



**Metrofile**  
Group

**2021**

**METROFILE HOLDINGS LIMITED**  
AUDITED SUMMARISED GROUP RESULTS  
FOR THE YEAR ENDED 30 JUNE 2021



## SALIENT FEATURES

REVENUE  
**R933M**  
↑ **3%**

OPERATING  
PROFIT  
**R241M**  
↑ **11%**

FREE CASH  
FLOW\*  
**R184M**  
↑ **42%**

NET DEBT\*\*  
IMPROVED TO  
**R434M**  
↓ **17%**

HEPS  
**31.8c**  
↑ **28%**

EPS  
**31.9c**  
↑ **>100%**

DPS  
**15c**  
↑ **15%**

## SUMMARISED CONSOLIDATED INCOME STATEMENT

| R'000   | Notes | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
|---|-------|--------------------------------------|--------------------------------------|
| <b>Revenue</b>  |       | 933 465                              | 903 272                              |
| <b>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</b> |       | 322 651                              | 301 696                              |
| Depreciation on property, plant and equipment                                     |       | (36 173)                             | (35 913)                             |
| Depreciation on right-of-use asset  |       | (35 805)                             | (38 381)                             |
| Amortisation  |       | (9 872)                              | (10 128)                             |
| <b>Operating profit</b>   |       | <b>240 801</b>                       | 217 274                              |
| Loss on sale of business  |       | –                                    | (4 199)                              |
| Loss on sale of subsidiary  |       | –                                    | (222)                                |
| Restructuring and retrenchment costs  |       | –                                    | (11 788)                             |
| Impairment of goodwill  | 10    | –                                    | (118 404)                            |
| <b>Profit before finance costs</b>  |       | <b>240 801</b>                       | 82 661                               |
| <b>Net finance costs</b>  |       | <b>(49 447)</b>                      | (65 313)                             |
| Finance income  |       | 365                                  | 2 004                                |
| Finance costs   |       | (36 826)                             | (58 572)                             |
| Finance costs on lease liabilities  |       | (12 986)                             | (8 745)                              |
| <b>Profit before taxation</b>   |       | <b>191 354</b>                       | 17 348                               |
| Taxation  |       | (49 384)                             | (33 743)                             |
| <b>Profit/(loss) for the year</b>   |       | <b>141 970</b>                       | (16 395)                             |
| <b>Attributable to:</b>   |       |                                      |                                      |
| Owners of the parent  |       | 138 306                              | (14 825)                             |
| Non-controlling interest  |       | 3 664                                | (1 570)                              |
| <b>Profit/(loss) for the year</b>   |       | <b>141 970</b>                       | (16 395)                             |
| <b>Profit/(loss) attributable to owners of the parent:</b>                        |       |                                      |                                      |
| Basic earnings per share (cents)  | 4     | <b>31.9</b>                          | (3.4)                                |
| Diluted earnings per share (cents)  | 4     | <b>31.2</b>                          | (3.4)                                |

## SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| R'000  | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
|--|--------------------------------------|--------------------------------------|
| <b>Profit/(loss) for the year</b>                        | <b>141 970</b>                       | (16 395)                             |
| <b>Other comprehensive (loss)/income for the year</b>    |                                      |                                      |
| Currency movement on translation of foreign subsidiaries | (17 385)                             | 2 475                                |
| <b>Total comprehensive income/(loss) for the year</b>    | <b>124 585</b>                       | (13 920)                             |
| <b>Attributable to:</b>                                  |                                      |                                      |
| Owners of the parent                                     | 122 321                              | (12 350)                             |
| Non-controlling interest                                 | 2 264                                | (1 570)                              |

## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| R'000                                       | Note | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
|---|------|--------------------------------------|--------------------------------------|
| <b>ASSETS</b>                               |      |                                      |                                      |
| <b>Non-current assets</b>                   |      | <b>1 084 241</b>                     | 1 103 683                            |
| Property, plant and equipment               |      | 595 454                              | 598 162                              |
| Goodwill                                    | 10   | 313 947                              | 316 661                              |
| Intangible assets                           |      | 43 867                               | 50 498                               |
| Right-of-use asset                          |      | 113 337                              | 126 185                              |
| Long term vendor consideration              |      | 3 500                                | –                                    |
| Deferred taxation asset                     |      | 14 136                               | 12 177                               |
| <b>Current assets</b>                       |      | <b>268 324</b>                       | 274 554                              |
| Inventories                                 |      | 13 776                               | 16 507                               |
| Trade receivables                           |      | 190 655                              | 185 414                              |
| Vendor consideration                        |      | –                                    | 3 500                                |
| Other receivables                           |      | 26 709                               | 31 946                               |
| Cash and cash equivalents                   |      | 37 184                               | 37 187                               |
| <b>Total assets</b>                         |      | <b>1 352 565</b>                     | 1 378 237                            |
| <b>EQUITY AND LIABILITIES</b>               |      |                                      |                                      |
| <b>Equity</b>                               |      | <b>569 793</b>                       | 507 882                              |
| Equity attributable to owners of the parent |      | 558 732                              | 499 085                              |
| Non-controlling interest                    |      | 11 061                               | 8 797                                |
| <b>Non-current liabilities</b>              |      | <b>573 925</b>                       | 667 530                              |
| Interest-bearing liabilities                |      | 430 129                              | 520 110                              |
| Lease liabilities                           |      | 97 741                               | 103 543                              |
| Deferred taxation liabilities               |      | 46 055                               | 43 877                               |
| <b>Current liabilities</b>                  |      | <b>208 847</b>                       | 202 825                              |
| Trade and other payables                    |      | 108 585                              | 100 078                              |
| Provisions                                  |      | 22 366                               | 13 297                               |
| Deferred revenue                            |      | 11 154                               | 12 277                               |
| Taxation                                    |      | 1 131                                | 3 323                                |
| Bank overdraft                              |      | 1 626                                | 4 988                                |
| Interest-bearing liabilities                |      | 39 893                               | 39 195                               |
| Lease liabilities                           |      | 24 092                               | 29 667                               |
| <b>Total equity and liabilities</b>         |      | <b>1 352 565</b>                     | 1 378 237                            |

## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| R'000  | Share capital and share premium | Accumulated profit/(loss) | Other reserves  | Attributable to owners of the parent | Non-controlling interest | Total equity   |
|--|---------------------------------|---------------------------|-----------------|--------------------------------------|--------------------------|----------------|
| <b>Balance at 30 June 2019</b>                               | <b>555 059</b>                  | <b>7 150</b>              | <b>2 778</b>    | <b>564 987</b>                       | <b>(3 157)</b>           | <b>561 830</b> |
| IFRS 2 expense   | –                               | –                         | (236)           | (236)                                | –                        | (236)          |
| Transactions with NCI  | –                               | (22 738)                  | –               | (22 738)                             | 14 480                   | (8 258)        |
| Disposal of subsidiary                                       | –                               | –                         | –               | –                                    | (956)                    | (956)          |
| Dividends declared   | –                               | (30 578)                  | –               | (30 578)                             | –                        | (30 578)       |
| Scrip dividends declared                                     | 18 774                          | (18 774)                  | –               | –                                    | –                        | –              |
| Total comprehensive income for the period ended 30 June 2020 | –                               | (14 825)                  | 2 475           | (12 350)                             | (1 570)                  | (13 920)       |
| <b>Balance at 30 June 2020</b>                               | <b>573 833</b>                  | <b>(79 765)</b>           | <b>5 017</b>    | <b>499 085</b>                       | <b>8 797</b>             | <b>507 882</b> |
| IFRS 2 expense   | –                               | –                         | 481             | 481                                  | –                        | 481            |
| Dividends declared   | –                               | (63 155)                  | –               | (63 155)                             | –                        | (63 155)       |
| Total comprehensive income for the period ended 30 June 2021 | –                               | 138 306                   | (15 985)        | 122 321                              | 2 264                    | 124 585        |
| <b>Balance at 30 June 2021</b>                               | <b>573 833</b>                  | <b>(4 614)</b>            | <b>(10 487)</b> | <b>558 732</b>                       | <b>11 061</b>            | <b>569 793</b> |

## SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

| R'000   | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
|---|--------------------------------------|--------------------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                               |                                      |                                      |
| Cash generated from operations before net working capital changes         | 319 557                              | 281 724                              |
| Decrease in net working capital   | 11 785                               | 2 541                                |
| Cash generated by operations  | 331 362                              | 284 265                              |
| Net finance costs   | (36 482)                             | (65 784)                             |
| Normal taxation paid  | (49 018)                             | (39 400)                             |
| <b>Net cash inflow from operating activities</b>                          | <b>245 862</b>                       | 179 081                              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                               |                                      |                                      |
| Capital expenditure: expansion  | (18 831)                             | (41 227)                             |
| Capital expenditure: replacement  | (24 804)                             | (14 946)                             |
| Proceeds from sale of property, plant and equipment                       | 818                                  | 5 909                                |
| Vendor loan received  | –                                    | 10 532                               |
| Proceeds on disposal of subsidiary  | –                                    | 5 543                                |
| <b>Net cash outflow from investing activities</b>                         | <b>(42 817)</b>                      | (34 189)                             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |                                      |                                      |
| Repayment of borrowings   | (89 583)                             | (40 649)                             |
| Dividends paid  | (61 851)                             | (30 208)                             |
| Acquisition of non-controlling interests                                  | –                                    | (8 258)                              |
| Payment of lease liabilities  | (44 150)                             | (34 034)                             |
| <b>Net cash outflow from financing activities</b>                         | <b>(195 584)</b>                     | (113 149)                            |
| Net increase in cash and cash equivalents                                 | 7 461                                | 31 742                               |
| <b>Cash and cash equivalents/(overdraft) at the beginning of the year</b> | 32 199                               | (1 734)                              |
| Effects of exchange rate movement on cash balances                        | (4 102)                              | 2 191                                |
| <b>Cash and cash equivalents at the end of the year</b>                   | <b>35 558</b>                        | 32 199                               |
| <b>Represented by:</b>  |                                      |                                      |
| Cash and cash equivalents   | 37 184                               | 37 187                               |
| Bank overdraft  | (1 626)                              | (4 988)                              |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The directors take full responsibility for the preparation of these consolidated audited preliminary summarised Group results. The Group results and the full set of consolidated financial statements have been prepared under the supervision of Mr S Mansingh, CA(SA), MBA. The summarised financial information has been prepared in accordance with the framework concepts, measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and as a minimum contain the information as required by IAS 34: Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies and basis of preparation for the financial statements are in all respects consistent with those applied in the 2020 annual financial statements. The disclosure restatement in the audited financial statements has had no effect on this consolidated audited preliminary summarised Group results.

### 2. AUDIT OPINION

The independent auditor, Deloitte & Touche, has issued its unmodified audit opinion, on the consolidated financial statements for the year ended 30 June 2021, in accordance with International Standards on Auditing. These summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects, with the consolidated financial statements. The unmodified audit report thereon is available on the Company's website: <https://www.metrofilegroup.com/investor-relations/>.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a full copy of the auditor's report, together with the accompanying consolidated financial information, from the issuer's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Company's auditor.

### 3. SUMMARISED SEGMENTAL INFORMATION

Segmental disclosure consists of Metrofile Records Management ("MRM") South Africa, MRM Rest of Africa, MRM Middle East, Products and Services South Africa and Central and Eliminations. The segmental information is based on information provided to the chief operating decision makers and operating profit is the key measure of segmental performance.

| R'000                              | Revenue                              |                                      | EBITDA                               |                                      |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                    | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
| MRM South Africa                   | 549 210                              | 543 027                              | 253 518                              | 254 151                              |
| MRM Rest of Africa                 | 99 631                               | 106 030                              | 56 800                               | 48 160                               |
| MRM Middle East                    | 77 451                               | 54 666                               | 14 582                               | 4 692                                |
| Products and Services South Africa | 207 173                              | 199 549                              | 33 265                               | 25 115                               |
| Central and Eliminations           | –                                    | –                                    | (35 514)                             | (30 422)                             |
| <b>Total</b>                       | <b>933 465</b>                       | <b>903 272</b>                       | <b>322 651</b>                       | <b>301 696</b>                       |
| South African operations           | 756 383                              | 742 576                              | 251 269                              | 248 844                              |
| Non-South African operations       | 177 082                              | 160 696                              | 71 382                               | 52 852                               |

| R'000                              | Operating profit                     |                                      | Tangible assets                      |                                      |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                    | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
| MRM South Africa                   | 213 566                              | 207 280                              | 706 087                              | 708 403                              |
| MRM Rest of Africa                 | 34 955                               | 30 345                               | 132 939                              | 149 293                              |
| MRM Middle East                    | 13 046                               | 1 997                                | 48 441                               | 59 537                               |
| Products and Services South Africa | 16 974                               | 7 726                                | 116 489                              | 98 837                               |
| Central and Eliminations           | (37 740)                             | (30 074)                             | (23 341)                             | (17 168)                             |
| <b>Total</b>                       | <b>240 801</b>                       | <b>217 274</b>                       | <b>980 615</b>                       | <b>998 902</b>                       |
| South African operations           | 192 800                              | 184 932                              | 799 235                              | 790 072                              |
| Non-South African operations       | 48 001                               | 32 342                               | 181 380                              | 208 830                              |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

