

Summarised consolidated income statement

R'000	Notes	Audited 12 months ended 30 June 2005	Audited 12 months ended 30 June 2004
Revenue		254 437	473 803
Operating income before foreign exchange gains		76 897	44 969
Foreign exchange gains		33	226
Operating income before depreciation and goodwill amortisation (EBITDA)	1	76 930	45 195
Depreciation		(14 455)	(33 405)
Goodwill amortisation and impairment		-	(22 188)
Exceptional gains		4 033	16 492
Operating profit before finance costs		66 508	6 094
Net finance costs		(52 515)	(68 972)
Profit/(loss) before taxation		13 993	(62 878)
Taxation		5 169	(23 506)
Profit/(loss) after taxation		19 162	(86 384)
Outside shareholders' share of profits		-	(826)
Attributable profit/(loss)		19 162	(87 210)
Number of ordinary shares in issue (thousands)		74 077	74 077
Number of ordinary shares in treasury (thousands)		(6 877)	(6 877)
Number of ordinary shares in issue after deducting treasury shares (thousands)		67 200	67 200
Weighted average number of ordinary shares in issue (thousands)		67 200	67 200
Headline earnings/(loss) per ordinary share (cents)		29,6	(132,3)
Fully diluted headline earnings/(loss) per ordinary share (cents)	2	7,9	-
Earnings/(loss) per ordinary share (cents)		28,5	(129,8)
Fully diluted earnings/(loss) per ordinary share (cents)	2	7,7	-
Reconciliation of headline earnings/(loss)		19 162	(87 210)
Attributable profit/(loss)		19 162	(87 210)
Profit on sale of property, plant and equipment		(2 536)	(302)
Capital loss/(profit) on sale of subsidiaries		3 195	(27 018)
Amortisation and impairment of goodwill		-	22 188
Impairment of property, plant and equipment		88	1 718
Impairment of associate		-	1 700
Headline earnings/(loss)		19 909	(88 923)

Summarised consolidated balance sheet

R'000	Notes	Audited as at 30 June 2005	Audited as at 30 June 2004
ASSETS			
Non-current assets			
Property, plant and equipment		134 400	141 264
Long-term receivables		1 126	-
Deferred tax asset		-	57
Current assets		67 104	101 248
Inventories		8 029	8 309
Trade receivables		38 911	39 572
Other receivables	3	10 793	40 375
Taxation		-	719
Bank balances		9 371	12 273
Total assets		202 630	242 569
EQUITY AND LIABILITIES			
Equity capital and deficits			
Ordinary shareholders' interest		(308 730)	(327 801)
Outside shareholders' interest		-	441
Non-current liabilities		436 216	468 347
Provisions	4	36 899	47 867
Deferred taxation liability		3 298	2 191
Interest-bearing subordinated redeemable convertible loans	5	190 682	167 155
Interest-bearing liabilities	6	205 337	251 134
Current liabilities		75 144	101 582
Trade payables		7 056	6 735
Other payables		24 503	26 562
Deferred revenue		3 317	2 715
Provisions		6 353	10 469
Taxation		13 600	18 469
Bank overdrafts		-	589
Interest-bearing liabilities		20 315	36 043
Total equity and liabilities		202 630	242 569
Net liability per ordinary share (cents)		(459,4)	(487,8)

Notes:

