanding debt at an approximate level of 67% which is in line with the requirement of the banking agreements.

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

Initial coverage R110 million – Termination date 31 March 2014 fixed at rate of 10,58% (JIBAR + 3,00%) and payable quarterly in arrears. This agreement is linked to the R145,3 million Metrofile amortising facility, accruing interest at a rate per annum equal to three-month JIBAR plus 3,00% all-in-rate NACQ.

Initial coverage R60 million – Termination date 31 March 2014 fixed at rate of 11,16% (JIBAR + 3,60%) and payable quarterly in arrears. This agreement is linked to the R86,7 million Metrofile bullet facility, accruing interest at a rate per annum equal to three-month JIBAR plus 3,60% all-in-rate NACQ.

The table below represents how the swap agreements will reduce annually:

	Amortising loan	
	Swap covering R'000	Bullet loan R'000
Initial amount – April 2010	110 000	60 000
Reduced to – September 2011	90 000	50 000
Reduced to – September 2012	70 000	35 000
Reduced to – September 2013	40 000	20 000

An aggregate amount of R2,8 million was paid to financial institutions (2010: R2,7 million) being the net difference between the higher swap rates and the interest rates of the loans linked to these swap agreements. This cost was with respect to both the previous and current interest rate swaps. The current interest rate swaps comply with the requirements for hedge accounting.

	Group 2011 R'000	Group 2010 R'000
Loss if interest rates increase by 50 basis points	279	370

There is an equal but opposite effect if the interest rates decrease by 50 basis points.

The loss above is based on the portion of the loans not covered by interest rate swaps.

18. Financial instruments continued

18.5 Liquidity risk

The liquidity risk is managed through capital planning in order to ensure that the Company remains compliant with the terms of the loan providers. The Company has a strong track record of generating cash from operations and there is little to no threat of this changing in the future. The requirement to expand in respect of facilities is the area which puts pressure on the liquidity of the Group. However, the additional facilities are required due to the business growing.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Borrowing capacity:	234 410	268 703		
Amount approved	224 410	258 703		
Total additional borrowings available	10 000	10 000		
Financial liabilities at amortised cost				
Interest-bearing liabilities	(224 410)	(224 050)		
Trade and other payables	(25 560)	(21 225)	(781)	(430)
Bank overdraft	(129)	–		
Total financial liabilities at amortised cost	(250 099)	(265 275)	(781)	(430)
Maturity profile				
Interest-bearing liabilities				
2011		22 266		
2012	25 676	25 465		
2013	29 854	27 880		
2014	31 875	28 930		
2015	33 167	30 590		
2016	100 924	108 919		
2017	2 914			
	224 410	244 050		
Other				
2011		21 225		430
2012	25 688		781	
	250 099	265 275	781	430

Notes to the annual financial statements continued

for the year ended 30 June 2011

18. Financial instruments continued

18.6 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.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Credit risk evaluations are performed on all customers who require 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 statement of financial position.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Neither past due nor impaired	83 110	55 854	249	139
Past due but not impaired				
Trade receivables	21 784	16 874		
Not past due but impaired				
Trade receivables	483	617		
Past due and impaired				
Trade receivables	930	1 245		
Total financial assets	106 307	74 590	249	139
Neither past due nor impaired	83 110	55 854	249	139
1-30 days past due	16 069	11 868		
30-60 days past due	4 417	3 264		
60-90 days past due	866	1 184		
90-180 days past due	433	558		
Past due but not impaired	21 784	16 874		
Not past due but impaired	483	617		
Past due and impaired	930	1 245		
Total financial assets	106 307	74 590	249	139

No collateral was held by the Group as security and other enhancement over the financial assets during the years ended 30 June 2011 or 2010.

18.7 Capital risk management

The capital structure of the Company is evaluated by the board of directors on a regular basis. The Company manages its capital to ensure that it will be able to continue as a going concern and continue to meet its business objectives. During the period under review, the Company maintained a positive shareholder's equity and there were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed regulatory capital requirements.

18.8 Fair values

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

19. 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 Brefco (Pty) Limited and Sanlam Life Assurance Limited. Both the Group and the employees are required to contribute to the retirement schemes to fund the benefits.