| R'000                     | Revenue streams                      |                                      |
|---------------------------|--------------------------------------|--------------------------------------|
|                           | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
| Secure storage            | 576 212                              | 588 160                              |
| Digital services          | 153 072                              | 124 708                              |
| Products and solutions    | 146 610                              | 133 404                              |
| Business support services | 57 571                               | 57 001                               |
| <b>Total</b>              | <b>933 465</b>                       | <b>903 272</b>                       |

### 4. RECONCILIATION OF HEADLINE EARNINGS

| R'000   | Audited 12 months ended 30 June 2021 | Audited 12 months ended 30 June 2020 |
|---|--------------------------------------|--------------------------------------|
| <b>RECONCILIATION OF HEADLINE EARNINGS</b>                |                                      |                                      |
| Profit/(loss) attributable to owners of the parent        | 138 306                              | (14 825)                             |
| Loss on disposal of subsidiary                            | –                                    | 4 421                                |
| Impairment of goodwill                                    | –                                    | 118 404                              |
| Profit on disposal of plant and equipment                 | (320)                                | (217)                                |
| Non-controlling interest effect on the above items        | –                                    | (840)                                |
| Tax effect of above items                                 | 90                                   | –                                    |
| <b>Headline earnings</b>                                  | <b>138 076</b>                       | <b>106 943</b>                       |
| <b>Headline earnings per ordinary share (cents)</b>       | <b>31.8</b>                          | <b>24.8</b>                          |
| <b>RECONCILIATION OF NORMALISED HEADLINE EARNINGS</b>     |                                      |                                      |
| <b>Headline earnings</b>                                  | <b>138 076</b>                       | <b>106 943</b>                       |
| Non-recurring items                                       | –                                    | –                                    |
| Restructuring and retrenchment costs                      | –                                    | 11 788                               |
| Tax effect on the above items                             | –                                    | (3 301)                              |
| Non-controlling interest effect on the above items        | –                                    | –                                    |
| <b>Normalised headline earnings</b>                       | <b>138 076</b>                       | <b>115 430</b>                       |
| Weighted average number of shares in issue ('000)         | 433 700                              | 431 170                              |
| Diluted weighted average number of shares in issue ('000) | 443 962                              | 436 912                              |
| Earnings/(loss) per share (cents)                         |                                      |                                      |
| – Basic   | 31.9                                 | (3.4)                                |
| – Diluted   | 31.2                                 | (3.4)                                |
| Headline earnings per share (cents)                       |                                      |                                      |
| – Basic   | 31.8                                 | 24.8                                 |
| – Diluted   | 31.1                                 | 24.5                                 |
| Normalised headline earnings per share (cents)            |                                      |                                      |
| – Basic   | 31.8                                 | 26.8                                 |
| – Diluted   | 31.1                                 | 26.4                                 |
| Dividend per share (cents)                                | 15.0                                 | 13.0                                 |
| – Interim dividend per share paid                         | 7.0                                  | 6.0                                  |
| – Final dividend per share proposed/paid                  | 8.0                                  | 7.0                                  |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. BANKING FACILITIES

The Group is exposed to variable interest rates (3 month JIBAR interest rate benchmark plus interest rate scale) within its debt profile. As of 1 October 2020, the Group entered into an interest rate swap on certain of its interest-bearing liabilities in order to limit this exposure.

|                                  | Total facilities | Unutilised as at 30 June 2021 | Capital outstanding as at 30 June 2021 | Variable interest rate            | Fixed interest rate       |
|----------------------------------|------------------|-------------------------------|--|-----------------------------------|---------------------------|
| RCF loan facility – variable     | 200 025 652      | 50 000 000                    | 150 025 652                            | 3 month JIBAR plus margin premium | –                         |
| Bullet loan facility – fixed     | 200 034 203      | –                             | 200 034 203                            | –                                 | 4.65% plus margin premium |
| Amortisation facility – fixed    | 90 014 652       | –                             | 90 014 652                             | –                                 | 4.16% plus margin premium |
| Amortisation facility – variable | 31 606 355       | –                             | 31 606 355                             | 3 month JIBAR plus margin premium | –                         |
| Working capital facility         | 108 000 000      | 106 374 000                   | 1 626 000                              | Prime interest rate minus 1%      | –                         |

