



09

Annual  
Report

Africa's market leader in information  
and records management.

**metr@file**





metrofile

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[www.metrofile.com](http://www.metrofile.com)



Metrofile was established in 1983 to meet demand from the commercial sector for the off-site storage of their records, the first company in South Africa to offer the service. That tradition of being first remains part of Metrofile's culture and today the company is Africa's market leader in the provision of information and records management services.

Metrofile, an associate of the Mineworkers Investment Company (MIC) which has a 31,7 percent equity interest in the company, 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 m<sup>2</sup> of space and managing 18 billion documents.

Metrofile offers customers a full outsourced service that ranges from off-site storage of records to onsite file management, image processing, data protection, 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.

# Africa's leading provider of outsourced information and records management services.

## Our vision

To be our customers' trusted information 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 servicing 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



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## Records management

A total records management solution that ensures records are efficiently and cost-effectively managed using tried and tested systems and methods. Solutions offered include strategy development and implementation, file planning and training, on and off-site active filing, on and off-site record storage, project management and cleanups and a full range of archival boxes, filing equipment and stationery.

## Image processing

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 up to A0), the digitisation of analogue records (Microfiche, film, OCR, ICR, OMR and KOFAX) and the hosting of image repositories.

## Data protection

A full data protection service 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), unified email management and the rotation and secure storage of backup and other media.

# Adding value and efficiencies to our customers' businesses and organisations.

## Information solutions

A sophisticated software offer, capable of integration with most systems, that facilitates access to and the management and storage of both electronic and physical records. Solutions offered include enterprise manager, document manager, warehouse manager, e-records, image manager and web access.

## Paper management

A paper collection and destruction service that ensures paper records and paper waste are disposed of confidentially and in an environmentally friendly manner. Solutions offered include bulk paper collection, confidential waste paper bins and the confidential destruction of records.

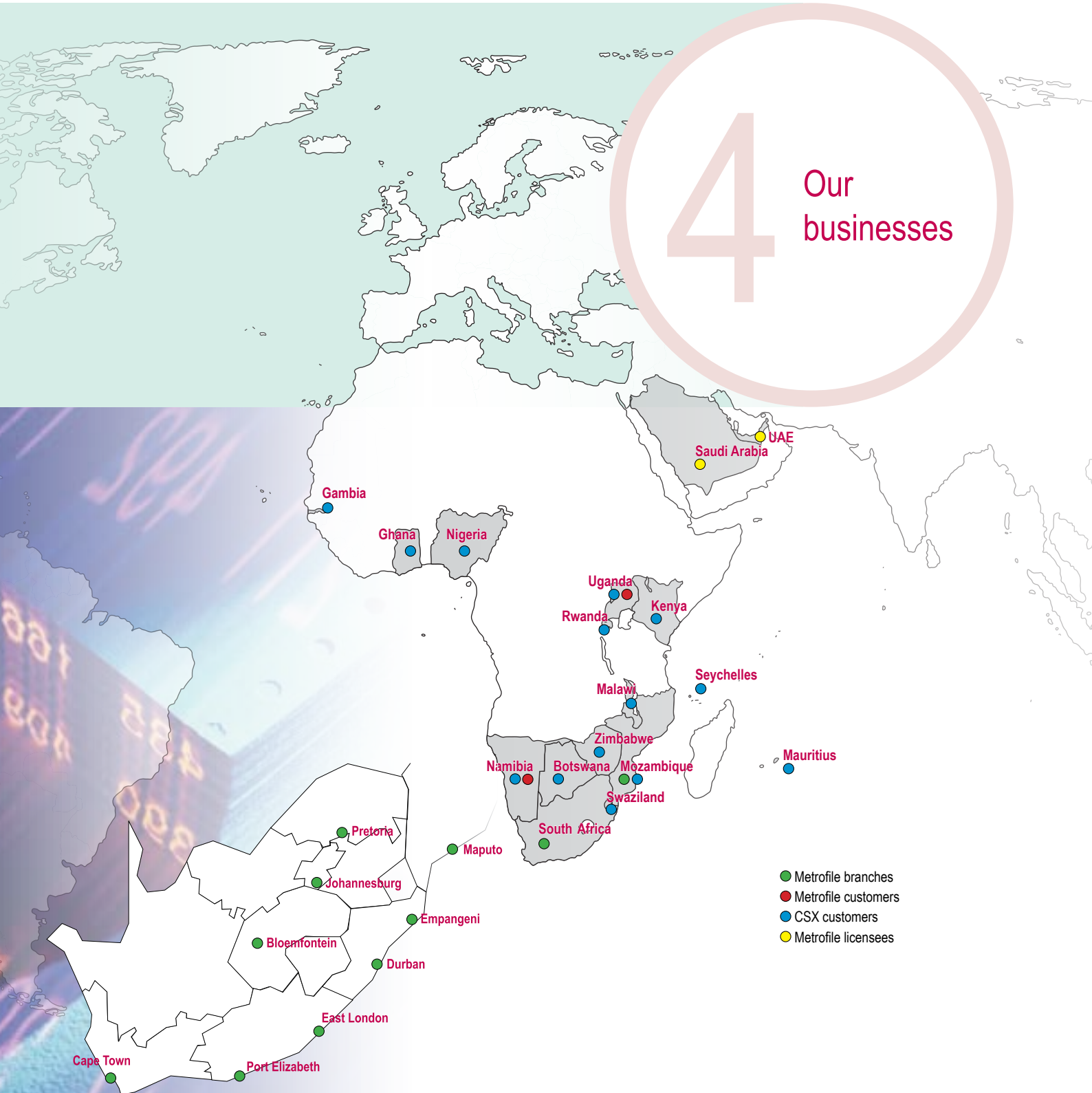
## Business solutions

The supply and service of a complete range of imaging, bulk mail handling, packaging and security equipment typically used in-house by libraries, marketing departments and mailrooms and externally by suppliers of outsourced services including image processors, bulk mail houses and packaging companies. Focusing on service quality, CSX is an authorised reseller of Kodak, Fujitsu, Bell & Howell, 3M, Opscan, Konica Minolta, Scantron, Neopost, Graphtec, SMA, Bowe, Visioneer and Comarne.

# Operational footprint

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4 Our businesses



- Metrofile branches
- Metrofile customers
- CSX customers
- Metrofile licensees

# Expanding our reach, delivering value.

## Metrofile South Africa

The core business and still the group's largest contributor, Metrofile South Africa remains the undisputed market leader in the supply of information and records management services.

Working to internationally recognised standards and using tried and tested methods, Metrofile offers a truly national footprint, modern purpose built facilities and scalable capacity capable of dealing with all requirements.

### Services offered

- Records management
- Image processing
- Data protection
- Information solutions
- Paper management

### Branches

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

## Metrofile Africa

The newest division, Metrofile Africa was set up in 2008 to manage the growing portfolio of African operations.

Set up in partnership with local companies that enjoy a good reputation, strong networks and an understanding of our business, our African operations employ local management and staff and they work to the same high levels of service and standards as the South African operations.

### Services offered

- Records management
- Image processing
- Data protection
- Information solutions

### Branches

- Mozambique
- On-site operations:
  - Uganda
  - Namibia
- Licensees:
  - UAE
  - Saudi Arabia

## Rainbow Paper Management

Acquired by the group in 2007, Rainbow Paper Management specialises in the collection, confidential destruction and selling of high grade paper waste to the manufacturers of recycled paper.

Operating from premises in Booyens, Rainbow handles confidential destructions on behalf of Metrofile Johannesburg and Pretoria as well as the destruction of the paper waste generated by many of the larger paper converters based in the area.

### Services offered

- Confidential records destruction
- Collection and destruction of high grade waste paper

## CSX Customer Services

Specialising in the supply, installation and maintenance of business machines, CSX concentrates on providing exceptional service and high quality products to businesses, education institutions and governments locally and across Africa.

Customers are offered the choice of outright purchase or rental and the option to enter into a maintenance agreement once the initial warranty has expired.

### Services offered

Supply and maintenance of:

- high volume scanners
- mail handling machines
- packaging equipment
- library security systems
- large-format digital multifunction printers (scan, print, and copy)
- autoclaves
- optical mark readers
- data collection (OMR, IMR, OCR)

### Branches

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

## Metrofile Training Academy

Established in 2007 and in response to customer demand, the Academy assists customers with the development of records management strategies and file plans and the training of staff through open and bespoke programmes.

### Services offered

- Strategy development
- File plans, policies and procedures
- Training in basic and advanced records management
- Training in the management of personnel, electronic, financial and patient records
- Training in information security, business continuity and disaster planning

### Branches

- Johannesburg

## Contributing to the stability of the market is the increasing reliance on information technology.



### 5 Our market

Metrofile is focused on providing outsourced information and records management services and on selling and maintaining document management equipment essential to the effective operation and function of businesses, not-for-profit organisations and governments throughout Africa.

These markets have shown some 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 digital information.

The advancements in and greater accessibility of information technology has led to an increase in the risks that need to be managed, as it has 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 the further growth of the information and records management sector, as they are the supply and maintenance of associated equipment. The extent of the opportunity has however not been quantified due to the lack of quality research in this area.



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## Our future

The strategy adopted by Metrofile over the last five years has enabled the group to consolidate operations and to build the capacity and capability required to take advantage of current market trends and to grow our share of an increasingly competitive market. Therefore, we will by 2013:

- have achieved four years of consistent growth;
- have maintained our position as the acknowledged market leader in information and records management;
- be a total solutions provider offering an integrated range of information and records management products and services;
- have products that are highly respected by their users, valued for their practical ease of application and which are well entrenched in the market,
- have developed exceptional sales and service personnel who are uniquely competent in their ability to assist customers in meeting their information and records management needs, challenges and risks;
- have significant representation across Africa;
- have expanded operations into South Africa's second tier cities; and
- be a structured portfolio of focused business units.

Save

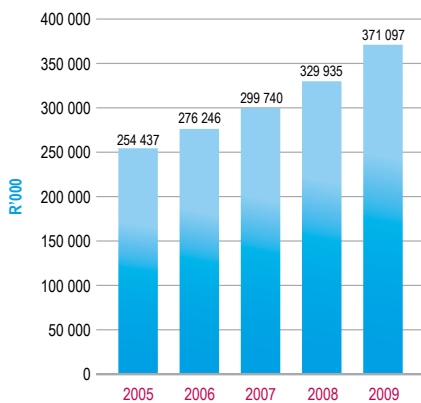
## Financial statistics



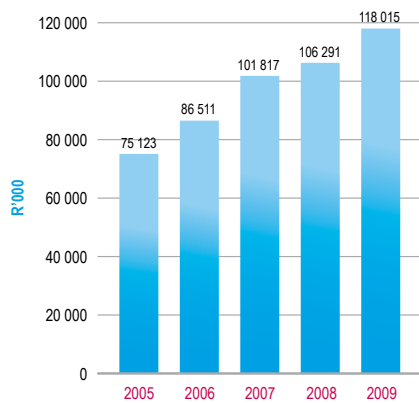
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# 6 Performance highlights

**Revenue** up 12,5%  
to R371,1 million



**EBITDA** up 11,0%  
to R118,0 million



- **Finance costs** down 16,7%
- **Normalised HEPS** up 23,0%
- **Cash generated from operations** before net working capital changes up 10,7%