The only obligation of the Group with respect to the retirement schemes is to make the specified contributions. The total cost charged to income of R10,9 million (2010: R10,1 million) represents contributions paid to the scheme.

20. 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 Metrofile Holdings and its subsidiaries during the year (2010: Nil).

Loans

Inter-Company loans are repayable on demand unless subordinated. Interest is charged at market rates where applicable except for the loan between Metrofile Holdings Limited and Infracom (Pty) Limited and Metrofile Management Services (Pty) Limited.

Compensation of key management personnel

The following directors and officers acquired Metrofile Holdings Limited ordinary shares during the year under review.

		2011	2010
GD Wackrill	<i>Chief executive officer</i>	113 735	203 674
RM Buttle	<i>Chief financial officer</i>	68 784	109 872

The following directors and officers received grants for the SAR and DBP schemes on 7 September 2010.

		SAR Number of shares	DBP Number of shares
GD Wackrill	<i>Chief executive officer</i>	736 228	220 869
RM Buttle	<i>Chief financial officer</i>	485 724	97 145

21. Provisions

Included in provisions are the following:

	Group 2011 R'000	Group 2010 R'000
Opening balance	1 683	1 268
Provision for bonuses	1 683	1 240
Provision for legal costs	–	28
Provisions raised	3 265	3 171
Provision for bonuses	3 265	3 171
Provision for legal costs	–	–
Provisions (utilised)	(3 008)	(2 332)
Provision for bonuses	(3 008)	(2 304)
Provision for legal costs	–	(28)
Provisions (released)	(161)	(424)
Provision for bonuses	(161)	(424)
Provision for legal costs	–	–
Closing balance	1 779	1 683
Provision for bonuses	1 779	1 683
Provision for legal costs	–	–

Notes to the annual financial statements continued

for the year ended 30 June 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
22. Cash flow statement				
22.1 Convention				
The following convention applies to figures other than adjustments. Outflows of cash are represented by figures in brackets. Inflows of cash are represented by figures without brackets.				
22.2 Reconciliation of profit/(loss) before taxation to cash generated by/(utilised in) operations				
Profit/(loss) before taxation	103 482	76 689	8 736	(3 741)
Adjusted by:	45 652	50 552	(12 853)	2 085
Profit on disposal of property, plant and equipment	(279)	(152)		
Depreciation	19 076	14 792		
Net finance costs	23 642	34 953		
Reversal of impairment of intergroup loan			(10 591)	(1 915)
Other non-cash flow items	3 213	959	(2 262)	4 000
Operating cash flows before working capital changes	149 134	127 241	(4 113)	(1 656)
Changes in working capital	810	3 050	344	(228)
(Increase)/decrease in inventories	(2 122)	6 337		
Increase in receivables	(8 330)	(3 892)	(7)	(90)
Increase/(decrease) in payables	11 262	605	351	(138)
Cash generated by/(utilised in) operations	149 944	130 291	(3 770)	(1 884)
22.3 Taxation paid				
Taxation balance at beginning of the year	(3 992)	(16 150)		
Current tax expense for the year	(24 724)	(23 262)		
Secondary tax on companies	(816)		(816)	
Transfer to deferred tax	(213)			
Taxation balance at end of the year	515	3 992		
Total taxation paid	(29 229)	(35 591)	(816)	
22.4 Subsidiaries acquired				
Property, plant and equipment		(11 567)		
Deferred tax asset		(3 570)		
Inventories		(31)		
Accounts receivable		(1 982)		
Long-term liabilities		7 412		
Trade and other payables		2 187		
Non-controlling interest		994		
Intangibles – goodwill		(9 444)		
Investment in subsidiaries				16 000
		16 000		16 000

23. Post year-end events

No material events occurred between the year-end and the date of this report.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
24. Segmental reporting				
24.1 Sales revenue				
Metrofile records management	366 874	325 752		
CSX customer services	70 270	70 146		
Property companies	–	–		
Other	31 237	20 995		
Intergroup	(7 829)	(7 331)		
Total sales revenue	460 552	409 563		
24.2 EBITDA				
Metrofile records management	98 847	84 900		
CSX customer services	7 040	6 596		
Property companies	34 867	32 372		
Other	5 446	2 566		
Total EBITDA	146 200	126 434		
24.3 Depreciation				
Metrofile records management	(15 440)	(13 572)		
CSX customer services	(475)	(226)		
Property companies	–	–		
Other	(3 162)	(994)		
Total depreciation	(19 076)	(14 792)		
24.4 Operating profit				
Metrofile records management	83 407	71 328		
CSX customer services	6 565	6 371		
Property companies	34 867	32 372		
Other	2 285	1 572		
Total operating profit	127 124	111 642		

“Metrofile records management” represents the Metrofile document storage and scanning divisions which are managed and operated geographically. “Other” includes Metrofile Holdings Limited, Africa operations, the paper management business and with effect from 1 January 2010, Cleardata (Pty) Limited.