#### Interest rate scale – margin premium

|   | Bullet/RCF loan (3 month JIBAR plus) % | Amortisation loan (3 month JIBAR plus) % |
|---|--|--|
| <b>Gross debt/EBITDA</b>                    |  |  |
| Greater than 2.5 times                      | 2.95                                   | 2.65                                     |
| Greater than 2.0 times, less than 2.5 times | 2.75                                   | 2.45                                     |
| Less than 2.0 times                         | 2.55                                   | 2.25                                     |

### 6. NORMALISED HEADLINE EARNINGS AND FREE CASH FLOW

The measure of normalised headline earnings is specific to Metrofile Holdings Limited and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements. Normalised headline earnings represent earnings from the recurring activities of the Group. This is determined by adjusting the headline earnings attributable to the owners of Metrofile Holdings Limited for non-recurring expense or income items incurred during the year. The items adjusted are not comparable to other entities.

Free cash flow is cash generated from operations less tax paid (gross of interest tax shield) less payments in relation to capital expenditure and lease liabilities.

### 7. FAIR VALUE ESTIMATE

The carrying value of financial instruments approximates their fair value.

### 8. COMMITMENTS

Metrofile owns or leases premises based on the prevailing economic realities in each country of operation. Capital investment plans for the next 12 months are expected to be R90 million (FY2020: R44 million).

### 9. SUBSEQUENT EVENTS

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. GOODWILL

In line with the annual requirement to assess goodwill for impairment, the various groups of cash generating units were assessed accordingly using the discounted cash flow method to determine the value in use; and the recently subdued economic impact of the lockdown measures across the various territories was also considered. The MRM Rest of Africa group of CGUs consists of MRM Kenya, MRM Mozambique and MRM Botswana. The Products and Services CGU consists of Tidy Files, Cleardata, Online Optical Solutions and Global Continuity. Goodwill attributable to these groups of CGUs was assessed for impairment and the following key assumptions were applied:

- Revenue growth rates of between 2.5% and 11% (2020: 2% - 8%).
- Cost growth rates of between 3% and 5.8% (2020: 3% - 5.5%).
- Discount rates (pre-tax WACC) of between 9% and 25% (2020: 12% - 21%).

|  | CONSOLIDATED   |               | COMPANY       |               |
|--|----------------|---------------|---------------|---------------|
|  | 2021<br>R'000  | 2020<br>R'000 | 2021<br>R'000 | 2020<br>R'000 |
| Net carrying value of goodwill attributable to the following groups of CGUs: |                |               |               |               |
| MRM South Africa   | 132 323        | 132 323       |               |               |
| MRM Rest of Africa   | 126 363        | 129 077       |               |               |
| Products and Services  | 55 261         | 55 261        |               |               |
|  | <b>313 947</b> | 316 661       |               |               |
| Opening balance  | 316 661        | 438 702       |               |               |
| Goodwill recognised in the reporting period*                                 | (2 714)        | 2 671         |               |               |
| Goodwill impaired  | –              | (118 404)     |               |               |
| Goodwill relating to disposal of subsidiary                                  | –              | (6 308)       |               |               |
| Closing balance  | <b>313 947</b> | 316 661       |               |               |

\* This relates to the foreign currency translation effect on foreign denominated goodwill.

#### 10.1 Goodwill impairment testing

Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. The CGUs represent the identifiable assets for which an active market exists and which generate independent cash flows.

The carrying amount of goodwill is subject to an impairment test. The impairment tests are carried out on all goodwill and indeterminate life intangible assets within each CGU. During the prior year, as a result of the onset of the COVID-19 pandemic the Group had reassessed goodwill for impairment at 30 June 2020 by considering information available at 30 June 2020. Where necessary, the key assumptions were amended to take into account information available at 30 June 2020. In the current year, although the economy is still exposed to the COVID-19 pandemic, goodwill was reassessed and no further impairments were identified.