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
<b>Income statement</b>					
Revenue	371 097	329 935	299 740	276 246	254 437
Operating income	105 976	95 539	90 924	73 751	63 376
Net finance cost	(46 636)	(22 638)	(44 839)	(46 695)	(52 515)
Income before taxation and capital items	59 340	72 901	46 085	27 056	10 861
Taxation	(17 189)	(15 956)	(8 361)	(3 843)	5 029
Income after taxation	42 151	56 945	37 724	23 213	15 890
Dividends received				2 077	
Minority shareholders' share of profits	(23)		(3 949)	(8 950)	(1 337)
Attributable income before exceptional items and goodwill amortisation	42 128	56 945	33 775	16 340	14 553
Exceptional items net of minority shareholders' interest		2 368	1 486	2 121	(1 742)
<b>Attributable income</b>	<b>42 128</b>	<b>59 313</b>	<b>35 261</b>	<b>18 461</b>	<b>12 811</b>
<b>Statement of financial position</b>					
<b>Assets</b>					
Property, plant and equipment	249 868	205 559	174 708	167 836	150 174
Intangibles	160 499	160 499	160 499		
Deferred taxation asset	186	111			
Financial assets		11 621			
Current assets excluding cash and financial assets	75 117	63 718	69 264	53 945	57 733
Long term receivables					1 126
Cash resources	15 463	28 817	40 131	13 895	9 371
<b>Total assets</b>	<b>501 133</b>	<b>470 325</b>	<b>444 602</b>	<b>235 676</b>	<b>218 404</b>
Ordinary shareholders' interest/(deficit)	171 746	129 396	70 083	(277 433)	(298 812)
Non-controlling interests	25			12 162	3 212
Deferred taxation liability	7 215	10 306	8 661	6 755	5 530
Non-interest-bearing liabilities					
Short term	63 444	43 951	39 903	52 696	55 241
Interest-bearing borrowings					
Long term repayable	226 070	257 342	304 335	424 034	432 918
Short term	32 633	29 330	21 620	17 462	20 315
<b>Total equity and liabilities</b>	<b>501 133</b>	<b>470 325</b>	<b>444 602</b>	<b>235 676</b>	<b>218 404</b>
Ordinary shares in issue (thousands)	393 997	393 997	393 997	74 077	74 077
Weighted average ordinary shares in issue (thousands)	393 997	393 997	252 337	67 200	67 200
Treasury shares (thousands)				6 877	6 877
Headline earnings per ordinary share (cents)	10,7	14,4	13,9	24,1	28,8
<b>Financial ratios</b>					
Liability	1,9	2,6	5,2	(1,8)	(1,7)
Current	0,9	1,4	1,8	1,0	0,9
Quick	0,8	1,3	1,6	0,8	0,8
Interest cover (times)	2,3	4,2	2,0	1,6	1,2
<b>Profitability</b>					
Operating income to revenue (%)	28,6	29,0	30,3	26,7	24,9
Operating income to average net assets employed (%)	21,8	20,9	26,7	32,5	26,7
<b>Number of employees</b>	<b>1 030</b>	<b>960</b>	<b>963</b>	<b>1 078</b>	<b>1 070</b>
<b>Ratio definitions</b>					
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				
Average net assets employed	Average of total assets at the beginning and end of the financial year				

## Analysis of shareholding

The following analysis of shareholders was extracted from the shareholders' register as at June 2009 and June 2008:

	2009				2008			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
<b>Portfolio size</b>								
1 – 10 000	2 152	76,4	3 377 982	0,9	2 007	74,3	2 952 322	0,7
10 001 – 50 000	402	14,3	10 216 025	2,6	411	15,2	10 399 852	2,6
50 001 – 100 000	92	3,2	7 181 189	1,8	94	3,5	7 431 214	1,9
100 001 – 250 000	71	2,5	11 889 445	3,0	71	2,6	12 159 355	3,1
250 001 and over	101	3,6	361 331 962	91,7	119	4,4	361 053 860	91,6
	<b>2 818</b>	<b>100,0</b>	<b>393 996 603</b>	<b>100,0</b>	<b>2 702</b>	<b>100,0</b>	<b>393 996 603</b>	<b>100,0</b>
<b>Distribution shareholders</b>								
Directors, officers and their associates	5	0,2	35 850 681	9,1	6	0,2	35 628 555	9,0
Endowment funds	7	0,2	416 546	0,1	14	0,5	2 786 852	0,7
Medical aid schemes	1	–	345 676	0,1	2	0,1	482 389	0,1
Mutual and hedge funds	20	0,7	59 331 509	15,1	21	0,8	85 615 270	21,8
Pension funds	17	0,6	17 369 387	4,4	20	0,7	20 568 027	5,2
Insurance companies	4	0,1	16 770 783	4,3	4	0,1	13 908 096	3,5
Institutions, companies, nominees, trusts and other	387	13,8	203 991 696	51,7	225	8,4	174 208 118	44,2
Individuals	2 377	84,4	59 920 325	15,2	2 410	89,2	60 799 296	15,5
	<b>2 818</b>	<b>100,0</b>	<b>393 996 603</b>	<b>100,0</b>	<b>2 702</b>	<b>100,0</b>	<b>393 996 603</b>	<b>100,0</b>
<b>Public/non-public shareholders</b>								
Non-public shareholders								
Directors, officers and their associates	5	0,2	35 850 681	9,1	6	0,2	35 628 555	9,0
Management of the company	3	0,1	3 151 973	0,8	6	0,2	5 909 949	1,5
Mineworkers Investment Company (Pty) Limited	1	0,1	124 829 607	31,7	1	0,1	102 963 694	26,1
Public shareholders	2 809	99,6	230 164 342	58,4	2 689	99,5	249 494 405	63,4
	<b>2 818</b>	<b>100,0</b>	<b>393 996 603</b>	<b>100,0</b>	<b>2 702</b>	<b>100,0</b>	<b>393 996 603</b>	<b>100,0</b>
<b>Beneficial shareholders holding 5% or more as extracted from the shareholders' register as at 30 June</b>								
Mineworkers Investment Company (Pty) Limited			124 829 607	31,7			102 963 694	26,1
Prudential Maximiser and Optimiser Funds			39 488 347	10,0			42 215 326	10,7
Corocap			37 940 365	9,6			8 177 043	2,1
RMB Asset Management			34 392 587	8,7			20 911 421	5,3
Sabvest Investments (Pty) Limited			21 400 000	5,4			21 400 000	5,4
Brait Private Equity Funds			–	–			30 673 807	7,8
Clear Horizon Capital			–	–			22 507 033	5,7

## Share price performance

	2009	2008	2007	2006	2005
Market prices (cents per share)					
Closing (30 June)	90	94	184	199	37
High	99	186	230	230	42
Low	68	80	97	38	4
Closing price/earnings ratio	8,4	6,2	13,1	7,2	1,9
Number of shares in issue					
– at year-end (000)	393 997	393 997	393 997	74 077	74 077
– weighted average (000)	393 997	393 997	252 337	67 200	67 200
– treasury shares (000)			6 877	6 877	6 877
Volume of shares traded (000) •	95 875	103 329	135 795	46 109	34 798
Volume of shares traded to number in issue at year-end (%) ♣	24,3	26,2	53,0	62,2	46,9
Value of shares traded (R'000) •	79 575	130 119	196 014	43 787	7 868

• 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	Wednesday, 2 September 2009
Publication of annual report	Friday, 6 November 2009
Last day to lodge the form of proxy for the annual general meeting	Wednesday, 25 November 2009
Annual general meeting	Monday, 30 November 2009
Results of the general meeting published on SENS	Tuesday, 1 December 2009
Interim results announcement	March 2010
Financial year-end	Wednesday, 30 June 2010

## Report to shareholders



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**Christopher Seabrooke**  
*Non-executive Chairman*



**Graham Wackrill**  
*Chief Executive Officer*

### The period in retrospect

The past year has seen continued focus on the creation of capacity both from a physical infrastructure aspect, as well as the implementation of our strategy to maintain our position as the market leader in South Africa. Notwithstanding the economic downturn, Metrofile has continued to grow in all areas of operation and has maintained its cash flows. Metrofile has 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 core businesses. This strategy will ensure that the group has the capacity and capability to meet the product and service demands of customers affected by increasing regulation and corporate governance requirements.

Metrofile's strategy of expanding into Africa has seen agreements concluded with partners in Nigeria and the planning of an operation in Lagos, which will provide a full range of services to customers in the area. The successful completion of a back-scanning contract with the Reserve Bank of Uganda has resulted in Metrofile being awarded a second phase that will keep us in the country until January 2010.

Training and development has also been increased this past year and will ensure that going forward, we continue to raise the levels of skill and commitment of our staff to better deliver on our promise to all our clients.

### Financial performance

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

exceptional  
shareholder  
value.

# Delivering

BUSINESS OVERVIEW

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 R million for the year;

however, expenditure in this regard will be significantly lower in the year ahead.

#### Dividends

No dividends have been declared for the current year. The company intends to pay dividends at some time in the future, when its debt has been reduced to more normal levels.

#### Directorate

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

#### 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.

#### Appreciation

We record our appreciation to our fellow directors and Metrofile management for their support and commitment during a challenging year.



**CS Seabrooke**  
Non-executive  
Chairman

Cleveland  
2 September 2009



**GD Wackrill**  
Chief Executive  
Officer

## Board of directors' profiles



### **Christopher Stefan Seabrooke** (56)

BCom, BAcc, MBA, FCMA

*Independent non-executive Chairman*

Six years' service

(Appointed 28 January 2003)

Chairman of the remuneration and nomination committee

Chris is an experienced and highly regarded businessman having held directorships with more than 20 JSE listed companies over the past three decades. In addition to his role with Metrofile he is currently CEO of Sabvest Limited, chairman of Set Point Group Limited, deputy chairman of Massmart Holdings Limited and a director of both Datatec Limited and Brait S.A. (listed in Luxembourg, London and Johannesburg). He is also a director of Net1 U.E.P.S. Technologies Inc. which is listed on the Nasdaq in the USA. He is also a director of a number of unlisted companies including the Mineworkers Investment Company (Pty) Limited (in which he has no financial interest

and which he does not represent on the Metrofile board). He is also a former chairman of the South African State Theatre and former deputy chairman of both the inaugural National Arts Council and the founding Board of Business and Arts South Africa.

### **Aser Paul Nkuna** (57)

*Non-executive director and deputy chairman*

Three years' service

(Appointed 4 December 2006)

Member of the remuneration and nomination committee

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 1994 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.

### **Graham Dunbar Wackrill** (55)

BCompt

*Chief Executive Officer*

Five years' service

(Appointed 29 January 2004)

Graham is a pioneer of the industry in South African 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.

**Richard Matthew Buttle** (37)

BCompt Hons, CA (SA)

*Chief Financial Officer*

Three 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.

**Nondumiso Medupe** (38)

BAcc, CA (SA)

*Independent non-executive director*

One year's service

(Appointed 1 February 2008)

Member of the audit committee

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. She is the founding director of Indyebo Consulting, which specialises in financial consulting, risk management, internal audit and compliance. Ndumi also holds non-executive

directorships with City Lodge and the Umgeni Water Board.

**Cynthia Nomsa Mapaura** (32)

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

*Non-executive director*

Six months' service

(Appointed 27 February 2009)

Member of the audit committee

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.

**Ian Nigel Matthews** (64)

MA (Oxon), MBA (UCT)

*Independent non-executive director*

Three years' service

(Appointed 1 June 2006)

Member of the remuneration and nomination committee, chairman of the audit committee.

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 Inns 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, Massmart Holdings Limited and non-executive chairman of The Fuel Logistics Group (Pty) Limited.

**Stephen Roy Midlane** (43)

BCom, BAcc, CA (SA)

*Independent non-executive director*

Seven years' service

(Appointed 26 November 2002)

Member of the audit committee

Roy started his career in the music industry as part of the leadership team that established Sony Music SA (Pty) Limited. 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) Limited, a large distributor of IT hardware, software and consumables, as Financial Director. In 2008 he joined a private equity business, African Global Capital (Pty) Limited, as Chief Financial Officer and Compliance Officer. Since July 2009, he has been providing consulting services and pursuing other business interests. Roy has recently been appointed to the Board of Associated Magazines (Pty) Limited as a non-executive director.

*Resigned*

**Keshan Pillay** (40)

BCom

*Non-executive director*

Three years' service

(Appointed 7 October 2005)

Resigned 10 September 2008)

Previously a member of the nomination and remuneration committee and the member of the audit committee

## Corporate governance and risk management



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# Working to meet the new guidance contained in King III

Metrofile Holdings Limited and its subsidiaries confirm their commitment to the principles of openness, integrity and accountability as advocated in the second King report on corporate governance (King II). The group is also committed to complying with all legislation, regulations and best practices relevant to the business. Metrofile is also working to meet the new guidance contained in King III.