The “Property companies” are wholly-owned subsidiaries of Metrofile (Pty) Limited and charge rentals on owned properties to the Metrofile records management segment.

Finance costs have not been reflected on the segmental report as R24,0 million of the total R25,2 million charge relates to Metrofile (Pty) Limited which encompasses the “Metrofile records management” and “CSX customer services” divisions; the balance of the finance costs relate to Cleardata (Pty) Limited.

Notes to the annual financial statements continued

for the year ended 30 June 2011

25. Subsidiaries

Subsidiary	Nature of business	Percentage holdings		Cost of investment		Net indebtedness	
		2011 %	2010 %	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Infracom (Pty) Limited ▲ ♦ ●	Dormant	100	100	169 500	169 500	(231 951)	(231 951)
Metrofile (Pty) Limited ▲ ♦	Records management	100	100	173 753	173 753	–	–
Metrofile Management Services (Pty) Limited ▲ ♦	Management services	100	100	–	–	225 921	234 252
Infovault (Pty) Limited	Records management	100	100	–	–	7 550	9 810
Innovative Document Management (Pty) Limited	Records management	100	100	4 000	4 000	–	–
Cleardata (Pty) Limited	Confidential records destruction	55	55	6 900	6 900	1 100	1 100
				354 153	354 153	2 620	13 211
Provision for impairment						(233 471)	(244 062)
Reflected as:				354 153	354 153	(230 851)	(230 851)
Amounts owing by subsidiaries non-interest-bearing						1 100	1 100
Amounts owing to subsidiaries non-interest-bearing						(231 951)	(231 951)

- ▲ At 30 June 2011, Metrofile Holdings Limited had ceded and pledged all material amounts owing to any member of the Metrofile group to the capital providers
- ♦ At 30 June 2011, Metrofile Holdings Limited had ceded and pledged all its interests in the claims and shares of the subsidiaries to the capital providers
- Infracom has agreed to subordinate the loan amount to the extent equal to the subordinated amount in favour of and for the benefit of the Metrofile creditors

Notice to shareholders of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Metrofile Holdings Limited ("Metrofile" or "the Company") will be held at 09:30 on Monday, 28 November 2011 at Summer Place, 69 Melville Road, Hyde Park, Johannesburg, 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 2011 be and are hereby approved and confirmed."

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

2. Re-election of directors

Ordinary resolution number 2

"Resolved that CN Mapaure who retires in terms of Article 32.1 of the Company's Articles of Association ("the Articles") and who offers herself for re-election, be and is hereby re-elected as a director of the Company."

Please refer to page 15 of the report for Ms Mapaure's brief curriculum vitae.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

3. Re-election of directors

Ordinary resolution number 3

"Resolved that IN Matthews who retires in terms of Article 32.1 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."

Please refer to page 15 of the report for Mr Matthews' brief curriculum vitae.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

4. Re-election of directors

Ordinary resolution number 4

"Resolved that CS Seabrooke who retires in terms of Article 32.1 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."

Please refer to page 14 of the report for Mr Seabrooke's brief curriculum vitae.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

5. Approval of auditors' remuneration

Ordinary resolution number 5

"Resolved that the directors of the Company, through the audit committee, be and are hereby authorised to agree and pay the auditors' remuneration for the year ended 30 June 2011."

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

6. Re-appointment of independent external auditors

Ordinary resolution number 6

"Resolved that Deloitte & Touche be re-appointed as independent registered auditors of the Company, upon the recommendation of the current audit committee, and to note that the individual registered auditor who will undertake the audit during the financial year ending 30 June 2012 is Grant Krog."