Impairment of goodwill arises when the recoverable amount of the CGU is less than the carrying value including goodwill. For the purpose of the goodwill impairment tests the carrying value of goodwill is grossed up to include the non-controlling interest. The recoverable amount is determined as the greater of the fair value, less costs to sell or the value in use. Therefore the value in use method is used to assess the goodwill for impairment.

A sensitivity analysis was performed by reasonably changing the key assumptions below to their high and low end ranges and no impairment was found on any group of CGUs.

#### 10.2 Key assumptions used in value in use calculations

##### Cash flow projections in functional currency

The value in use is calculated using the forecasted cash inflows and outflows which are expected to be derived from continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on past experience, expected revenue, operating margins, working capital requirements and capital expenditure, based on approved budgeted financial information as well as available external market data.

The expected revenues are based on market assumptions, volume growth and price increases. No significant change in market share was assumed during the forecasted period of five years and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years. The cash flows are determined in foreign currency and discounted using rates appropriate for that currency. The present value is then translated at the spot exchange rate on the date of reporting.

Operating margins reflect past experience but are adjusted for any expected changes for the individual CGU. Cash flow projections cover a five year forecast period, which are then extrapolated into perpetuity using applicable terminal growth rates.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

The key inputs used in arriving at projected cash flows were as follows:

### **Growth rates**

Growth rates applied in revenue and margins are determined based on future trends within the industry, geographic location and past experience within the operating divisions. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

The Group used steady growth rates to extrapolate revenues beyond the forecasted period, which were consistent with publicly available information relating to long term average growth rates for each of the markets in which the respective CGUs operate.

### **Discount rates applied**

A key assumption in the impairment assessment is the discount rate. The discount rates were determined by management and present the current market assessment of the risks for each CGU. The rates take into consideration the time value of money and the individual risks of the underlying assets that have not been taken into account in the cash flow projections. The discount rate calculations are derived from the CGUs' weighted average cost of capital being the cost of debt and the cost of equity. The increased uncertainties arising from the pandemic led to a decision to use most recent market data, including country risk premiums.

The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium, country risk premiums and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. In some markets, equity risk premiums have increased slightly, primarily due to higher country risk premiums. The cost of debt is based on the cost of interest-bearing borrowings and lease obligations the CGU has to service.

The debt-to-equity ratio applied by arriving at the weighted average cost of capital was determined by applying market value weights based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities. The inclusion of lease obligations into cost of debt has increased the debt weighting in the cost of capital. Despite an increase in the cost of equity, the lower cost of debt and the increased weight of debt resulted in a small reduction in discount rates applied.

Given the volatility within financial markets, there is a risk that a prolonged pandemic could lead to increased discount rates. However, after witnessing an improvement in trading conditions after the reporting period, the Group believes that the key assumptions used in the goodwill impairment test, as disclosed above, remain appropriate.

### 10.3 Impairment of goodwill

The impairment charges to goodwill are included in the consolidated income statement.

The goodwill accumulated impairments by CGUs were as follows:

| CGU                   | Accumulated impairment of goodwill<br>R'm | Discount rate (pre-tax WACC) |           | Growth rate |           |
|-----------------------|---|------------------------------|-----------|-------------|-----------|
|                       |   | 2021                         | 2020      | 2021        | 2020      |
| MRM South Africa      | –   | 13% - 17%                    | 13% - 24% | 2.5% - 8%   | 2% - 5%   |
| MRM Rest of Africa    | 97.5                                      | 9% - 25%                     | 12% - 24% | 7% - 11%    | 3% - 5.5% |
| Products and Services | 20.9                                      | 13% - 17%                    | 13% - 24% | 2.5% - 8%   | 0% - 5%   |
| <b>Total</b>          | <b>118.4</b>                              |                              |           |             |           |

## 11. GOING CONCERN

The working capital facility unutilised at year end amounted to R106 million. The Group has sufficient financial support to ensure it is able to meet its financial obligations.

During the July 2021 unrest in South Africa, the businesses continued to operate and did not experience any significant trading disruptions during that period.

Management has performed a detailed going concern assessment which included a review of the 2022 budget and its cash flows, and is of the opinion that the Company will, for the foreseeable future, be able to meet its obligations as and when they fall due.

Accordingly the financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

## COMMENTARY ON THE RESULTS

### THE GROUP IN CONTEXT

Metrofile Group is a leading records and information management specialist in Africa and the Middle East, providing clients with end-to-end solutions for the complete data management lifecycle, while ensuring they extract maximum value from their information assets. The business was formed in 1983 and 38 years later, our operations service clients of all sizes and sectors across South Africa, Kenya, Botswana, Mozambique and the Middle East. Group companies operate from 67 facilities, at 36 locations, covering 115 750 square metres of warehousing space.