For the review period, the board confirms that the group complied with almost every aspect of the code of corporate practices and conduct as set out in King II.

### 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 to ensure the accuracy and completeness of accounting records and the reliability of financial statements. An internal audit function, which has been outsourced to a leading international audit firm, has been in

place since 2007, further enhancing the group's commitment to ensuring adequate internal financial controls are in place at all times.

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

While we recognise that the 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 or satisfactory.

### The board

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. Chris Seabrooke is chairman of the board and Graham Wackrill is chief executive officer. Brief biographical details of each board member are reported on pages 16 and 17.

All non-executive directors retire by rotation every three years. 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.

## The group is committed to complying with all legislation, regulations and best practices.

### Board process

The board of directors which is chaired by an independent non-executive director currently comprises four independent non-executive directors, two non-executive directors and two executive directors. All director appointments are formal and transparent. The board is satisfied that Mr Seabrooke continues to act independently.

The board meets at least four times per annum and is responsible for group strategy, policy and performance as well as the management, control, compliance and ethical behaviour of the group companies under its direction. The executive directors, being involved with the day-to-day business activities of the group, are responsible for ensuring that decisions, strategies and views of the board are implemented.

The board works to a formal agenda that covers strategy, structure, 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.

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 remuneration and nomination 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 open-ended 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 a detailed board self-assessment each year, probing the composition, duties, responsibilities, process

and effectiveness of the board and sub-committees.

### Directors' attendance at board meetings

Directors	Date appointed	Attended/ number of meetings
CS Seabrooke ♣	28/01/03	5/5
AP Nkuna ♠	04/12/06	3/5
GD Wackrill	29/01/04	5/5
RM Buttle	04/12/06	5/5
CN Mapaire	27/02/09	2/2
IN Matthews	01/06/06	4/5
N Medupe	01/02/08	4/5
SR Midlane	26/11/02	5/5
K Pillay •	07/10/05	0/1

• Resigned – 15/09/08

♣ Chairman

♠ Deputy chairman

## Corporate governance and risk management

continued

### Board committees

#### Audit committee

The group's audit committee comprises four non-executive directors, three of whom are independent and one of whom chairs the committee. These meetings are also attended by the appropriate members of the financial management team. The mandated functions of the audit 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; and
- consider the independence and recommend the re-appointment of the external auditors.

The audit committee reviews the scope, independence and objectivity of the external auditors. The nature and extent of non-audit services provided by the external auditors are 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 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. Deloitte & Touche also provided certain non-audit services. However, this did not impact their independence.

The external auditors have unrestricted access to the audit committee and present formal reports to its meetings.

The audit committee meets at least three times a year.

#### Attendance at audit committee meetings

Directors	Date appointed	Attended/ number of meetings
CN Mapaure	27/02/09	1/1
IN Matthews ♣	01/06/06	3/3
N Medupe	01/02/08	2/3
SR Midlane	01/09/08	2/2
K Pillay •	07/10/05	0/1

• Resigned – 15/09/08

♣ Chairman

#### Remuneration and nomination committee

The remuneration and nomination 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 for ensuring that succession plans are in place for the chief executive, the executive directors and divisional heads.

The committee is also responsible for formulating a remuneration strategy for

senior executives in the group. 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.

The committee's main objective is to provide the board with assurance that directors and senior executives are fairly rewarded for their individual contributions to the group's performance. Existing and proposed share incentives are reviewed by the committee. A formal and transparent procedure for determining executive and director remuneration has been created.

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.

Non-executive directors receive fees for their roles as directors, their roles on board sub-committees and for functions performed by them in their capacities as directors but outside board and committee forums.

The committee meets at least three times a year.

#### Attendance of remuneration and nomination committee meetings

Directors	Date appointed	Attended/ number of meetings
IN Matthews	01/06/06	3/3
K Pillay •	07/10/05	0/1
AP Nkuna	01/12/08	1/2
CS Seabrooke ♣	07/10/05	3/3

• Resigned – 15/09/08

♣ Chairman

#### Group executive committee

The group executive committee includes executive members of the board and certain executive members of Metrofile (Proprietary) Limited, as well as other senior management. The committee meets on a regular basis.

The function of the committee is to develop the group's strategy, its business plan and corporate policies for board approval and to implement and monitor these in accordance with the board's directives.

#### Risk management

The appropriate emphasis placed by King II 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 is constantly managed by the appropriate executive management members. There is no risk committee, this function being performed by the audit committee.

The board also assesses risks in the group's business environment with a view to eliminating or reducing these in the context of the group's strategies and operations.

#### Disclosure and transparency

The group subscribes to a policy of providing meaningful, transparent, timely and accurate communications to its stakeholders. Group results are published in the print media, in addition to its up-to-date website.

#### Share dealings

No director, executive or employee may deal, directly or indirectly, in Metrofile shares where that person may be aware of unpublished price-sensitive information. There are strict closed periods during which all directors, executives and employees are not allowed to deal in Metrofile shares. The 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. All share dealings by a director or 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 board. A formal share dealing guideline has been adopted by the board.

#### Shareholder communication

The group strives to provide generous and frequent disclosure to all shareholders. 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. During the year, apart from closed periods, the chief executive

officer and chief financial officer 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.

#### 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.

## Sustainability



Go online at:  
[www.metrofile.com](http://www.metrofile.com)



### Policy statement

Metrofile is a responsible organisation that is fully committed to the principles of sustainable enterprise development and business management and in particular:

- the implementation of sustainable business practices;
- minimising its impact on its environment; and
- the development of our local communities.

Metrofile's sustainability policy, which is overseen by the board and implemented by the management team, was strengthened during the year to encompass a broader range of principles that include the need to encourage suppliers and customers to adopt the same standards in the operation of their businesses. The revised policy, which has been communicated to all staff and which is displayed at the entrance to all Metrofile facilities, 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.

Metrofile will furthermore, actively encourage customers, suppliers and partners to adopt similar practices and to use its knowhow, 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.

### Our people

As a services business, Metrofile's people are central to the success of the organisation and the achievement of the targets and objectives that we set. More specifically the standard of service that we provide 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 importance to us and attention is therefore given to the constant enhancement of the support we provide staff in their growth and development.

### Transformation

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. This includes the introduction of a talent management programme, the establishment of an internal training department

tasked with building the skills of the workforce and the continued policy of tying executive pay to transformation targets. As at the year end:

- 79% of the staff were drawn from designated groups;
- 41% of staff were female and of that number 72% were from designated groups; and
- 41% of the management team were drawn from designated groups.

During the year ownership from designated groups rose above 32% and the composition of the board remained unchanged with 37,5% of board members drawn from designated groups.

### Training

A formal internal training department was established during the year with the appointment of an internal candidate to manage the function. The individual concerned has a teaching and training background and has worked in the marketing function and across all operational departments of the core business. Tasked with developing Metrofile's training strategy, the individual has developed and submitted the company's workplace training plan to the services Sector Education and Training Authority (SETA) and is now in the process of implementing those plans, which include amongst others the upgrading of our training facilities, the development of training paths and an induction programme.

Training for the period under review focused on adult basic skills and the development of sales and service capabilities. All sales and service staff underwent a year long programme designed to enhance both technical and soft skills and in particular product knowledge and their understanding of the South African laws affecting the management of records. R1,1 million was invested in training with programmes ranging from basic job skills through to IT and management skills.

Adult Basic Education Training (ABET) was attended by 139 staff, 92% of which were from designated groups and 40% of which were female. In addition a further 46% of the staff received some training of which 69% were from designated groups and 51% female.

### Health and welfare

Metrofile's health and welfare programme continues to deliver results with the HIV/AIDS infection rate within the company remaining stable. Interventions to educate staff and to test staff for HIV/AIDS have been successful with more than 80% of team members knowing their status. As a result the programme has been extended to include a national health awareness day which is used to check the general health of staff and to test for other fatal diseases.

All Metrofile facilities continue to be visited by a registered nurse each month who undertakes voluntary testing for HIV/AIDS and who provides staff with basic advice, guidance and counselling. The service, which is also available to family members, is available on-site or by phone 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.

### 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, assistance with building their capacity or in overcoming major obstacles. Collections are also undertaken on behalf of charities who require transport to collect donations received from other corporate donors.

Some of the projects undertaken during the year include:

- the assistance of the Paarl School with work experience for their older pupils and with the transport of the paraplegic students through the donation of a Toyota Quantum bus;
- helping the McCords Hospital in Durban to improve the management of their records within their HIV/AIDS centre by part funding software needed to manage their patient files. Assistance was also provided in sorting out their existing files and in the implementation of the new system;

- the donation of records management software and free services to AMCARE, a rapidly developing charity based in the south of Johannesburg. The donation was made in conjunction with Indawo and SpaceLabs who also provided a free quantity of files and records management training; and
- other charities supported during the year include Thembacare, the Edenvale Care Centre, the Desmond Tutu HIV foundation, Refilwe, Jania Children's Home, the Hospice Association, Durban Child Welfare, Transoranje Institute for special education, St Luke's Hospice and Save the Children.

Metrofile also agreed to support the development of small business in South Africa by becoming a corporate sponsor of the National Small Business Council.

Note: Vehicles donated were provided at cost by the Eastvaal Motors Group, who also funded the registration and delivery costs.

### Our environment

Metrofile continues to look for ways in which to reduce its impact on the environment. Internal processes are being reviewed and ongoing discussions are being held with packaging and print suppliers to find more eco-friendly alternatives. Exploratory discussions have been held with environmental consultants in an effort to identify meaningful ways of measuring and ultimately reducing the company's carbon footprint. Changes implemented during the year include:

- the reduction in the number of the vehicles on the road by moving away from a same day to a next day delivery service; and
- the development and trial of an alternative method for the collection of confidential waste paper due for destruction which will do away with the need to physically rotate Confidential Records Destruction (CRD) bins and therefore the number of vehicles involved in the transportation process.

## Report of the independent auditors

To the members of Metrofile Holdings Limited

We have audited the annual financial statements and group annual financial statements of Metrofile Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2009, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 58.

### Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 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 financial statement presentation.

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, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 30 June 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



**Deloitte & Touche**  
Registered Auditors

per G Krog  
Partner  
2 September 2009

The Woodlands, Woodlands Drive, Woodmead, Sandton, 2146

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax & Legal and Risk Advisory  
L Geeringh Consulting I Bam Corporate Finance CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Qually  
Deputy Chairman of the Board Regional

A full list of partners and directors is available on request

## 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 18 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 24.

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 South African Revenue Services (SARS) and trade creditors are up to date.
- Balance sheet assets have been carefully tested for impairment and none is 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 2009 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 audit 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 period. The committee has nominated Deloitte & Touche as external auditor for the 2010 financial year for approval at the annual general meeting.

The financial statements which appear on pages 26 to 58 were approved by the board on 2 September 2009 and are signed on their behalf by:



**Graham Wackrill**  
Chief Executive Officer



**Richard Buttle**  
Chief Financial Officer

Johannesburg  
2 September 2009

## 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 (the company) and its subsidiaries (the group) for the year ended 30 June 2009.

### Nature of business

Metrofile Holdings Limited holds an investment of 100% (2008: 100%) in Metrofile (Pty) Limited, 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.

### Directors and company secretary

The names of the directors and secretary at the date of this report are set out on the inside back cover.

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 AGM held on 1 December 2008. Ms CN Mapaire was appointed to the board on 27 February 2009.