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

Notice to shareholders of annual general meeting continued

7. Approval of proposed non-executive directors' remuneration for the years ending 30 June 2012 and 30 June 2013

Special resolution number 1

"Resolved that the following proposed remuneration of the non-executive directors of the Company for the financial years ending 30 June 2012 and 30 June 2013 be and are hereby approved:

	Year ending 2012 R	Year ending 2013 R
Chairman of the board of directors	550 000	590 000
Deputy Chairman	*	*
Non-executive directors	210 000	225 000
Chairman of the Audit, Governance and Risk Committee	240 000	257 000
Chairman of the Nomination and Remuneration Committee	155 000	166 000
Chairman of Social, Ethics and Transformation Committee	*	*
Committee members/invitees	80 000	86 000
Social, Ethics and Transformation Committee	50 000	54 000
Mineworkers' Investment Company*	1 000 000	#

* For the services of the Deputy Chairman and two other directors on the board and as committee members and in their capacities as such outside of board and committee forums.

The fee for 2013 will be the 2012 fee increased by year-on-year Consumer Price Index as at 30 June 2012.

Reason for the special resolution

The new Companies Act, No 71 of 2008 ("the Act") requires shareholder approval of directors' fees in advance by way of special resolution.

These fees have been recommended by the Metrofile Nomination and Remuneration Committee and are regarded as fair for the level and quality of services provided by the directors to the Company, in and out of board and committee forums, and are benchmarked against the scales of other RSA-listed companies every two years.

No separate attendance fees are paid.

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at this meeting must be cast in favour of this resolution for it to be adopted.

8. Authority to provide financial assistance to any Group Company

Special resolution number 2

"Resolved that, in accordance with Section 45 of the Companies Act, No 71 of 2008, as amended (the "Companies Act"), the Company be and is hereby authorised to provide direct or indirect financial assistance to any related or inter-related Company (as defined in the Companies Act) of the Company by way of a general authority in favour of that category of recipients as contemplated in Section 45(3)(a)(ii) of the Companies Act, on the terms and conditions and for amounts that the board of the directors may determine from time to time up to a limit of R750 million (seven hundred and fifty million Rand)."

Reason for the special resolution

In terms of the Companies Act the board may authorise the Company to provide any financial assistance to related or inter-related companies which are Group companies, including subsidiary companies of the Company, where it believes it would be beneficial to the Company to do so in future, subject to certain requirements set out in the Companies Act, including the Company meeting solvency and liquidity tests. This general authority is necessary for the Company to continue making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two years and the R750 million cap will apply cumulatively over that period. It is, however, the intention to renew the authority annually at the annual general meeting.

Notifications

Shareholders are hereby notified in terms of Section 45(5) of the Companies Act that the board has passed the same resolution to take effect on the passing of this special resolution by shareholders.

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of this resolution for it to be adopted.

9. Place unissued shares under the control of the directors

Ordinary resolution number 7

"Resolved that 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 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, subject to the provisions of the Companies Act, No 71 of 2008, as amended (the "Companies Act"), the Articles of Association of the Company and the JSE Listings Requirements, when applicable, subject to the following:

- The authority shall be valid until the date of the next annual general meeting of the Company provided it shall not extend beyond 15 months from the date of this annual general meeting.
- Issues in terms of this authority will not, in any financial year, in aggregate, exceed 5% of the number of ordinary shares in the Company's issued share capital as at 30 June 2011.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

10. Election of audit committee members

Ordinary resolution number 8

"Resolved that shareholders elect, by way of a separate vote, each of the following independent non-executive directors as members of the Company's Audit Committee, subject to the re-election of IN Matthews as a director in terms of ordinary resolution number 3:

- IN Matthews (Chairman)
- N Medupe
- SR Midlane

Each member will be considered and voted on separately.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

11. Endorsement of remuneration policy

Ordinary resolution number 9

"Resolved that the Company's Remuneration Policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out in the Company's Remuneration Report on pages 28 to 31 of the Integrated Annual Report, is endorsed by way of a non-binding advisory note."

