metrofile

AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2009

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- Revenue up 12,5%
- EBITDA up 11,0%
- Normalised HEPS up 23,0%

CONDENSED CONSOLIDATED INCOME STATEMENT

R'000	Notes	Audited 12 months ended 30 June 2009	Audited 12 months ended 30 June 2008
Revenue		**371 097**	329 935
Operating income before interest, taxation and depreciation (EBITDA)		**118 015**	106 291
Depreciation		**(12 039)**	(10 752)
Operating profit before net finance costs and exceptional items		**105 976**	95 539
Net finance costs		**(46 636)**	(22 638)
Finance income		**2 330**	5 138
Finance costs		**(37 345)**	(44 832)
Interest paid on loans		**(43 254)**	(50 157)
Interest received relating to financial instruments	1	**5 909**	5 325
Fair value adjustments on financial instruments	2	**(11 621)**	4 780
Once-off reversal of finance cost provision		**–**	12 276
Exceptional items		**–**	2 368
Profit before taxation		**59 340**	75 269
Taxation		**(17 189)**	(15 956)
Profit for the year		**42 151**	59 313
Attributable to:			
Owners of the parent		**42 128**	59 313
Non-controlling interests		**23**	–
Attributable profit		**42 151**	59 313
Further information			
Number of ordinary shares in issue (thousands)		**393 997**	393 997
Weighted average number of ordinary shares in issue (thousands)		**393 997**	393 997
Earnings per ordinary share			
Earnings per ordinary share (cents)		**10,7**	15,1
Headline earnings per ordinary share			
Headline earnings per ordinary share (cents)		**10,7**	14,4
Normalised headline earnings per ordinary share			
Normalised headline earnings per ordinary share (cents)		**12,8**	10,4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Audited 12 months ended 30 June 2009	Audited 12 months ended 30 June 2008
Profit for the year	**42 151**	59 313
Other comprehensive income for the year net of tax	**222**	–
IFRS2 Equity reserve relating to share schemes	**574**	–
Hedge accounting for fair value on interest rate swaps	**(330)**	–
Currency movement on translation of foreign subsidiary	**(22)**	–
Total comprehensive income for the year	**42 373**	59 313
Attributable to:		
Owners of the parent	**42 350**	59 313
Non-controlling interests	**23**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Notes	Audited as at 30 June 2009	Audited as at 30 June 2008
ASSETS			
Non-current assets		**410 553**	366 169
Property, plant and equipment		**249 868**	205 559
Goodwill	3	**160 499**	160 499
Deferred tax asset		**186**	111
Current assets		**90 580**	104 156
Inventories		**16 558**	10 502
Trade receivables		**54 450**	48 335
Other receivables		**4 109**	4 881
Financial instruments – Fair value of interest rate swaps	4	**–**	11 621
Bank balances		**15 463**	28 817
Total assets		**501 133**	470 325
EQUITY AND LIABILITIES			
Equity and reserves		**171 771**	129 396
Equity attributable to owners of the parent		**171 746**	129 396
Non-controlling interests		**25**	–
Non-current liabilities		**233 285**	267 648
Interest-bearing liabilities	5	**226 070**	257 342
Deferred taxation liability		**7 215**	10 306
Current liabilities		**96 077**	73 281
Trade payables		**12 850**	8 471
Other payables		**23 153**	22 254
Deferred revenue		**5 491**	4 186
Financial instruments – Fair value of interest rate swaps	4	**330**	–
Provisions		**5 470**	4 693
Taxation		**16 150**	4 347
Interest-bearing liabilities	5	**32 633**	29 330
Total equity and liabilities		**501 133**	470 325
Net asset value per ordinary share (cents)		**43,6**	32,8

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

R'000	Audited 12 months ended 30 June 2009	Audited 12 months ended 30 June 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations before net working capital changes	**118 578**	107 120
(Increase)/decrease in net working capital	**(1 988)**	3 989
Cash generated from operations	**116 590**	111 109
Net finance costs paid	**(35 015)**	(39 694)
Normal taxation paid	**(10 602)**	(15 926)
Net cash inflow from operating activities	**70 973**	55 489
Net cash outflow from investing activities	**(56 358)**	(39 189)
Net cash outflow from financing activities:		
Loans repaid	**(27 969)**	(27 614)
Net decrease in cash and cash equivalents	**(13 354)**	(11 314)
Cash and cash equivalents at the beginning of the year	**28 817**	40 131
Cash and cash equivalents at the end of the year	**15 463**	28 817
Represented by:		
Bank balances	**15 463**	28 817

STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Accumu-lated losses	Other reserves	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 July 2007	**2 421**	**502 904**	**(435 242)**	–	70 083	–	**70 083**
Total comprehensive income for the year ended 30 June 2008	–	–	59 313	–	59 313	–	59 313
Balance at 30 June 2008	**2 421**	**502 904**	**(375 929)**	–	**129 396**	–	**129 396**
Minority contribution on acquisition of subsidiary					–	2	2
Total comprehensive income for the year ended 30 June 2009	–	–	42 128	222	42 350	**23**	42 373
Balance at 30 June 2009	**2 421**	**502 904**	**(333 801)**	**222**	**171 746**	**25**	**171 771**

RECONCILIATION OF HEADLINE EARNINGS

R'000	Audited 12 months ended 30 June 2009	Audited 12 months ended 30 June 2008
Profit attributable to owners of the parent	**42 128**	59 313
Capital profit on disposal of investments	**–**	(2 368)
Loss/(profit) on sale of plant and equipment	**11**	(46)
Tax effect of above items	**(3)**	13
Headline earnings	**42 136**	56 912
Headline earnings per ordinary share (cents)	**10,7**	14,4

RECONCILIATION OF NORMALISED HEADLINE EARNINGS

R'000	Audited 12 months ended 30 June 2009	Audited 12 months ended 30 June 2008
Headline earnings	**42 139**	56 912
Non-recurring reversal of finance cost provision	**–**	(12 544)
Fair value adjustments on financial instruments	**11 621**	(4 780)
Tax effect of fair value adjustment	**(3 254)**	1 338
Normalised headline earnings*	**50 506**	40 926
Normalised headline earnings per ordinary share (cents)	**12,8**	10,4

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

Notes:

1. This represents cash received on the interest rate swaps.
2. This is the mark to market change in the fair value of the interest rate swap contracts held by the group. This is not a cash flow item and is not regarded as a normal trading item. If the swaps had been able to be hedge accounted under IFRS, this charge would have gone through reserves. The cash flow benefit from the swaps amounted to R5 909 million for the financial year and has totalled R11 004 million over the period of the swaps to date. This is reflected in a separate line in the income statement and treated as a credit to interest paid.
3. Goodwill arose from the acquisition of the 35% minority shareholding in Metrofile (Pty) Limited and is assessed for impairment on an annual basis.
4. During March 2009 the existing interest rate swaps, which were due to expire towards the end of the 2009 calendar year, were closed out and new swaps were entered into. The new swaps comply with hedge accounting requirements and as a result all movements are allocated directly through reserves. The comparative figure was raised and reversed through the income statement.
5. Long-term interest-bearing liabilities include the Metrofile Senior and Mezzanine loans. Short-term interest-bearing liabilites include the portions of the Metrofile Senior and Mezzanine loans payable in one year. All borrowings are JIBAR linked and are approximately 52% hedged by way of the interest rate swaps (30 June 2008: 75%).
6. No segmental analysis has been reported as the group traded in only one segment and mainly in Southern Africa. IFRS 8: Operating Segments, will be effective for the 2010 financial year.
7. All the assets have been pledged as security against certain loans to the group.

COMMENTARY ON RESULTS

Profile

Metrofile, an associate of the Mineworkers Investment Company (MIC), is the market leader in information and records management across Africa. It operates from 20 facilities in the major provinces of South Africa and one facility in Mozambique, covering a total of 63 000 m² of space and managing 18 billion documents.

Metrofile offers customers a full outsourced service that ranges from offsite storage of records to onsite file management, image processing, backup and paper management and other information, document and access solutions including consultancy, software and records destruction. In addition, records management training is provided through the Metrofile Training Academy and imaging and document handling equipment is supplied and serviced through CSX.