Directors, officers and associates	Beneficial and non-beneficial	Associates	Total shares %
At 30 June 2009, interests of the directors, officers and their associates in the shares of the company were as follows:			
Christopher Stefan Seabrooke		21 400 000 •	5,43
Aser Paul Nkuna			
Graham Dunbar Wackrill	10 339 189		2,62
Richard Matthew Buttle	2 929 502		0,74
Cynthia Nomsa Mapaire			–
Ian Nigel Matthews			–
Nondumiso Medupe			–
Stephen Roy Midlane	787 993		0,20
Leon Mark Thompson	393 997		0,10

At 30 June 2008, interests of the directors, officers and their associates in the shares of the company were as follows:

Christopher Stefan Seabrooke		21 400 000 •	5,43
Aser Paul Nkuna	69 000		0,02
Graham Dunbar Wackrill	10 192 239		2,58
Richard Matthew Buttle	2 785 326		0,71
Ian Nigel Matthews			–
Nondumiso Medupe			–
Stephen Roy Midlane	787 993		0,20
Keshan Pillay			–
Leon Mark Thompson	393 997		0,10

• *Sabvest Investments (Pty) Limited*

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

### Directors' interests in transactions

None of the directors, except where indicated below or 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 set out on page 29 reflect the results of the operations of the company and of the group for the year ended 30 June 2009.

### – Balance sheet

To present a balance sheet that fairly reflects the financial position, asset values have been re-assessed. 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.

### – Lease commitments

At the reporting date, future committed leasing charges for premises, equipment and motor vehicles amounted to R23,9 million, of which R7,7 million is payable within one year (30 June 2008: R13,2 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, the group has not entered into any material contracts, other than in the ordinary course of business, during the two years prior to the date of this report.

### – Litigation

Other than those claims referred to in note 16 (contingent liabilities) to the annual financial statements, the group is not involved in any legal or arbitration proceedings, nor are the directors aware of any such proceedings which may be pending or threatened, which may have, or which have had, in the 12-month period preceding the date of issue of this annual report, a material effect on the group's financial position.

### – Accounting policies

The accounting policies and methods of computation are in compliance with the International Financial Reporting Standards.

## Dividends

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

## Subsidiaries

Details of the company's material operating subsidiaries at 30 June 2009 are set out on page 58.

## Associated companies

The company held no investment in associates at 30 June 2009.

## 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:

	2009	2008
Opening balance	393 996 603	393 996 603
Closing balance	393 996 603	393 996 603

Further details of share capital can be found in note 12 to the annual financial statements.

## Special resolutions

No special resolutions were registered during the year under review.

## Report of the directors

continued

### Review of operations

The results of the Metrofile business for the year were pleasing. Revenue increased by 12,5% to R371,1 million and attributable profit decreased to R42,1 million from R59,3 million due to the swing in interest rate swaps impacting the income statement.

### Debt structure

The debt structure of the group remained unchanged during the year under review.

### 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:

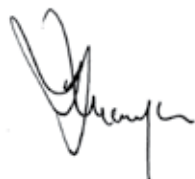
- The group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the group's current and projected cash flows;
- No recurring operating losses;
- Well-controlled working capital;
- Approved short and long term financing, with sufficient additional short term working capital borrowing capacity if required;
- Balance sheet assets have been carefully tested for impairment and none is overvalued;
- Budgets to June 2010 reflect a continuation of these positive issues; and
- Key executive management is in place.

### Post-balance sheet 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.

## Certification by company secretary

I certify that to the best of my knowledge and belief, in accordance with section 268G(d) of the Companies Act, 1973, as amended, that the company, Metrofile Holdings Limited, has, during the period 1 July 2008 to 30 June 2009, lodged with the Registrar all such returns as are required by a public company in terms of the act and that all such returns are true, correct and up to date.



**LM Thompson**

*Company secretary*

Johannesburg

2 September 2009

## Income statements for the year ended 30 June 2009

	Notes	Group		Company	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Revenue</b>		<b>371 097</b>	329 935		
Direct costs		(164 830)	(144 790)		
<b>Gross profit</b>		<b>206 267</b>	185 145		
Other income		688	1 248		2
<b>Gross profit before indirect expenditure</b>		<b>206 955</b>	186 393		2
Indirect expenditure		(88 940)	(80 102)	(1 996)	(1 611)
<b>Operating income/(loss) before depreciation, exceptional items and net finance costs</b>		<b>118 015</b>	106 291	(1 996)	(1 609)
Depreciation		(12 039)	(10 752)		
<b>Operating profit/(loss) before exceptional items and net finance costs</b>	2	<b>105 976</b>	95 539	(1 996)	(1 609)
Finance income		2 330	5 138		1
Finance costs		(37 345)	(44 832)		(2)
Interest paid		(43 254)	(50 157)		(2)
Interest received relating to financial instruments		5 909	5 325		
Fair value adjustments on financial instruments		(11 621)	4 780		
Once off reversal of finance cost provision			12 276		
Exceptional items	3		2 368	1 614	170 747
<b>Profit/(loss) before taxation</b>		<b>59 340</b>	75 269	(382)	169 137
Taxation	4	(17 189)	(15 956)		
<b>Profit/(loss) for the year</b>		<b>42 151</b>	59 313	(382)	169 137
<b>Attributable to:</b>					
Owners of the parent		42 128	59 313	(382)	169 137
Non-controlling interests		23			
		<b>42 151</b>	59 313	(382)	169 137
<b>Profit attributable to shareholders</b>					
Earnings per share – basic (cents)	5	10,7	15,1		
Fully diluted earnings per share – basic (cents)	5	10,7	15,1		

## Statements of comprehensive income for the year ended 30 June 2009

	Notes	Group		Company	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Profit/(loss) for the year</b>		42 151	59 313	(382)	169 137
<b>Other comprehensive income for the year net of tax</b>		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)			
<b>Total comprehensive income for the year</b>		42 373	59 313	(382)	169 137
<b>Attributable to:</b>					
Owners of the parent		42 350	59 313	(382)	169 137
Non-controlling interests		23			

## Statement of financial position as at 30 June 2009

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	249 868	205 559		
Investment in subsidiaries	8			343 253	343 253
Goodwill	9	160 499	160 499		
Deferred taxation asset	4	186	111		
		410 553	366 169	343 253	343 253
<b>Current assets</b>					
Inventories	10	16 558	10 502		
Trade receivables	11	54 450	48 335		
Other receivables	11	4 109	4 881	17	87
Financial instruments – Fair value of interest rate swaps	18.1		11 621		
Bank balances		15 463	28 817	1	206
		90 580	104 156	18	293
<b>Total assets</b>		<b>501 133</b>	<b>470 325</b>	<b>343 271</b>	<b>343 546</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary share capital and share premium	12	505 325	505 325	807 170	807 170
Accumulated losses		(333 801)	(375 929)	(696 418)	(696 036)
Other reserves	13	222			
Equity attributable to owners of the parent		171 746	129 396	110 752	111 134
Non-controlling interests		25			
		171 771	129 396	110 752	111 134
<b>Non-current liabilities</b>					
Interest-bearing liabilities	14.1	226 070	257 342		
Deferred taxation liability	4	7 215	10 306		
		233 285	267 648		
<b>Current liabilities</b>					
Trade payables		12 850	8 471	173	20
Other payables		27 355	25 773	395	441
Provisions	21	1 268	1 174		
Deferred revenue		5 491	4 186		
Taxation		16 150	4 347		
Financial instruments – Fair value of interest rate swaps		330			
Interest-bearing liabilities	14.2	32 633	29 330		
Amounts owing to subsidiaries – non-interest-bearing				231 951	231 951
		96 077	73 281	232 519	232 412
<b>Total equity and liabilities</b>		<b>501 133</b>	<b>470 325</b>	<b>343 271</b>	<b>343 546</b>
Net asset value per ordinary share (cents)		43,6	32,8		
Tangible net asset/(liability) per ordinary share (cents)		2,9	(7,9)		

## Statements of changes in equity for the year ended 30 June 2009

	Share capital R'000	Share premium R'000	Accu- mulated losses R'000	Other reserves R'000	Attributable to owners of the parent R'000	Non- controlling interests R'000	Total equity R'000
<b>Group</b>							
Balance at 30 June 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
<b>Balance at 30 June 2008</b>	<b>2 421</b>	<b>502 904</b>	<b>(375 929)</b>		<b>129 396</b>		<b>129 396</b>
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
<b>Balance at 30 June 2009</b>	<b>2 421</b>	<b>502 904</b>	<b>(333 801)</b>	<b>222</b>	<b>171 746</b>	<b>25</b>	<b>171 771</b>
<b>Company</b>							
Balance at 30 June 2007	2 421	804 749	(865 173)		(58 003)		
Total comprehensive income for the year ended 30 June 2008			169 137		169 137		
<b>Balance at 30 June 2008</b>	<b>2 421</b>	<b>804 749</b>	<b>(696 036)</b>		<b>111 134</b>		
Total comprehensive income for the year ended 30 June 2009			(382)		(382)		
<b>Balance at 30 June 2009</b>	<b>2 421</b>	<b>804 749</b>	<b>(696 418)</b>		<b>110 752</b>		

## Cash flow statements for the year ended 30 June 2009

	Notes	Group		Company	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Cash flows from operating activities</b>					
Cash receipts from customers		364 982	327 273		
Cash paid to suppliers and employees		(248 392)	(216 164)	(1 819)	(1 630)
Cash generated by/(utilised in) operations	21.2	116 590	111 109	(1 819)	(1 630)
Net finance costs		(35 015)	(39 694)		(1)
Interest paid		(37 345)	(44 832)		(2)
Interest received		2 330	5 138		1
Normal taxation paid	21.3	(10 602)	(15 926)		
<b>Net cash inflow/(outflow) from operating activities</b>		<b>70 973</b>	<b>55 489</b>	<b>(1 819)</b>	<b>(1 631)</b>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment		(47 099)	(13 061)		
Replacement of property, plant and equipment		(9 546)	(29 033)		
Proceeds from sale of property, plant and equipment		287	537		
Proceeds from sale of investments			2 368		2 368
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(56 358)</b>	<b>(39 189)</b>		<b>2 368</b>
<b>Cash flows from financing activities</b>					
Repayment of long term liabilities		(27 969)	(27 614)		
Decrease in loan to group company				1 614	(1 121)
<b>Net cash outflow from financing activities</b>		<b>(27 969)</b>	<b>(27 614)</b>	<b>1 614</b>	<b>(1 121)</b>
Net decrease in cash and cash equivalents		(13 354)	(11 314)	(205)	(384)
Cash and cash equivalents at the beginning of the year		28 817	40 131	206	590
<b>Cash and cash equivalents at the end of the year</b>		<b>15 463</b>	<b>28 817</b>	<b>1</b>	<b>206</b>

## Notes to the annual financial statements for the year ended 30 June 2009

### 1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards. During the current financial year the group early adopted the changes to IAS 1 – Presentation of Financial Statements following the amendments made as a result of the May 2008 annual improvements to IFRS. The effect on the results was enhanced disclosure.

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 2 – Share-based Payment
- IFRS 3 – Business Combinations
- IFRS 8 – Operating Segments
- IAS 23 – Borrowing Costs
- IAS 27 – Consolidated and Separate Financial Statements
- IAS 28 – Investments in Associates
- IAS 31 – Interests in Joint Ventures
- IAS 39 – Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

On 22 May 2008, the International Accounting Standards Board (IASB) issued its latest Standard, titled Improvements to International Financial Reporting Standards 2008. The Standard included 35 amendments to the following various Standards that are applicable to the business of the group and may have an impact on future financial statements:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards
- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment
- IAS 19 – Employee Benefits
- IAS 27 – Consolidated and Separate Financial Statements
- IAS 28 – Investments in Associates
- IAS 31 – Interests in Joint Ventures
- IAS 32 – Financial Instruments: Presentation
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets
- IAS 39 – Financial Instruments: Recognition and Measurement
- IAS 40 – Investment Property

The following amendments were issued by the IASB during March, April and June 2009 that are applicable to the business of the group and may have an impact on future financial statements:

- IFRS 7 – Financial Instruments: Disclosures
- IAS 39 – Financial Instruments: Recognition and Measurement
- IFRS 2 – Share-based Payment
- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 – Operating Segments
- IAS 1 – Presentation of Financial Statements
- IAS 7 – Statement of Cash Flows
- IAS 17 – Leases
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets
- IAS 39 – Financial Instruments: Recognition and Measurement

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 IFRS 3 on business combinations which changes the way in which business combinations are accounted for and IAS 23 – Borrowing Cost which may need to be capitalised on certain future expenditures.