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

12. General authority to repurchase shares

Special resolution number 3

"Resolved that the Company and/or any subsidiary of the Company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the Company from any person in accordance with the requirements of the Company's Articles of Association, the Companies Act and the JSE Listings Requirements, provided that:

- This general authority shall be valid until the earlier of the Company's next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 3;
- An announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listing Requirements;
- Acquisition of shares in aggregate in any one financial year may not exceed 5% of the Company's ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 3;
- Ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of acquisition of such ordinary shares;
- The Company has been given authority by its Articles of Association;
- The board of directors authorise the acquisition, the Company passes the solvency and liquidity test and that from the time that the test is done, there are no material changes to the financial position of the Company;
- At any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- The Company and/or its subsidiaries undertake that they will not enter the market to so acquire the Company's shares until the Company's sponsor has provided written confirmation to the JSE regarding the adequacy of the Company's working capital in accordance with Schedule 25 of the JSE Listing Requirements; and

Notice to shareholders of annual general meeting continued

- The Company and/or its subsidiaries not acquiring any shares during a prohibited period, as defined in the JSE Listing Requirements unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over the Securities Exchange News Service (SENS) prior to the commencement of the prohibited period.

In order for this special resolution to be adopted, it must be supported by at least 75% of the votes cast by shareholders present or represented by proxy at this meeting.

Notification

Shareholders are advised that the board is satisfied that after the specific repurchase of shares, the Company will satisfy the solvency and liquidity test and that the terms under which the shares are repurchased are fair and reasonable to the Company.

In terms of the JSE Listings Requirements, 75% of the votes cast by shareholders (excluding the votes of those who participate in the specific repurchase) present or represented by proxy at the meeting must be cast in favour of this resolution.

13. Adoption of the amendments to the Metrofile Holdings Limited Share Incentive Schemes

Ordinary resolution number 10

"Resolved that the Company hereby approves the amendments made to the following employee share plans in order to better align them with the interests of shareholders:

- Metrofile Holdings Limited Share Appreciation Right Scheme 2008 (the "SAR Scheme")
- Metrofile Holdings Limited Deferred Bonus Plan 2008 (the "DBP").

These amendments will only apply to grants made after the date of approval of this resolution.

The rules of each plan, showing the proposed amendments, will be available for inspection at 3 Gowie Road, The Gables, Cleveland, Johannesburg 2148 (the Company's registered office in South Africa) for 14 days prior to the Annual General Meeting of the Company.

The proposed amendments made to the SAR Scheme can be summarised as follows:

- In line with King III, the abolition of any retesting of the performance condition four and five years after grant, if the condition is not met on first testing three years after grant.
- The performance condition ("hurdle") is to be changed from a basis of Earnings before interest and taxation ("EBIT") basis to one linked to Headline earnings per share ("HEPS").
- The required hurdle rate is increased from Consumer Price Index ("CPI") Inflation +2% compound over three years to CPI inflation + 3% compound for the same period.
- The vesting will change from 100% at the end of the three year period to a third at the end of year three, a third at the end of year four and a third at the end of year five.
- The exercise date is to be amended from anytime after vesting to a single date set by the Board at least 30 days in advance of the exercise date; the reason for this amendment is due to the lack of liquidity with regard to the trading of the shares and possible price fluctuations.
- Furthermore, due to possible price fluctuations the exercise price will be changed from a spot price to a 30 day volume weighted average price.

There are no proposed amendments made to the DBP.

Notification

In terms of the Listings Requirement of the JSE, 75% of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of this ordinary resolution.

14. Authority to sign all documents required

Ordinary resolution number 11

"Resolved that, subject to the passing of ordinary resolutions 1 to 10 and special resolutions 1 to 3, any director of the Company or the Company Secretary will be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary resolutions 1 to 10 and special resolutions 1 to 3 passed at the annual general meeting; hereby ratifying and confirming all such things already done and documentation already signed."

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

Additional disclosure required in terms of the JSE Listing Requirements relating to special resolution numbers 2 and 3

Solvency and liquidity statement

The board of directors of the Company confirm that the Company will not enter into a transaction to provide financial assistance or repurchase shares in respect of special resolution numbers 2 and 3 unless:

- The Company and the Group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
- The assets of the Company and the Group, valued in accordance with the accounting policies used in the latest audited Group annual financial statements, will exceed the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the annual general meeting;
- The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- The working capital available to the Company and the Group will be adequate for the ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

Voting and proxies and record dates

Instructions

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for the purpose of being entitled to attend and vote at the annual general meeting is Tuesday, 22 November 2011, it being recorded that the last day to trade for that purpose is Tuesday, 15 November 2011.