Strategy

Metrofile is focused on cross selling the group's diverse information and records management services and equipment to both new and existing private and public sector customers and the development of additional services that are aligned with Metrofile's existing core businesses. Capacity is being increased to enable the group to meet the growing demand for its products and services from customers affected by expanded regulatory and governance obligations and requirements.

Metrofile's growth strategy incorporates expansion into African countries where existing customers have a need for similar services to those received in South Africa.

Metrofile continues to enjoy a good relationship with MIC and is focused on enhancing the current level 5 BBBEE contributor status.

Financial review year

Results for the year were satisfactory with revenue increasing by 12,5% to R371,1 million and EBITDA increasing by 11,0% to R118,0 million.

Although headline earnings per share ("HEPS") reduced by 25,7% to 10,7 cents (2008: 14,4 cents), the more relevant measure is normalised HEPS. This is calculated after adjusting HEPS for a number of once-off items that arose from the restructure of the old MGX Group and also for the accounting effects of changes in the fair value of the interest rate swaps (i.e. not the benefit/cost from those swaps); the changes would have been accounted for through the NDR if hedge accounting had applied. Normalised HEPS for the period increased by 23,0% to 12,8 cents (2008: 10,4 cents).

The group's gearing has improved with repayment of loans in line with funding agreements. Although cash has reduced by R13 million since 30 June 2008 due to the investment in further facilities, cash generated by operations remains strong. Metrofile is in compliance with all its bank covenants and current projections indicate that the group will continue to meet the payment schedules as recorded in the six year refinancing agreements concluded in 2006.

Metrofile has chosen to continue to account for the property portfolio on a cost basis; however, it should be noted that regular valuations are performed on an open market basis. Although no valuation was undertaken in the current financial year, the last valuation performed in June 2008 indicated that the fair value of the property portfolio was R78,7 million higher than reflected in the statement of financial position.

Capital expenditure

Additional storage facilities in Johannesburg, Cape Town and Durban were completed during the year. Investment in new facilities and racking amounted to R56,4 million for the year; however, expenditure in this regard will be significantly lower in the year ahead.

Accounting policies

Group results have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including IAS 34: Interim Financial Reporting, the requirements of the South African Companies Act of 1973, as amended, and the Listing Requirements of the JSE Limited. 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.

Related parties

There have been no changes to the arm's length consulting agreement with the Mineworkers Investment Company since the previous financial year. In terms of the agreement, fees of R0,66 million (2008: R0,59 million) were paid to the Mineworkers Investment Company during the period under review.

Directorate and corporate governance

Mr Keshan Pillay resigned from the board of directors on 10 September 2008. The vacancy was filled by Ms Cynthia Mapaure who joined the board on 27 February 2009. The board currently comprises two executive and six non-executive directors.

Dividends

No dividends have been declared for the current period. It is not the company's intention to declare or pay dividends in the foreseeable future.

Contingent liabilities

During 2006 a number of the group's employees embarked on an illegal strike. The matter was scheduled to be heard by the labour court during March 2009, however, the hearing did not go ahead and has been rescheduled to be heard during September 2009.

Commitments

Operating lease commitments amount to R23,9 million for the next five years. Metrofile (Pty) Limited has planned capital expansions of R22,7 million and replacement projects of R11,8 million for the 2010 financial year.

Post-balance sheet events

No events material to the understanding of the report have occurred in the period between the year end date and the date of this report.

Report of the independent auditors

The auditors, Deloitte & Touche, have issued their unmodified audit opinion on the Group's condensed consolidated financial statements for the year ended 30 June 2009. A copy of their audit report is available for inspection at the company's registered office.

Prospects

A number of opportunities are currently being pursued which will lead to further growth in the existing business and the expansion of our service range and African footprint. The group therefore expects steady growth in EBITDA and in normalised HEPS, notwithstanding the slowdown in the economy. This forecast information has not been reviewed or reported on by the company's auditors.

CHRISTOPHER SEABROOKE
Non-executive Chairman

GRAHAM WACKRILL
Chief Executive Officer

2 September 2009

Cleveland
Gauteng

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

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

Company Secretary:
LM Thompson

Registered office:
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www.metrofile.com

Sponsor:
Standard Bank

Transfer secretaries:
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