- The current year EBITDA includes R2,3 million reversal of provision no longer required at Central and non-recurring rent of R4,0 million related to a Midrand property. EBITDA also includes R3,2 million reversal of provisions no longer required by Metrofile (Pty) Ltd. EBITDA before reversal of the provisions and non-recurring rental income is R67,4 million.
- The adjustment to determine the diluted headline earnings per share and diluted earnings per share is directly attributable to an interest saving of R9,6 million should the Metrofile Holdings loan notes convert into ordinary shares. The increase in number of ordinary shares in issue is calculated by dividing the outstanding capital amount (excluding any accrued interest) of the Metrofile Holdings loan notes held by third parties (includes notes held by third party creditors and excludes any inter-company loan notes, share options and any other payables) by the average market price per share during the period and then adding the calculated increase in shares to the existing weighted average number of ordinary shares in issue. Prior year diluted earnings per share and headline earnings per share are nil as it was anti-dilutive.
- Included in other receivables is R5,5 million for an outstanding insurance claim.
- Long-term non-interest-bearing provisions include anticipated claims in terms of the S311 arrangement. The provisions also include creditors that may become owners of interest-bearing redeemable convertible loans.
- Interest-bearing convertible loan notes include the Metrofile C and MGX loan notes that have been subordinated by the financiers.
- Long-term interest-bearing liabilities include the Metrofile A and B loan notes.
- As intangibles are not revalued, no balances are reflected on the consolidated balance sheet. In Metrofile (Pty) Ltd goodwill and trademarks in the amount of R194,3 million are reflected at the values arising from the inter-group transactions arising in 2004.

Summarised consolidated cash flow statement

R'000	Audited 12 months ended 30 June 2005	Audited 12 months ended 30 June 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations before net working capital changes	92 754	49 640
(Increase)/decrease in net working capital	(9 544)	11 762
Cash generated from operations	83 210	61 402
Net finance costs	(52 515)	(68 972)
Normal taxation paid	(10 594)	(3 978)
Net cash inflow/(outflow) from operating activities	20 101	(11 548)
Net cash inflow from investing activities	26 552	19 118
Net cash (outflow)/inflow from financing activities	(48 966)	80 965
Net (decrease)/increase in cash and cash equivalents	(2 313)	88 535
Cash and cash equivalents at the beginning of the year	11 684	(76 851)
Cash and cash equivalents at the end of the year	9 371	11 684
Bank balances	9 371	12 273
Bank overdrafts	-	(589)

Segmental analysis

R'000	Continuing operations	Discontinued operations	Audited 12 months ended 30 June 2005	Audited 12 months ended 30 June 2004
Revenue			254 437	473 803
by segment	252 159	2 278	254 437	473 803
Enterprise solutions	-	-	-	9 560
Business continuity	-	-	-	33 150
Content management	252 159	-	252 159	374 403
Storage solutions	-	-	-	11 373
Software development	-	2 278	2 278	45 317
Central Services et al	-	-	-	-
Revenue			254 437	473 803
by region	252 159	2 278	254 437	473 803
South Africa	252 159	2 278	254 437	334 142
United Kingdom	-	-	-	139 661
EBITDA			76 930	45 195
by segment	74 310	2 620	76 930	45 195
Enterprise solutions	-	-	-	(3 408)
Business continuity	-	-	-	6 324
Content management	69 849	-	69 849	80 966
Storage solutions	-	-	-	(3 598)
Software development	-	336	336	(6 320)
Central Services et al	4 461	2 284	6 745	(28 769)
EBITDA			76 930	45 195
by region	74 310	2 620	76 930	45 195
South Africa	74 310	2 642	76 952	24 979
United Kingdom	-	(22)	(22)	20 216

EC-Hold is disclosed under discontinued operations as result of its liquidation. MGX Property (Pty) Ltd, which forms part of Central Services is reported under discontinued operations after disposal of its only asset, being a Midrand building.

Statement of changes in equity

	Share capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Attributable loss R'000	Total R'000
Balance at 30 June 2003	408	195 662	4 667	(441 428)	(240 691)
Attributable loss	-	-	-	(87 210)	(87 210)
Transfer of reserves	-	-	(7 600)	7 600	-
Offset of treasury shares	-	(6)	-	-	(6)
Foreign currency reserve	-	-	106	-	106
Balance at 30 June 2004	408	195 656	(2 827)	(521 038)	(327 801)
Attributable profit	-	-	-	19 162	19 162
Foreign currency reserve	-	-	(91)	-	(91)
Balance at 30 June 2005	408	195 656	(2 918)	(501 876)	(308 730)

Commentary on results

Metrofile Holdings' profile
Metrofile Holdings is quoted in the "Support Services – Business Support Services" sector of the JSE Limited ("JSE"). The company was previously quoted in the "Information Technology – Software and Computer Services – Software sector".