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

### 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. Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

### 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.

# Notes to the annual financial statements for the year ended 30 June 2009

continued

## 1. Significant accounting policies continued

### 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 balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

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

### 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.

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

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

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

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

### 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 balance sheet date.

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

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

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

### 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.

# Notes to the annual financial statements for the year ended 30 June 2009

continued

## 1. Significant accounting policies continued

### 1.10 Inventories

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

### 1.11 Financial instruments

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

#### *Trade receivables*

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

#### *Cash and cash equivalents*

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

#### *Financial liabilities and equity*

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

#### *Bank borrowings*

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

#### *Trade payables*

Trade and other payables are stated at their nominal value.

#### *Derivative financial instruments and hedge accounting*

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

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

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

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The group's policy with regard to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the

derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

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

### 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 balance sheet 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 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 Judgements 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 are based on a detailed review and reflect an appropriate allowance for estimated irrecoverable amounts.

## Notes to the annual financial statements for the year ended 30 June 2009

continued

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>2. Operating profit before exceptional items and finance costs</b>				
Operating profit before exceptional items and finance costs is stated after accounting for the following:				
Auditors' remuneration	1 711	1 472	445	400
– Current year – audit fee	1 488	1 442	389	400
– other services	125	30	56	
– Prior year underprovision	98			
Directors' emoluments paid by subsidiaries	5 522	5 069		
Executive directors	4 064	3 841		
Non-executive directors	1 458	1 228		
Depreciation	12 039	10 752		
Loss/(profit) on disposal of plant and equipment	11	(46)		
Managerial, secretarial and technical fees	3 485	3 158	120	205
Operating lease charges	7 674	11 289		
Plant, furniture and equipment		1 933		
Premises	7 674	9 356		
Inventory expensed	32 548	22 462		
Inventory written off	1 409	183		
Retirement benefit expenses	8 297	7 297		
Share-based incentive expense	574			
Employment costs	133 751	116 165		
Number of employees at the year end was 1 030 (2008: 960).				
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, R167 000 (2008: R149 000).				
<b>3. Exceptional items</b>				
Profit on disposal of subsidiaries		2 368		2 368
Reversal of impairment/(impairment) to inter group loans payable			1 614	(1 121)
Reversal of impairment to investment in subsidiaries				169 500
		2 368	1 614	170 747

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>4. Taxation</b>				
<b>4.1 South African normal taxation</b>				
Current year	20 352	14 526		
Prior year	4	(105)		
	<b>20 356</b>	<b>14 421</b>		
<b>4.2 Deferred taxation</b>				
Current year	(3 167)	1 834		
Rate change		(299)		
	<b>(3 167)</b>	<b>1 535</b>		
	<b>17 189</b>	<b>15 956</b>		
<b>4.3 Taxation reconciliation</b>				
Profit before taxation	59 340	75 269	(382)	169 135
Taxation at statutory taxation rate of 28%	16 615	21 075	(107)	47 358
Exempt income	457			(47 460)
Capital items		(3 826)		
Non-deductible expenditure	86	411		
Prior year taxation	3	52		
Assessed loss utilised	(88)	(1 655)		
Deferred tax asset not raised	107	102	107	102
Rate change adjustment		(299)		
Temporary differences not recognised	9	96		
<b>Actual taxation charged</b>	<b>17 189</b>	<b>15 956</b>		
<b>Taxation rate reconciliation (%)</b>				
Statutory taxation rate	28,0	28,0	28,0	28,0
Exempt income	0,7			(28,1)
Capital items		(5,1)		
Non-deductible expenditure	0,1	0,6		
Prior year taxation		0,4		
Assessed loss utilised	(0,1)	(2,0)	(28,0)	0,1
Deferred tax asset not raised	0,1			
Rate change adjustment		(0,4)		
Temporary differences not recognised		0,1		
<b>Effective taxation rate</b>	<b>28,8</b>	<b>21,6</b>		

## Notes to the annual financial statements for the year ended 30 June 2009

continued

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>4. Taxation</b> continued				
<b>4.4 Deferred taxation</b>				
Property, plant and equipment	(9 063)	(8 469)		
Prepayments	(565)	(584)		
Provisions	1 524	1 298		
Other	884	(2 558)		
Assessed losses	191	118		
<b>Total</b>	<b>(7 029)</b>	<b>(10 195)</b>		
<b>Net deferred taxation liability</b>				
Opening balance	(10 195)	(8 661)		
Income statement movement	3 167	(1 535)		
Other	(1)	1		
<b>Closing balance</b>	<b>(7 029)</b>	<b>(10 195)</b>		
Deferred taxation asset	186	111		
Deferred taxation liability	(7 215)	(10 306)		
<b>4.5 Taxation losses</b>				
Estimated taxation losses available for offset against future taxable income amount to:	186	89		
Estimated capital losses			41 253	41 253
These taxation losses are unlikely to be used by normal operations and accordingly no deferred taxation asset has been raised.				
<b>5. Earnings per ordinary share</b>				
<b>5.1 Earnings – basic</b>				
Earnings for purposes of earnings per share	42 128	59 313		
Effect of dilutive potential ordinary shares				
<b>Earnings for purposes of diluted earnings per share</b>	<b>42 128</b>	<b>59 313</b>		
<b>Number of shares – earnings per share</b>				
Number of ordinary shares in issue (thousands)	393 997	393 997		
Weighted average number of ordinary shares in issue (thousands)	393 997	393 997		
<b>Earnings per share – basic (cents)</b>	<b>10,7</b>	<b>15,1</b>		
<b>Fully diluted earnings per share – basic (cents)</b>	<b>10,7</b>	<b>15,1</b>		

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>5. Earnings per ordinary share</b> continued				
<b>5.2 Headline earnings</b>				
<i>Basis for calculation</i>				
The calculation of headline earnings per ordinary share is based on headline earnings of R42,1 million (2008: R56,9 million) and a weighted average number of 394,0 million (2008: 394,0 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:				
<b>Headline earnings</b>				
Attributable profit	42 128	59 313		
<i>Adjusted for after tax:</i>				
Loss/(profit) on disposal of property, plant and equipment	11	(46)		
Tax effect of (loss)/profit on disposal of property, plant and equipment	(3)	13		
Capital profit on disposal/liquidation of investments		(2 368)		
Headline earnings for purposes of headline earnings per share	42 136	56 912		
Effect of dilutive potential ordinary shares				
<b>Headline earnings for purposes of diluted headline earnings per share</b>	42 136	56 912		
<b>Headline earnings per ordinary share (cents)</b>	10,7	14,4		
<b>Fully diluted headline earnings per ordinary share (cents)</b>	10,7	14,4		
<b>5.3 Reconciliation of headline earnings per share (cents)</b>				
Profit per ordinary share	10,7	15,1		
<i>Adjusted for after tax:</i>				
Profit on disposal of property, plant and equipment		0,1		
Capital profit on disposal/liquidation of investments		(0,8)		
<b>Headline earnings per ordinary share (cents)</b>	10,7	14,4		

## Notes to the annual financial statements for the year ended 30 June 2009

continued

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>5. Earnings per ordinary share</b> continued				
<b>5.4 Normalised headline earnings</b>				
Included in headline earnings as calculated in note 5.2 are certain non-trading items relating to financial instruments and MGX legacy issues. Headline earnings, adjusted for these non-trading items are:				
Headline earnings as calculated in note 5.2	42 136	56 912		
<i>Adjusted for:</i>				
Fair value adjustments on financial instruments	11 621	(4 780)		
Tax effect of fair value adjustment	(3 254)	1 338		
Provisions related to claims reversed no longer required		(12 544)		
<b>Normalised headline earnings</b>	<b>50 503</b>	<b>40 926</b>		
<b>Normalised headline earnings for purposes of diluted headline earnings per share</b>	<b>50 503</b>	<b>40 926</b>		
Headline earnings per share as calculated in note 5.2 has also been based on the average number of shares in issue during the previous year. Adjusted headline earnings per share have been calculated by using the full number of shares in issue at the end of the previous year, being 394 million shares.				
<b>Normalised headline earnings per ordinary share (cents)</b>	<b>12,8</b>	<b>10,4</b>		
<b>Normalised diluted headline earnings per ordinary share (cents)</b>	<b>12,8</b>	<b>10,4</b>		

	Directors' fees R	Salary R	Bonuses R	Pension contribution R	Other benefits R	Total R
<b>6. Directors' remuneration</b>						
<b>Directors' remuneration – 2009</b>						
CS Seabrooke •	629 000					629 000
AP Nkuna •♣						
GD Wackrill		1 367 735	800 000	234 751	184 306	2 586 792
RM Buttle		815 676	400 000	141 750	119 963	1 477 389
CN Mapaure •♣♣						
N Matthews •	383 000					383 000
N Medupe •	223 000					223 000
SR Midlane •	223 000					223 000
	<b>1 458 000</b>	<b>2 183 411</b>	<b>1 200 000</b>	<b>376 501</b>	<b>304 269</b>	<b>5 522 181</b>

• Non-executive director

♣ CN Mapaure was appointed as non-executive director on 27 February 2009

♣ An amount of R0,66 million (2008: R0,59 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

	Directors' fees R	Salary R	Bonuses R	Pension contribution R	Other benefits R	Total R
<b>6. Directors' remuneration</b> continued						
<b>Directors' remuneration – 2008</b>						
CS Seabrooke •	582 000					582 000
AP Nkuna •♣						
GD Wackrill		1 229 242	888 459	213 408	154 796	2 485 905
RM Buttle		728 298	414 614	124 902	87 580	1 355 394
N Matthews •	354 000					354 000
N Medupe •♣	85 833					85 833
SR Midlane •	206 000					206 000
K Pillay •♣						
	1 227 833	1 957 540	1 303 073	338 310	242 376	5 069 132

• Non-executive director

♣ N Medupe was appointed as non-executive director on 1 March 2009

♣ An amount of R0,59 million (2007: R0,52 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

	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
<b>7. Property, plant and equipment</b>							
<b>GROUP</b>							
<b>Cost</b>							
At 1 July 2008	140 257	86 358	25 471	596	11 896	6 744	271 322
Additions	27 194	20 970	3 776	38	2 910	1 757	56 645
Disposals	(134)	(2 707)	(7 176)	(206)	(1 019)	(777)	(12 019)
<b>At 30 June 2009</b>	<b>167 317</b>	<b>104 621</b>	<b>22 071</b>	<b>428</b>	<b>13 787</b>	<b>7 724</b>	<b>315 948</b>
<b>Accumulated depreciation</b>							
At 1 July 2008	1 354	34 057	19 752	429	5 392	4 779	65 763
Depreciation	236	6 959	2 406	152	1 522	764	12 039
Disposals	(134)	(2 704)	(7 150)	(206)	(765)	(763)	(11 722)
<b>At 30 June 2009</b>	<b>1 456</b>	<b>38 312</b>	<b>15 008</b>	<b>375</b>	<b>6 149</b>	<b>4 780</b>	<b>66 080</b>
<b>Net book value</b>							
<b>At 30 June 2009</b>	<b>165 861</b>	<b>66 309</b>	<b>7 063</b>	<b>53</b>	<b>7 638</b>	<b>2 944</b>	<b>249 868</b>