Shareholders holding certificated Metrofile shares and shareholders who have already dematerialised their Metrofile shares and who have elected "own-name" registration in a sub-register through a CSDP or broker (only shareholders who have dematerialised their Metrofile shares through Computershare Investor Services (Pty) Limited can qualify as having elected "own-name" registration), who are unable to attend the Annual General Meeting but wish to be represented thereat 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 (Pty) 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 Friday, 25 November 2011, 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 sub-register maintained by a CSDP (i.e. shareholders who have not dematerialised their shareholding through Computershare 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.

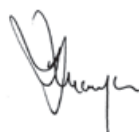
All meeting participants will be required to provide reasonable satisfactory identification to the Chairman of the meeting.

Shareholders or their proxies may participate in the meeting by way of telephone conference call, and if they do so:

- Must contact the Company Secretary by email at the address LeonT@Metrofile.co.za by no later than 09:30 on Monday, 28 November 2011 in order to obtain a pin number and dial-in details for the conference call;
- Will be required to provide reasonably satisfactory identification; and
- Will be billed separately by their own telephone service provider for the telephone call to participate in the meeting.

By order of the board

Metrofile Holdings Limited



LM Thompson

Company Secretary

28 October 2011

Johannesburg

Directorate and administration

Directors

Christopher Stefan Seabrooke (58) •♣ BCom, BAcc, MBA, FCMA
Non-executive Chairman
Appointed 28 January 2003

Aser Paul Nkuna (59) ♣
Appointed 4 December 2006

Graham Dunbar Wackrill (57) BCompt
Appointed 29 January 2004

Richard Matthew Buttle (39) BCompt Hons, CA (SA)
Appointed 4 December 2006

Mary Sina Bomela (38) CA (SA), MBA
Appointed 8 September 2010

Cynthia Nomsa Mapaire (34) BCompt Hons, CA (SA), CA (Zimbabwe)
Appointed 27 February 2009

Ian Nigel Matthews (66) •♣♣ MA (Oxon), MBA (UCT)
Appointed 1 June 2006.

Nondumiso Medupe (40) •♣ BAcc, CA (SA)
Appointed 1 February 2008

Stephen Roy Midlane (45) •♣ BCom, BAcc, CA (SA)
Appointed 26 November 2002

- *Independent*
- ♣ *Audit committee member*
- ♣ *Remuneration committee member*

Secretary and registered office

Leon Mark 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 (Pty) 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

The Standard Bank of South Africa Limited

Merchant bank and 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 Bowers
10 Fricker Road, Illovo Boulevard, Johannesburg, 2196
PO Box 61771, Marshalltown, 2107

Business unit telephone numbers

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

Website

www.Metrofileholdings.com

Form of proxy

Metrofile Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 1983/012697/06)

Share code: MFL ISIN code: ZAE000061727

("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 (Pty) 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, 28 November 2011 at Summer Place, 69 Melville Road, Hyde Park, Johannesburg, 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 for 30 June 2011			
Ordinary resolution number 2 – Re-election of CN Mapaure			
Ordinary resolution number 3 – Re-election of IN Matthews			
Ordinary resolution number 4 – Re-election of CS Seabrooke			
Ordinary resolution number 5 – Approval of auditors' remuneration			
Ordinary resolution number 6 – Re-appointment of independent external auditors			
Special resolution number 1 – Approval of proposed non-executive directors' remuneration			
Special resolution number 2 – Authority to provide financial assistance to Group companies			
Ordinary resolution number 7 – Placement of unissued shares under the control of the directors			
Ordinary resolution number 8 – Election of audit committee members			
Ordinary resolution number 9 – Endorsement of remuneration policy			
Special resolution number 3 – General authority to repurchase shares			
Ordinary resolution number 10 – Adoption of the amendments to the share incentive schemes			
Ordinary resolution number 11 – 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 _____ 2011

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 overleaf.



Notes and instructions to the form of proxy

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 the entire 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 Investor Services 2004 (Pty) 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 sub-register 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/signatories.
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 Chairman 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 (Pty) 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 Friday, 25 November 2011, 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.

www.metrofile.com