The business of Metrofile Holdings is its investment of 65% in Metrofile (Pty) Limited. The balance of 35% was sold during the period as approved by shareholders at a general meeting held on 27 January 2005 as follows:

- 25% MIC Industrial Investments (Pty) Limited (a subsidiary of Mineworkers Investment Company (Pty) Limited);
- 5% Metrofile Employees' Share Incentive Trust; and
- 5% Sabvest Investments (Pty) Limited.

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

Loan notes in Metrofile Holdings and Metrofile (Pty) Limited

Shareholders and claim creditors are referred to the circular dated 17 December 2003, the scheme of arrangement and definitions contained therein and the announcement of 4 March 2005 and 29 June 2005.

Metrofile (Pty) Limited has the following loan obligations:

- R80,0 million of A loan obligations bearing interest at prime – 1% per annum payable monthly in arrear due 4 March 2009.
- R132,7 million of B loan obligations bearing interest at prime capitalised quarterly in arrear. Capital and interest are now being paid monthly and the full amount is required to be paid on or before 4 March 2009. If not paid by this date, the holders may elect to convert the obligations to shares in Metrofile (Pty) Limited.
- R115,0 million of C loan obligations bearing interest at prime +2% compounded quarterly in arrear and due for payment by 4 March 2009. The loans are subordinated to other creditors and if not repaid by Metrofile (Pty) Limited, are compulsorily convertible into ordinary shares in Metrofile (Pty) Limited.

In the event that either or both of the B or C loans convert to shares, Metrofile Holdings will cease to be a shareholder in Metrofile (Pty) Limited and the Metrofile Holdings loan notes referred to below will convert to shares in Metrofile Holdings simultaneously.

Metrofile Holdings has the following creditors or potential creditors:

- R75,7 million in Metrofile Holdings loan notes (reflected in the consolidated and company balance sheets of Metrofile Holdings) which are subordinated and compulsorily convertible into Metrofile Holdings shares if not repaid before 4 March 2009. They bear interest at prime +3% compounded quarterly in arrear.
- R261,1 million of subordinated Metrofile Holdings loan notes issued to subsidiaries of Metrofile Holdings for inter-company claims (reflected only in the company balance sheet of Metrofile Holdings). They bear interest at prime +3% compounded quarterly in arrear. These loan notes are ceded as security to third party creditors of Metrofile (Pty) Limited and of Metrofile Holdings and which may become creditors in the consolidated accounts of Metrofile Holdings if the security is exercised or if creditors in subsidiaries become owners of the notes. If this occurs, and subject to the provisions of the Company's Act, these loan notes will convert to ordinary shares of Metrofile Holdings if they are not repaid by 4 March 2009.
- R36,9 million in provisions for creditors in subsidiaries (reflected in the consolidated balance sheet) who may have residual claims against the loan notes referred to in 2. above.

If any of the Metrofile Holdings loan notes referred to above convert to ordinary shares, existing ordinary shareholders will be diluted accordingly.

Financial review

The results for the period reflect a substantial improvement on the prior year and were ahead of budget. EBITDA of R76,9 million was achieved and the prior year's headline loss of 132,3 cents per share improved to headline earnings of 29,6 cents per share. Fully diluted HEPS improved to 7,9 cents. However, it should be noted that the prior year's figures are not strictly comparable as they contain figures from businesses and assets sold or discontinued. In addition, provisions reversed improved EBITDA and reduced taxation payable by the equivalent of 17,9 cents per share.

Revenue was ahead of budget due to improved market penetration and the securing of new government business now that the group has a highly rated broad based empowerment partner in Mineworkers Investment Company (Pty) Limited.

Cash flows were stronger than budgeted. The group is ahead of schedule in its payments to SARS. Payments on the A and B loans in Metrofile (Pty) Limited are also ahead of schedule. The A loans have been reduced to the target of R80 million and repayment of the B loans commenced before the year end. Working capital management has improved and the group's working capital facilities remain largely unutilised.