## Notes to the annual financial statements for the year ended 30 June 2009

continued

	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
<b>7. Property, plant and equipment</b>							
continued							
<b>GROUP</b>							
<b>Cost</b>							
At 1 July 2007	119 747	72 882	26 093	517	10 722	6 712	236 673
Additions	20 791	15 848	2 910	79	2 108	359	42 095
Disposals	(281)	(2 372)	(3 532)		(934)	(327)	(7 446)
At 30 June 2008	140 257	86 358	25 471	596	11 896	6 744	271 322
<b>Accumulated depreciation</b>							
At 1 July 2007	1 413	30 691	20 615	233	4 627	4 386	61 965
Depreciation	222	5 719	2 625	196	1 282	708	10 752
Disposals	(281)	(2 357)	(3 484)		(517)	(315)	(6 954)
Reclassification		4	(4)				
At 30 June 2008	1 354	34 057	19 752	429	5 392	4 779	65 763
<b>Net book value</b>							
At 30 June 2008	138 903	52 301	5 719	167	6 504	1 965	205 559

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

All the assets have been pledged as security against certain loans as detailed in note 14.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>8. Investment in subsidiaries</b>				
<b>8.1 Subsidiaries</b>				
<b>Unlisted</b>				
Shares at cost price •			343 253	343 253
<b>Directors' valuation</b>				
• <i>Metrofile has ceded and pledged its interests in all its assets and investments as security to the capital providers. The directors value the investments equal to their carrying values.</i>				
For further details on security and other information refer to pages 49 and 50.				
<b>9. Goodwill</b>				
Net carrying value at the beginning and end of the year	160 499	160 499		

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.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>10. Inventories</b>				
Maintenance spares	19 223	15 281		
Goods available for sale	1 031	977		
Consumables	3 141	1 614		
<b>Total inventory</b>	<b>23 395</b>	<b>17 872</b>		
Less: Provisions	(6 837)	(7 370)		
<b>Net inventory</b>	<b>16 558</b>	<b>10 502</b>		
At 30 June 2009, Metrofile had ceded and pledged its inventories as security to its capital providers.				
<b>11. Trade and other receivables</b>				
Trade receivables	56 782	50 464		
Other receivables	4 109	4 881	17	87
Provision for doubtful debts	(1 548)	(1 501)		
Provision for credit notes	(784)	(628)		
	<b>58 559</b>	<b>53 216</b>	<b>17</b>	<b>87</b>
Trade and other receivables are stated after the following allowances for impairment:				
<b>Provision for doubtful debts and credit notes</b>				
Opening balance	(2 129)	(2 273)		
Impairment loss recognised	(203)	(56)		
Impairment loss reversed		200		
<b>Closing balance</b>	<b>(2 332)</b>	<b>(2 129)</b>		
At 30 June 2009, Metrofile had ceded and pledged its trade and other receivables as security to its capital providers.				
	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
<b>12. Ordinary share capital and share premium</b>				
<b>12.1 Share capital</b>				
Ordinary shares of 0,6146 cents each				
<b>Number of shares</b>				
<i>Authorised</i>				
Authorised ordinary shares at the end of the year	500 000	500 000	500 000	500 000
<i>Issued</i>				
Shares issued at the end of the year	393 997	393 997	393 997	393 997
Unissued shares at the end of the year	106 003	106 003	106 003	106 003

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 (Act 61 of 1973), as amended (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 2,5% of the company's issued share capital.

## Notes to the annual financial statements for the year ended 30 June 2009

continued

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>12. Ordinary share capital and share premium</b> continued				
<b>12.1 Share capital</b> continued				
<b>Value of shares</b>				
<i>Issued</i>				
Issued at beginning of year	2 421	2 421	2 421	2 421
<b>393 996 603 at the end of the year</b>	<b>2 421</b>	2 421	<b>2 421</b>	2 421
<b>12.2 Share premium</b>				
Balance at the end of the year	502 904	502 904	804 749	804 749
<b>Total share capital and share premium</b>	<b>505 325</b>	505 325	<b>807 170</b>	807 170
<b>13. Other reserves</b>				
Balance at the beginning of the year				
Share based payment reserves •	574			
Hedging reserve ♣	(330)			
Foreign currency translation reserve	(22)			
<b>Balance at the end of the year</b>	<b>222</b>			

- **Share incentive schemes**

During February 2005 the Metrofile Employees Share Incentive Trust purchased 5% of the ordinary shares in Metrofile (Pty) Limited. These shares were paid for by and delivered to the participating individuals. During the prior financial year these shares were acquired by Metrofile Holdings Limited in terms of a share swap transaction whereby Metrofile Holdings Limited acquired the 35% minority shareholding in Metrofile (Pty) Limited. The minority shareholding was paid for by issuing Metrofile Holdings Limited shares to all the individuals. Although ownership of the Metrofile Holdings Limited shares vested in the individuals, there were certain trading limitations and conditions of ownership in place up until 30 June 2009, these were released on 1 July 2009. New share incentive schemes were approved by shareholders during the current 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 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 R0,89 (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 other reserves.

- ♣ **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. For more information about the interest rate swaps entered into, see note 18.3 on page 52.

	Group	
	2009 R'000	2008 R'000
<b>14. Non-current liabilities</b>		
<b>14.1 Interest-bearing liabilities</b>	<b>226 070</b>	<b>257 342</b>
<b>“A” facility</b>	<b>91 578</b>	<b>123 938</b>
Being a six year senior facility, accruing interest at a rate equal to a three month Johannesburg interbank agreed rate (JIBAR) plus 2,75% 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 equal quarterly instalments, starting at the end of the fifth quarter (i.e. capital moratorium for one year) and ending on 18 August 2012.		
Less: Amounts payable within one year reflected under current liabilities	<b>125 294</b>	<b>154 351</b>
	<b>(33 716)</b>	<b>(30 413)</b>
<b>“B” facility</b>	<b>41 496</b>	<b>41 502</b>
Being a six year senior facility, accruing interest at a rate equal to a three month JIBAR plus 3,50% 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 18 August 2012.		
	<b>41 496</b>	<b>41 502</b>
<b>Mezzanine facility</b>	<b>95 311</b>	<b>95 311</b>
Being a six year Mezzanine facility, accruing interest at a rate equal to a three month JIBAR plus 9,50% on a NACQ basis, subject to a pricing ratchet. In terms of the pricing ratchet, the Debt:EBITDA ratio will be measured every 12 months for the first three years and if the Debt:EBITDA ratio is below a certain level at the measurement date, the 9,50% will be reduced to the lower levels as defined in the loan agreement. Payment of the difference between the applicable interest rate and JIBAR plus 5,0% on a NACQ basis can be deferred (deferred interest). The deferred interest will also accrue interest at the applicable interest rate on a NACQ basis and is payable no later than at the end of the six year loan period, being 31 August 2012. 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 18 August 2012.		
Total interest-bearing liabilities	<b>228 385</b>	<b>260 751</b>
Less: Prepaid facility fees amortised over the six year period of the facilities	<b>(2 315)</b>	<b>(3 409)</b>
These facilities are with The Standard Bank of South Africa Limited. Early settlement or any prepayment of the “A”, “B” or Mezzanine facilities in the first three years is not permitted (with the exception of any prepayments based on the cash sweep from residual cash as defined in the various facility agreements) and would attract prepayment penalties ranging between 3 – 5% of the prepayment amount. No prepayment penalties will be levied on the “A”, “B” or Mezzanine facilities from year four onwards. Year four commences on 18 August 2009.		
<b>Total interest-bearing liabilities</b>	<b>226 070</b>	<b>257 342</b>
<b>Total non-current liabilities</b>	<b>226 070</b>	<b>257 342</b>

## Notes to the annual financial statements for the year ended 30 June 2009

continued

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>14. Non-current liabilities</b> continued				
<b>14.1 Interest-bearing liabilities</b> continued				
In terms of the loan agreements, certain additional capital repayments/prepayments will be required during the period of the loans. These capital prepayments will be financed by way of residual free cash as defined in the loan agreements. 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 "A", "B" and Mezzanine facility in a ratio of 30%, 30% and 40% respectively.				
<b>14.2 Current liabilities</b>				
Interest-bearing liabilities				
Short term portion of long term liabilities				
"A" facility	33 716	30 413		
Less: Prepaid facility fees amortised over the next year	(1 083)	(1 083)		
<b>Total current liabilities</b>	<b>32 633</b>	<b>29 330</b>		

Security for the Metrofile facilities is provided by Micawber 305 (Proprietary) Limited (the Guarantor), a special purpose vehicle created to facilitate a security mechanism for the capital providers, in the form of guarantees issued to the capital providers (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.

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.

### 15. Commitments

#### 15.1 Authorised capital expenditure

Metrofile (Proprietary) Limited has planned capital expansions of R22,7 million (2008: R50,6 million) and replacement projects of R11,8 million (2008: R10,5 million), of which R3,6 million (2008: R27,4 million) has been authorised and committed and R30,9 million (2008: R33,7 million) authorised but not committed. The capital expenditure will be financed from the group's cash resources.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>15.2 Operating leases</b>				
Future leasing charges for premises, equipment and motor vehicles				
Payable within one year	7 674	12 102		
Payable within two to five years	16 236	1 138		
Metrofile (Proprietary) Limited has entered into various long term lease agreements related to buildings not owned by the group. The last agreements expire in 2014 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 8% and consumer price index (CPI) in all the various agreements.				
	<b>23 910</b>	<b>13 240</b>		

## 16. Contingent liabilities

### 16.1 Illegal strike

During 2006 a number of the group's employees embarked on an illegal strike. The company followed the required procedures and the Commission for Conciliation, Mediation and Arbitration (CCMA) ruled in the company's favour. The employees appealed and the matter was scheduled to be heard by the labour court during March 2009. The hearing didn't materialise and the case is scheduled to be heard in September 2009. It should be noted that all contingency issues related to the former MGX group (of which Metrofile was a part) had been successfully resolved during the 2008 financial year.

## 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		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
<b>18. Financial instruments</b>				
<b>18.1 Carrying amounts of financial instruments</b>				
Loans and receivables				
Trade receivables	54 450	48 335		
Other receivables	1 692	1 728	17	87
Bank balances	15 463	28 817	1	206
	<b>71 605</b>	<b>78 880</b>	<b>18</b>	<b>293</b>
<b>Financial instruments designated at fair value through profit and loss</b>				
Financial instruments – Fair value of interest rate swaps		11 621		
<b>Total financial assets</b>	<b>71 605</b>	<b>90 501</b>	<b>18</b>	<b>293</b>
Financial liabilities at amortised cost				
Interest-bearing liabilities	(258 703)	(286 672)		
Trade payables	(12 850)	(8 471)	(173)	(20)
Other payables	(18 986)	(15 785)	(395)	(441)
	<b>(290 539)</b>	<b>(310 928)</b>	<b>(568)</b>	<b>(461)</b>
<b>Financial instruments designated at fair value through profit and loss</b>				
Financial instruments – Fair value of interest rate swaps	(330)			
<b>Total financial liabilities</b>	<b>(290 869)</b>	<b>(310 928)</b>	<b>(568)</b>	<b>(461)</b>
<b>Total net financial liabilities</b>	<b>(219 264)</b>	<b>(220 427)</b>	<b>(550)</b>	<b>(168)</b>

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.

No financial assets and liabilities had their fair value determined using valuation techniques during the year ended 30 June 2009 or 2008.

No reclassification of financial assets occurred during the period.

## Notes to the annual financial statements for the year ended 30 June 2009

continued

### 18. Financial instruments continued

#### 18.2 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 2009 the group's foreign currency exposure was as follows:

	Currency	Amount in foreign currency	Exchange rate used	Reported value 2009 R'000	Reported value 2008 R'000
Uncovered foreign denominated liabilities					
included in trade payables	US\$'000	4,0	7,73	31	
	Euro'000	5,3	10,88	58	44
	GBP'000				19
There were no uncovered foreign denominated assets at 30 June 2009 (2008: Nil).					
Existing foreign currency forward exchange contracts covering balance sheet items included at fair value in trade payables are:					
Buy contracts	US\$'000	249,6	7,86	1 962	311
	Euro'000	23,0	11,03	253	
	GBP'000				88

Total foreign purchases for the year amounted to R13,4 million (2008: R13,0 million). A 10% increase/decrease on the exchange rate would have resulted in a R1,3 million (2008: R1,3 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.