Metrofile's storage, digital services and products enable businesses to manage their greatest risk, the security of information. We have an acclaimed track record in organising, backing up, managing and protecting large volumes of active and inactive documents, images and data, in physical or electronic format. The Group offers the infrastructure, technology and services to securely manage each phase of the document's lifecycle until its ultimate destruction and recycling.

While the physical management of records and information remains core and continues to grow in volume and revenue, the provision of digital services is expanding and is integral to the strategy. Our solutions based end-to-end service offering covers both aspects as we work with clients on the digital transformation of records across the full paper-to-digitalisation spectrum.

Empowerment partner and strategic shareholder, Mineworkers Investment Company, owns 38.16% of Metrofile's equity.

### RESULTS OVERVIEW

Results overview for the period:

- Revenue increased by 3% to R933 million.
- Operating profit increased 11% to R241 million.
- Group HEPS increased 28% to 31.8c.
- Net debt improved by 17% to R434 million.
- Free cash flow increased by 42% to R184 million.

### FINANCIAL REVIEW

#### Revenue

Revenue increased by 3% to R933 million (FY2020: R903 million). Secure storage contributed 62% to Group revenue and was marginally down 2% year-on-year mainly as a result of a reduction in service-related revenue such as handling fees and transport costs. This was partially offset by an improvement in core storage related revenue, as an improved price mix was achieved during the period. New box volume intake increased 8%, from new and existing customers and was offset by destructions and withdrawals, with closing box volumes remaining at 11.1 million at 30 June 2021. Geographic performance in terms of box volume growth resulted in a marginal decline in net box volumes in South Africa of 1%, however we achieved improved net box growth in Rest of Africa of 4% and the Middle East of 46%. Digital services contributed 16% to Group revenue and was up 23% year-on-year mainly as a result of an increase in digital work flow solutions and the number of images processed. The increase was primarily driven by additional digital work performed in the Middle East as well as a positive contribution from the newly launched Metrofile Vysion. Metrofile Vysion provides digital work flow solutions and has enhanced our core capabilities in providing value to our customers. Products and solutions and business support services contributed 16% and 6% respectively to Group revenue. These revenue streams recorded increased revenues of 10% and 1% respectively as an overall improvement in volumes was realised, despite the impact of the challenging economic conditions.

#### Operating profit and EBITDA

Operating profit increased by 11% to R241 million (FY2020: R217 million) mainly as a result of the improved revenue performance and cost reduction measures. EBITDA rose by 7% to R323 million (FY2020: R302 million) due to improved operational performance.

#### Cash and debt

Free cash flow increased by 42% to R184 million (FY2020: R130 million) due to improvements in working capital and a reduction in capital expenditure following enhanced focus on capital allocation. Net finance costs decreased significantly by 24% to R49 million (FY2020: R65 million) following the reduction in net debt of 17% to R434 million (FY2020: R523 million).

### REVIEW OF OPERATIONS

#### MRM South Africa

Operating profit increased by 3% to R214 million (FY2020: R207 million) as a result of a reduction in cost as well as revenue increasing by 1% to R549 million (FY2020: R543 million). The rise in revenue was as a result of a 3% growth in core storage, digital work flow solutions and scanning revenue, which was partially offset by a reduction in box service related revenue. New box volume intake is expected to increase, whilst we seek to improve efficiencies in our warehouses. Key focus areas centre around the operationalisation of the digital services pipeline and key projects.

#### MRM Rest of Africa

MRM Rest of Africa consists of operations in Kenya, Botswana and Mozambique. Improved trading conditions positively impacted operating profit which increased by 15% to R35 million (FY2020: R30 million), despite a decrease in revenue of 6% to R100 million (FY2020: R106 million) due to the disposal of the Zambian business and closure of the Nigerian business in the prior year. Net box volume growth is expected to continue going forward, particularly in the greater East African region.

## COMMENTARY ON THE RESULTS (continued)

### MRM Middle East

MRM Middle East consists of operations in the United Arab Emirates and Oman. Trading conditions have been positive in the Middle East, with a focus on materialising key digital projects as well as securing a long term pipeline of projects. Revenue improved by 42% to R77 million (FY2020: R55 million) and operating profit rose by 553% to R13 million (FY2020: R2 million) following the improved pipeline, operationalisation of key projects as well as higher box volumes.