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

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

Accounting policies

The accounting policies and methods of computation are in compliance with the South African Statements of Generally Accepted Accounting Practice and are the same as those used for the prior year, with the exception of goodwill which is now capitalised and tested for impairment annually in terms of AC 140. The group has considered the effect of accounting for leases on a straight line basis in terms of JSE circular # 7/2005 and the effect is immaterial as the group owns most of the properties it occupies.

Auditors' opinion

The results have been audited by Deloitte & Touche whose audit report is available for inspection at the company's offices. The report contains a matter of emphasis with respect to going concern at group level. An unqualified and unmodified audit report has been issued for Metrofile (Pty) Limited.

Audited financial statements are expected to be dispatched to shareholders by the end of October 2005.

Directorate and corporate governance

The board currently comprises two executive and two non-executive directors. The group CEO function is fulfilled by the group CFO and assisted by the group Chairman. The board has resolved to appoint at least one additional non-executive director in due course.

Dividends

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

Contingent liabilities

SRP/EC-HOLD

In March 2002, the Securities Regulation Panel ("SRP") ruled that the company and the Trustees of The Mandy Rebecca Price Trust ("the Trustees") had acted in concert in an affected transaction and ordered them to make an unconditional offer of 240 cents per share to all EC-HOLD shareholders at 11 October 1999. The company and the Trustees disagreed and, together with other parties, are presently defending a court action brought by the SRP to require them to comply with the ruling. The company has taken steps to procure that the costs of defending this matter and any adverse court decision or commercial settlement will be funded and settled by third parties. However, it remains a contingent liability of the company until settled.

MGX/Eureka Pension Fund

The company continues to have a contingent liability of up to R9,1 million which will fall away once the approval of the Financial Services Board ("FSB") has been received for the transfer of the Fund's assets to another retirement fund. The company anticipates positive confirmation from the FSB shortly.

Motswedi

In February 2002, Motswedi Technology Group (Pty) Limited ("Motswedi") initiated a claim for damages against the company through arbitration proceedings. Group companies in turn initiated actions against Motswedi which were ruled in favour of the company by SITA. A court action is currently in progress. The company's legal advisors do not expect the company to incur any liability in these matters. In addition the company has taken steps to procure that costs and any adverse rulings will be settled by third parties. However, a contingent liability remains until these matters are concluded.

Commitments

- Rental commitments for the next three years amount to R9,8 million.
- Metrofile (Pty) Limited has an expected capital expansion and replacement programme of R26,3 million in 2005/06. R4,7 million of this will be funded from the proceeds of an insurance claim.

Post-balance sheet events

Subsequent to the reporting date, Metrofile (Pty) Limited has entered into an interest rate swap agreement for R150 million on R150 million of its loan notes over four years to mitigate the risk of increased borrowing costs on its variable rate loans during this period.

Prospects

- The group expects improved revenue and operating results from Metrofile (Pty) Limited in the year ahead.
- Metrofile Holdings expects to resolve most outstanding legacy issues from the MGX period over the next twelve months. However, the SRP/EC-Hold matter is likely to continue for a number of years.
- Actions have been initiated which may lead to resolution or final quantification of the claims of creditors currently reflected by Metrofile Holdings as provisions for liabilities.
- Discussions have commenced which may lead to their refinancing of Metrofile (Pty) Limited to reduce or eliminate the risk of Metrofile Holdings losing its investment in Metrofile (Pty) Limited if any of its loan obligations become compulsorily convertible to shares.
- If the discussions with Metrofile Holdings' creditors are successfully concluded and the subsidiary can be re-financed, proposals may be made to the note holders, creditors and shareholders of Metrofile Holdings to initiate a final restructure of the group.

By order of the board

CHRISTOPHER SEABROOKE

Chairman

ROY MIDLANE

Chief financial officer

28 September 2005

Cleveland

Gauteng

METROFILE HOLDINGS LIMITED

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