#### 18.3 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 two year period, these were initiated in March 2009.

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; these swaps in essence fix the interest rate for 52% (2008: 84%) of the debt. The balance of the debt, amounting to R128 million, (2008: R46 million) would be exposed to interest rate movements. The interest rate risk was significantly lower than in the prior year due to the coverage of the swaps, however the interest rate risk would have increased significantly when the swaps expired in September 2009 if the reduction of interest rates had not occurred. The increase in the current exposure is mitigated by the forecast of interest rates in the short to medium term. The current interest rate swaps expire in March 2011 after which the debt exposed to interest rate fluctuations is expected to be R189 million.

	2009 R'000	Group 2008 R'000
<b>18. Financial instruments</b> continued		
<b>18.3 Interest rate risk</b> continued		
Details of the interest rate swap agreements that were entered into during the current financial year are:		
R35 million: Termination date 18 February 2011 fixed at rate of 10,62% (JIBAR + 2,75%) and payable quarterly in arrears. This agreement is linked to the R125,3 million Metrofile A facility, accruing interest at a rate per annum equal to three month JIBAR plus 2,75% all-in-rate NACQ.		
R25 million: Termination date 31 March 2011 fixed at rate of 11,39% (JIBAR + 3,50%) and payable quarterly in arrears. This agreement is linked to the R41,5 million Metrofile B facility, accruing interest at a rate per annum equal to three month JIBAR plus 3,50% all-in-rate NACQ.		
R75 million: Termination date 31 March 2011 fixed at rate of 14,39% (JIBAR + 6,50%) and payable quarterly in arrears. This agreement is linked to the R95,3 million Mezzanine facility, accruing interest at a rate per annum equal to three month JIBAR plus 6,50% all-in-rate NACQ.		
An aggregate amount of R5,9 million (2008: R5,3 million) was received from financial institutions, being the net difference between the lower swap rates and the interest rates of the loans linked to these swap agreements. This income was with respect to both the previous and current interest rate swaps. The current interest rate swaps comply with the requirements for hedge accounting.		
Loss if interest rates increase by 50 basis points	<b>640</b>	364
There is an equal but opposite effect if the interest rates decrease by 50 basis points.		
The effect would be double if the interest rate swaps were not in place.		

**18.4 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		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Borrowing capacity:</b>				
Amount utilised	<b>268 703</b>	295 672		
	<b>258 703</b>	286 672		
<b>Total additional borrowings available</b>	<b>10 000</b>	9 000		
<b>Financial liabilities at amortised cost</b>				
Interest-bearing liabilities	<b>(258 703)</b>	(286 672)		
Trade payables	<b>(12 850)</b>	(8 471)	<b>(173)</b>	(20)
Other payables	<b>(18 986)</b>	(15 785)	<b>(395)</b>	(441)
<b>Total financial liabilities at amortised cost</b>	<b>(290 539)</b>	(310 928)	<b>(568)</b>	(461)

## Notes to the annual financial statements for the year ended 30 June 2009

continued

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>18. Financial instruments</b> continued				
<b>18.4 Liquidity risk</b> continued				
<b>Maturity profile</b>				
<b>Interest-bearing liabilities</b>				
2009		27 794		
2010	32 633	32 115		
2011	37 410	37 127		
2012	41 533	42 901		
2013	147 127	146 735		
	<b>258 703</b>	<b>286 672</b>		
<b>Other</b>				
2009		24 256		
2010	31 836			
	<b>290 539</b>	<b>310 928</b>		
<b>18.5 Credit risk</b>				
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 requiring credit. This is implemented and controlled at an operating subsidiary level.				
The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.				
<b>Neither past due nor impaired</b>	52 911	60 067	18	293
<b>Past due but not impaired</b>				
Trade receivables	16 362	16 683		
<b>Not past due but impaired</b>				
Trade receivables	784	621		
<b>Past due and impaired</b>				
Trade receivables	1 548	1 509		
<b>Total financial assets</b>	<b>71 605</b>	<b>78 880</b>	<b>18</b>	<b>293</b>

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>18. Financial instruments</b> continued				
<b>18.5 Credit risk</b> continued				
<b>Neither past due nor impaired</b>	<b>51 911</b>	60 067	<b>18</b>	293
1 – 30 days past due	<b>11 030</b>	11 683		
30 – 60 days past due	<b>3 355</b>	3 146		
60 – 90 days past due	<b>1 757</b>	965		
90 – 180 days past due	<b>220</b>	889		
<b>Past due but not impaired</b>	<b>16 362</b>	16 683		
<b>Not past due but impaired</b>	<b>784</b>	621		
<b>Past due and impaired</b>	<b>1 548</b>	1 509		
<b>Total financial assets</b>	<b>71 605</b>	78 880	<b>18</b>	293

No collateral was held by the group as security and other enhancement over the financial assets during the years ended 30 June 2009 or 2008.

#### 18.6 Fair values

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

#### 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).

##### Defined contribution plans

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

The only obligation of the group with respect to the retirement benefit scheme is to make the specified contributions. The total cost charged to income of R8,3 million (2008: R7,3 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 (2008: 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 (Proprietary) Limited and Metrofile Management Services (Proprietary) Limited.

## Notes to the annual financial statements for the year ended 30 June 2009

continued

### 20. Related party transactions continued

#### Compensation of key management personnel

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

		Number of shares
GD Wackrill	Chief executive officer	120 000
RM Buttle	Chief financial officer	144 176

The following directors and officers received grants for the Share Appreciation Rights (SAR) and Deferred Bonus Plan (DBP) schemes on 14 October 2008.

		SAR Number of shares	DBP Number of shares
GD Wackrill	Chief executive officer	835 690	358 153
RM Buttle	Chief financial officer	576 703	144 176
LM Thompson	Company secretary	555 779	–

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

		Number of shares
AP Nkuna	Non-executive director	69 000

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>21. Provisions</b>				
Included in other payables and provisions are the following provisions:				
Opening balance	1 174	1 397		
Provision for bonuses	1 118	1 329		
Provision for legal costs	56	68		
Provisions raised	1 629	1 409		
Provision for bonuses	1 629	1 409		
Provision for legal costs				
Provisions (utilised)	(1 460)	(1 492)		
Provision for bonuses	(1 432)	(1 480)		
Provision for legal costs	(28)	(12)		
Provisions (released)	(75)	(140)		
Provision for bonuses	(75)	(140)		
Provision for legal costs				
Closing balance	1 268	1 174		
Provision for bonuses	1 240	1 118		
Provision for legal costs	28	56		

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>22. Cash flow statement</b>				
<b>22.1 Convention</b>				
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.				
<b>22.2 Reconciliation of profit/(loss) before taxation to cash generated by/(utilised in) operations</b>				
Profit/(loss) before taxation	59 340	75 269	(382)	169 137
Adjusted by:	58 908	31 851	(1 614)	(169 499)
(Profit)/loss on disposal of property, plant and equipment	11	(46)		
Profit on disposal of investments		(2 368)		
Depreciation and trademark amortisation	12 039	10 752		
Net finance cost	35 015	39 694		1
Reversal of impairment of investment				(169 500)
Reversal of impairment of intergroup loan			(1 614)	
Other non-cash flow items	11 843	(16 181)		
Operating cash flows before working capital changes	118 248	107 120	(1 996)	(362)
Changes in working capital	(1 658)	3 989	177	(21)
(Increase)/decrease in inventories	(6 056)	1 531		
(Increase)/decrease in receivables	(5 342)	(2 827)	70	(87)
Increase in payables (net of reclassification of taxation payable)	9 740	5 285	107	66
<b>Cash generated by operations</b>	<b>116 590</b>	<b>111 109</b>	<b>(1 819)</b>	<b>(383)</b>
<b>22.3 Taxation paid</b>				
Taxation balance at the beginning of the year	(4 347)	(5 583)		
Current tax expense for the year	(20 356)	(14 421)		
Amounts transferred due to reclassification from sundry creditors	(2 049)			
Amounts reversed		(269)		
Taxation balance at the end of the year	16 150	4 347		
<b>Total taxation paid</b>	<b>(10 602)</b>	<b>(15 926)</b>		

## 23. Post balance sheet events

Metrofile purchased 100% of Innovative Document Management (Proprietary) Limited (IDM) for R4 million after year-end, which was funded through the issue of 4 454 343 shares at a fair value of 89,8 cents per share. The conditions of the purchase agreement were only met on 15 July 2009 and therefore this purchase is not reflected in the financial information at 30 June 2009. IDM's core business is the processing and imaging of documents, the sale of electronic record management proprietary software as well as the integration with clients' systems. The business also has 10 000 boxes of archive documents in storage. The operation was a competitor to Metrofile which operated in KwaZulu Natal and of similar size to the existing Metrofile bureau in this region. The owner is Mike Grey who is a former employee of MGX and has significant skill in the industry. The company is in the process of finalising the fair value of the assets and liabilities.

## 24. Segmental report

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.

## Subsidiaries

Subsidiary	Nature of business	Percentage holding		Cost of investment		Net indebtedness	
		2009 %	2008 %	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Infracom (Pty) Limited ♣♣♣	Dormant	100	100	169 500	169 500	(231 951)	(231 951)
Metrofile (Pty) Limited ♣♣	Information management	100	100	173 753	173 753		
Metrofile Management Services (Pty) Limited ♣♣	Management services	100	100			236 167	237 781
Provision for impairment				343 253	343 253	4 216 (236 167)	5 830 (237 781)
Reflected as: amounts owing to subsidiaries – non-interest bearing				343 253	343 253	(231 951)	(231 951)

- At 30 June 2008, 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 2009, 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.

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

## Notice to shareholders of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Metrofile Limited (Metrofile) will be held at 09:30 on Monday, 30 November 2009 at Southern Sun Grayston Sandton, cnr Grayston and Rivonia Road, Sandton, Johannesburg, Gauteng, for the purpose of considering and, if deemed fit, passing with or without modification the following resolutions and transacting the following business:

### 1. Consideration of annual financial statements

#### Ordinary resolution no 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 2009 be and are hereby approved and confirmed."

### 2. Election of directors

#### Ordinary resolution no 2

"Resolved that the appointment of Ms CN Mapaure in terms of article 28.2 of the company's articles of association (the articles), as a director of the company and for a further term of office be and it is hereby authorised and confirmed."

### 3. Re-election of directors

#### Ordinary resolution no 3

"Resolved that Mr 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."

### 4. Re-election of directors

#### Ordinary resolution no 4

"Resolved that Mr AP Nkuna 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."

### 5. Re-election of directors

#### Ordinary resolution no 5

"Resolved that Mr 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."

### 6. Approval of auditors' remuneration

#### Ordinary resolution no 6

"Resolved that the directors of the company be and are hereby authorised to fix and pay the auditors' remuneration for the year ended 30 June 2009."

### 7. Re-appointment of auditors

#### Ordinary resolution no 7

"Resolved that Messrs Deloitte & Touche be re-appointed as auditors of the company and that the audit partner, Mr Grant Krog, be re-engaged from the conclusion of this meeting to the conclusion of the next annual general meeting, as recommended by the audit committee."

### 8. Ratification of directors' remuneration

#### Ordinary resolution no 8

"Resolved that the remuneration of the directors of the company for the past financial year as reflected in note 6 to the annual financial statements be and is hereby ratified."

### 9. Approval of the amendments to Share Appreciation Rights (the "Scheme") and Deferred Bonus Plan ("DBP") schemes

#### Ordinary resolution no 9

"Resolved that the amendments to the SAR and DBP schemes, as tabled at the meeting and as summarised in Annexure A attached, be and are hereby ratified."

"RESOLVED as an ordinary resolution in terms of schedule 14 of the Listings Requirements of the JSE Limited and in accordance with section 222 of the Companies Act No 61 of 1973, as amended, where applicable, that the company hereby amends the rules of the "Share Appreciation Rights Scheme" (the "Scheme") and "Deferred Bonus Plan" (the "DBP") (first adopted by the company at a general meeting held on 9 October 2008) by the substitution in their entirety of the existing rules with the amended and restated rules, which amended and restated rules have been tabled at this annual general meeting and initialled by the Chairman for identification, the salient terms and conditions of which are as set out in Annexure A on page 61 of the annual report, to which this notice is attached."