### Products and Services South Africa

Products and Services South Africa consists of Tidy Files, Cleardata and Global Continuity. Operating profit increased by 120% to R17 million (FY2020: R8 million), due to significant cost reduction initiatives implemented as a result of the current environment. Trading conditions in South Africa have been tough during the COVID-19 lockdown restrictions and the operating market has seen a slow improvement out of lockdown with revenue increasing by 4% to R207 million (FY2020: R200 million).

## FINAL DIVIDEND

The Board has resolved to declare a final cash dividend of 8 cents per share.

Notice is hereby given that an interim gross cash dividend of 8 cents per share in respect of the year ended 30 June 2021 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 1 October 2021. The last day to trade cum-dividend will therefore be Tuesday, 28 September 2021 and Metrofile shares will trade ex-dividend from Wednesday, 29 September 2021. Payment of the dividend will be on Monday, 4 October 2021. Share certificates may not be dematerialised or rematerialised from Wednesday, 29 September 2021 (which is ex-date) to Friday, 1 October 2021, both days inclusive. Withholding tax on dividends will be deducted for all shareholders who are not exempt in terms of the legislation at a rate of 20% which will result in a final net cash dividend of 6.4 cents per share. The Company's issued share capital at the period end is 433 699 958 shares and the Company's tax number is 9375/066/71/0.

## CHANGES TO THE BOARD OF DIRECTORS

Mr DL Storom was appointed alternate to Mr MZ Abdulla, effective 26 March 2021. There were no other changes to the Board for the year ended 30 June 2021 or up to the date of this report. Shareholders are advised of the changes to the Board and board committees effective after the date of this report being 30 September 2021, as published on SENS on 14 July 2021.

## UPDATE RELATING TO PREVIOUS EXPRESSION OF INTEREST (EOI) TO BID FOR METROFILE

Shareholders were advised in December 2019 that Housatonic had submitted an EOI to potentially offer 330 cents per share to Metrofile shareholders and delist Metrofile. The process was stalled due to the COVID-19 lockdowns in March 2020, and placed completely on hold on 16 October 2020 when Metrofile withdrew its cautionary announcement. There have been no further substantive interactions with Housatonic or with other potential bidders and the Board regards the process as terminated at the present time.

## OUTLOOK

Going forward, we anticipate we will achieve growth by extending and defending our market position in the information storage space as well as scaling our position in information management through growing our digital services offerings. With target gearing levels now achieved and cost reduction initiatives ensuring a more efficient structure, appropriate levels of capital allocation will now shift in support of consolidating our market position in information storage and accelerating growth in information management. We began delivering valuable solutions in these areas over the past year and we strongly believe we have a solid foundation to fuel growth in the digital space. Predictable annuity based revenue will continue to be the key characteristic in both information storage and information management service offerings.

## FORWARD-LOOKING STATEMENT

Statements on future financial performance have not been reviewed or audited by the Group's external auditors. The Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these. The Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement, even if new information becomes available as a result of future events or for any other reason, other than as stipulated by the JSE Listings Requirements.

**Christopher Seabrooke**  
Chairman of the Board

**Pfungwa Serima**  
Group Chief Executive Officer

Illovo  
13 September 2021

## CORPORATE INFORMATION

### DIRECTORS

CS Seabrooke (Chairman)<sup>^</sup>, MS Bomela (Deputy Chairman)<sup>\*</sup>, PG Serima (CEO), S Mansingh (CFO), MZ Abdulla<sup>\*</sup>, P Langeni<sup>†</sup>, LE Mthimunye<sup>^</sup>, GD Wackrill<sup>\*</sup>, SV Zilwa<sup>^</sup>, L Rood (Alternate)<sup>^</sup>, DL Storom (Alternate)<sup>\*</sup>

<sup>^</sup>Independent <sup>\*</sup>Non-executive <sup>†</sup>Lead independent

### COMPANY SECRETARY

P Atkins

### REGISTERED OFFICE

First Floor, 28 Fricker Road, Illovo, 2196, Gauteng, South Africa  
www.metrofilegroup.com

### SPONSOR

The Standard Bank of South Africa Limited

### TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd  
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Gauteng, South Africa

### INVESTOR RELATIONS

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