In accordance with schedule 14 of the Listings Requirements of the JSE Limited ("Listings Requirements"), the amendments to the rules of the Scheme and the DBP are required to be approved by the passing of an ordinary resolution (requiring 75% majority of the votes cast in favour of such resolution by all equity securities holders present or represented by proxy at the annual general meeting to approve such resolution, in the determination of which, all votes attaching to all equity securities owned or controlled by persons who are existing participants of the Scheme and the DBP shall be excluded). In compliance with Schedule 14.6 and 14.7 of the Listings Requirements, a summary of the principal terms of the Scheme and the DBP have been circulated, together with the notice of the annual general meeting and the amended and restated rules (both in marked-up format showing the exact changes to the current rules and in clean format) and have been available for inspection by shareholders during normal business hours at the registered office of the company for a period of not less than 14 (fourteen) days prior to this meeting.

## Notice to shareholders of annual general meeting

continued

### 10. Approval of proposed non-executive directors' remuneration for the year ending 30 June 2010

#### Ordinary resolution no 10

"Resolved that the following proposed remuneration of the non-executive directors of the company for the financial year ending 30 June 2010 be and is hereby approved:

	Annual fees R
Chairman of the board of directors	478 000
Non-executive director	174 000
Chairman of the audit committee	174 000
Audit committee member	68 000
Chairman of the remuneration and nomination committee	136 000
Remuneration and nomination committee member	68 000
Permanent invitees	68 000

### 11. Place unissued shares under the control of the directors

#### Ordinary resolution no 11

"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 (Act 61 of 1973) as amended (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 shall be restricted to 5% of the company's current issued share capital."

### 12. Authority to sign all documents required

#### Ordinary resolution no 12

"Resolved that, subject to the passing of terms of the ordinary resolutions 1 to 11, 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 number 1 to 11 passed at the annual general meeting."

### Voting and proxies

#### Instructions

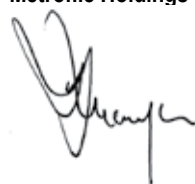
Shareholders holding certificated Metrofile shares and shareholders who have already dematerialised their Metrofile shares and who have elected "own name" registration in a sub-register through a CSDP or broker (only shareholders who have dematerialised their Metrofile shares through Computershare Investor Services (Proprietary) Limited can qualify as having elected "own name" registration), who are unable to attend the 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 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretary by no later than 09:30 on Wednesday, 25 November 2009, 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 can not qualify as having elected "own name" registration), and who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend, or, if they do not wish to attend the general meeting and wish to vote by way of proxy, they may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

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

By order of the board

#### Metrofile Holdings Limited



**LM Thompson**  
Company secretary

2 September 2009  
Johannesburg

## Annexure A

### Summary of proposed amendments and revised principal terms of the Metrofile Share Appreciation Rights Scheme (the "Scheme") and the Metrofile Deferred Bonus Plan (the "DBP")

#### Proposed amendments to the Scheme and the DBP

On 9 October 2008, the JSE Limited replaced Schedule 14 of its Listings Requirements in its entirety with a new Schedule 14 that requires all existing schemes to be rendered conformant with the revised Schedule 14 by no later than 1 January 2011. The proposed amendments to the Scheme are primarily designed to render schemes conformant with the revised Schedule 14.

For convenience, the company is proposing to substitute, in their entirety, the existing rules of the Scheme and the DBP adopted by the company in a general meeting on 9 October 2008 with the amended and restated rules. The amended and restated rules are the same rules that were adopted on 9 October 2008, save for the following proposed amendments to both the Scheme and the DBP:

- The prohibition of the back-dating of rights;
- The prohibition of the "rolling over" of rights;
- The removal of the clause allowing the changing of performance conditions by the Board;
- The rules to no longer allow the Board discretion, relating to the lapsing of rights and/or the cessation of employment;
- The introduction of a fixed maximum limit and fixed maximum individual limit, for a combination of the Scheme and the DBP. The limitation of the maximum number of shares that may be granted to any individual to 10 038 197 (ten million and thirty eight thousand, one hundred and ninety seven) and the Scheme and DBP limit to equal 20 076 393 (twenty million and seventy six thousand, three hundred and ninety three);
- The removal of the definition of the "Board" and references thereto and the replacement thereof with the word "Remcom" which is defined as the remuneration and nomination committee of the company from time to time, comprising of non-executive directors of the company;
- The introduction of definitions of "independent advisor" and "listing requirements";
- The inclusion of a clause that refers to adjustments to the Scheme and the DBP to an independent advisor in the event that a change of control occurs;
- The adding of a clause that requires the directors to ensure that the company complies with paragraphs 3.63 and 3.74 (directors dealings) of the listing requirement;
- In addition to the above, any adjustments made to the Scheme limits in the event of sub-division or consolidation, capitalisation issues, special dividends, rights issues or reductions of capital must be reported in the annual financial statements in the year during which the adjustment is made. The company's auditors or other independent advisers acceptable to the JSE must confirm to the JSE in writing that any adjustments made are in accordance with the provisions of the Scheme and the DBP at the time.

Save as is set out above, which amendments are required to render the Scheme and the DBP conformant with the revised Schedule 14, the Scheme and the DBP remain unchanged from that which was adopted by the company on 9 October 2008.

**Below is a revised and updated summary of the principal terms of the Scheme and the DBP prepared on the basis as if, the Proposed Amendments above are adopted.**

#### Establishment of the Scheme and the DBP

The Scheme and the DBP were adopted at a general meeting of the company on 9 October 2008 and is intended to incentivise employees to promote the continued growth of Metrofile Holdings Limited ("Metrofile") and/or its subsidiaries, by acquiring or issuing shares equal to the difference between the exercise price and the grant price, in the manner and on the terms set out in the Scheme and the DBP. Metrofile has, as a fall back provision only, the option to pay the participant an equivalent amount, in whole or part in cash in lieu of any shares.

#### Nature of the Scheme

The grant price of the right is linked to the share price (volume weighted average of the closing price of a Metrofile share on the JSE for 30 business days immediately prior to the date of grant) in accordance with the Scheme and when the employee exercises the said right, the employer company will settle the right by way of the purchase or issuing of shares (net of tax).

#### Nature of the DBP

The bonus shares under the DBP are subject to the requirement that the participants are required to purchase shares in Metrofile and the company will match the shares on a one for one basis, providing they are still held on the exercise date. The number of shares is subject to the number of shares allocated under the DBP and is limited to 50% of the after tax bonus paid to the participant. The company will settle the right by way of the purchase or issuing of shares (net of tax).

## Annexure A

continued

### Delegation of powers

The directors of Metrofile have delegated or conferred some or all of the powers exercisable by them in terms of the rules of the Scheme and DBP to the remuneration and nomination committee of Metrofile.

### Grant of rights, eligibility and limits

The remuneration and nomination committee of Metrofile shall be entitled, but not obliged, from time to time, to grant options to eligible employees. The remuneration and nomination committee of Metrofile shall in their discretion determine the number of rights to be granted and the price thereof is based on the 30 day weighted average price of the share. Any employee, including an executive director, employed on a full-time basis by Metrofile or its subsidiaries shall be eligible for and shall participate in the Scheme and the DBP. The maximum number of shares that may be granted to any individual is limited to 10 038 197 (ten million and thirty eight thousand, one hundred and ninety seven) and the Scheme and the DBP limit is equal to 20 076 393 (twenty million and seventy six thousand, three hundred and ninety three);

### Exercise of rights and bonus shares

Each right may only be exercised by an employee after the 3rd (third) year from the date of grant of the rights of the Scheme and/or the DBP. Each right will remain in force for a period not exceeding 7 (seven) years from the date of grant whilst continued employment is a condition of the shares vesting.

### Reporting

In addition to the above, any adjustments made to the Scheme limits in the event of sub-division or consolidation, capitalisation issues, special dividends, rights issues or reductions of capital must be reported in the annual financial statements in the year during which the adjustment is made. The company's auditors or other independent advisers acceptable to the JSE must confirm to the JSE in writing that any adjustments made are in accordance with the provisions of the Scheme at the time.

## Form of proxy



### METROFILE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1983/012697/06)

Share code: MFL • ISIN code: ZAE000010542

(Metrofile or the company)

For use only by Metrofile shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their Metrofile shares and who have elected "own name" registration (only shareholders who have dematerialised their Metrofile shares through Computershare Investor Services (Proprietary) Limited (previously known as Computershare Limited) can qualify as having elected "own name" registration) at the annual general meeting of shareholders of Metrofile, to be held at 09:30 on Monday, 30 November 2009 at Southern Sun Grayston Sandton, cnr Grayston and Rivonia Road, Sandton, Johannesburg, Gauteng, or at any adjournment or postponement thereof.

I/We (BLOCK LETTERS please)

Of \_\_\_\_\_

Telephone work ( \_\_\_\_\_ ) Telephone home ( \_\_\_\_\_ )

being the holder/s or custodian/s 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	Against	Abstain
Ordinary resolution no 1 – Acceptance of annual financial statements			
Ordinary resolution no 2 – Confirmation of appointment of CN Mapaure			
Ordinary resolution no 3 – Re-election of CS Seabrooke			
Ordinary resolution no 4 – Re-election of AP Nkuna			
Ordinary resolution no 5 – Re-election of IN Matthews			
Ordinary resolution no 6 – Authorisation of auditors' remuneration			
Ordinary resolution no 7 – Re-appointment of auditors and audit partner			
Ordinary resolution no 8 – Ratifying directors' remuneration for the past financial year			
Ordinary resolution no 9 – Ratifying amendments to the SAR and DBP share schemes			
Ordinary resolution no 10 – Approval of proposed non-executive directors' remuneration for the financial year ending 30 June 2010			
Ordinary resolution no 11 – Placing of the unissued shares under the control of the directors			
Ordinary resolution no 12 – 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 \_\_\_\_\_ 2009

Signature \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

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

Please read the notes and instructions on the overleaf.

## Notes and instructions

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

1. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. So as to provide for voting on a show of hands or on a poll, as the case may be, shareholders are requested to complete the form of proxy by stating the number of shares held by them. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as he deems fit in respect of 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 (Proprietary) 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 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them by no later than 09:30 on Wednesday, 25 November 2009, 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.

# Directorate and administration

## Directors

### Christopher Stefan Seabrooke (56) •♣

BCom, BAcc, MBA, FCMA  
Non-executive Chairman  
Appointed 28 January 2003

### Aser Paul Nkuna (57) •♣

Appointed 4 December 2006

### Graham Dunbar Wackrill (55)

BCompt  
Appointed 29 January 2004

### Richard Matthew Buttle (37)

BCompt Hons, CA (SA)  
Appointed 4 December 2006

### Cynthia Nomsa Mapaure (32) •♣

BCompt Hons, CA (SA), CA (Zimbabwe)  
Appointed 27 February 2009

### Ian Nigel Matthews (64) •♣♣

MA (Oxon), MBA (UCT)  
Appointed 1 June 2006

### Nondumiso Medupe (38) •♣

BAcc, CA (SA)  
Appointed 1 February 2008

### Stephen Roy Midlane (43) •♣

BCom, BAcc, CA (SA)  
Appointed 26 November 2002

• *Independent*

♣ *Audit committee member*

♣ *Remuneration and nomination committee member*

## Secretary and Registered Office

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

## Company registration number

1983/012697/06

## Date of incorporation of Metrofile

18 November 1983

## Transfer secretaries

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

## Auditors

Deloitte & Touche  
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 Bowens  
10 Fricker Road, Illovo Boulevard, Johannesburg, 2196  
PO Box 61771, Marshalltown, 2107

## Business unit telephone numbers

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

## Website

[www.metrofile.com](http://www.metrofile.com)

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