METROFILE HOLDINGS LIMITED

AUDITED SUMMARISED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE

2022

Metrofile Group

Salient features

Revenue	EBITDA	Operating profit
R980M	R325M	R240M
▲5%	▲1%	▶0%

DPS	EPS	HEPS
18c	30.8c	30.7c
▲20%	▼3%	▼3%

Summarised consolidated statement of comprehensive income

R'000	Notes	Audited 12 months ended 30 June 2022	Audited 12 months ended 30 June 2021
Revenue		979 677	933 465
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	6	324 782	322 651
Depreciation on property, plant and equipment		(36 343)	(36 173)
Depreciation on right-of-use asset		(36 286)	(35 805)
Amortisation		(11 751)	(9 872)
Operating profit		**240 402**	240 801
Acquisition related costs	8.2	(5 894)	–
Profit before finance costs		**234 508**	240 801
Net finance costs		**(48 780)**	(49 447)
Finance income		467	365
Finance costs		(34 969)	(36 826)
Finance costs on lease liabilities		(14 278)	(12 986)
Profit before taxation		**185 728**	191 354
Taxation		(46 390)	(49 384)
Profit for the year		**139 338**	141 970
Attributable to:			
Owners of the parent		133 588	138 306
Non-controlling interest		5 750	3 664
Profit for the year		**139 338**	141 970
Profit attributable to owners of the parent:			
Basic earnings per share (cents)	4	**30.8**	31.9
Diluted earnings per share (cents)	4	**30.0**	31.2

Summarised consolidated statement of other comprehensive income

R'000	Audited 12 months ended 30 June 2022	Audited 12 months ended 30 June 2021
Profit for the year	**139 338**	141 970
Other comprehensive income/(loss) for the year		
Currency movement on translation of foreign subsidiaries	5 307	(17 385)
Total comprehensive income for the year	**144 645**	124 585
Attributable to:		
Owners of the parent	141 338	122 321
Non-controlling interest	3 307	2 264

Summarised consolidated statement of financial position

R'000	Notes	Audited 12 months ended 30 June 2022	Audited 12 months ended 30 June 2021
ASSETS			
Non-current assets		**1 196 649**	1 084 241
Property, plant and equipment		609 699	595 454
Right-of-use asset		129 582	113 337
Intangible assets		67 945	43 867
Goodwill	12	372 193	313 947
Long term vendor consideration		3 500	3 500
Deferred taxation asset		13 730	14 136
Current assets		**295 633**	268 324
Inventories		16 209	13 776
Trade receivables		203 614	190 655
Other receivables		30 026	26 709
Taxation receivable		5 243	–
Cash and cash equivalents		40 541	37 184
Total assets		**1 492 282**	1 352 565
EQUITY AND LIABILITIES			
Equity		**577 876**	569 793
Equity attributable to owners of the parent		559 591	558 732
Non-controlling interest		18 285	11 061
Non-current liabilities		**678 349**	573 925
Interest-bearing liabilities		441 556	430 129
Lease liabilities		114 791	97 741
Acquisition related liabilities	8.3	72 247	–
Deferred taxation liabilities		49 755	46 055
Current liabilities		**236 057**	208 847
Trade and other payables		115 637	108 585
Provisions		13 505	22 366
Deferred revenue		18 804	11 154
Taxation payable		6 354	1 131
Bank overdraft		5 605	1 626
Interest-bearing liabilities		39 195	39 893
Lease liabilities		33 391	24 092
Acquisition related liabilities		3 566	–
Total equity and liabilities		**1 492 282**	1 352 565

Summarised consolidated statement of changes in equity

R'000	Notes	Share capital and share premium	Accumulated loss	Other reserves	Attributable to owners of the parent	Non-controlling interest	Total equity
Balance at 30 June 2020		**573 833**	**(79 765)**	**5 017**	**499 085**	**8 797**	**507 882**
IFRS 2 expense		–	–	481	481	–	481
Dividends declared		–	(63 155)	–	(63 155)	–	(63 155)
Total comprehensive income for the year ended 30 June 2021		–	138 306	(15 985)	122 321	2 264	124 585
Balance at 30 June 2021		**573 833**	**(4 614)**	**(10 487)**	**558 732**	**11 061**	**569 793**
IFRS 2 expense		–	–	2 502	2 502	–	2 502
Dividends declared		–	(74 168)	–	(74 168)	(878)	(75 046)
Acquisition of subsidiary	8.2	–	–	–	–	4 795	4 795
Redemption liability recognised directly in equity	8.3	–	(68 813)	–	(68 813)	–	(68 813)
Total comprehensive income for the year ended 30 June 2022		–	133 588	7 750	141 338	3 307	144 645
Balance at 30 June 2022		**573 833**	**(14 007)**	**(235)**	**559 591**	**18 285**	**577 876**

Summarised consolidated statement of cash flows

R'000	Notes	Audited 12 months ended 30 June 2022	Audited 12 months ended 30 June 2021
Cash flows from investing activities			
Cash generated from operations before net working capital changes		327 513	319 577
(Decrease)/increase in net working capital		(19 421)	11 785
Cash generated by operations		308 092	331 362
Net finance costs		(48 760)	(36 482)
Normal taxation paid		(42 107)	(49 018)
Net cash inflow from operating activities		**217 225**	245 862
Cash flows from investing activities			
Capital expenditure: expansion		(47 466)	(18 831)
Capital expenditure: replacement		(12 559)	(24 804)
Proceeds from sale of property, plant and equipment		484	818
Acquisition of subsidiaries	8.2	(65 604)	–
Net cash outflow from investing activities		**(125 145)**	(42 817)
Cash flows from financing activities			
Repayment of borrowings		(39 900)	(89 583)
Interest-bearing liabilities raised		50 000	–
Payment of lease liabilities		(29 929)	(44 150)
Dividends paid		(74 989)	(61 851)
Net cash outflow from financing activities		**(94 818)**	(195 584)
Net (decrease)/increase in cash and cash equivalents		(2 738)	7 461
Cash and cash equivalents at the beginning of the year		**35 558**	32 199
Effects of exchange rate movement on cash balances		2 116	(4 102)
Net cash and cash equivalents at the end of the year		**34 936**	35 558
Represented by:			
Cash and cash equivalents		40 541	37 184
Bank overdraft		(5 605)	(1 626)

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 2021 annual financial statements and in terms of International Financial Reporting Standards (IFRS).

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 2022, 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 in Appendix A of this report.

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 or on the Company's website: https://www.metrofilegroup.com/investor–relations/. 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.

	Revenue		EBITDA	
R'000	**Audited 12 months ended 30 June 2022**	**Audited 12 months ended 30 June 2021**	**Audited 12 months ended 30 June 2022**	**Audited 12 months ended 30 June 2021**
MRM South Africa	539 083	549 210	249 534	253 518
MRM Rest of Africa	91 077	99 631	43 401	56 800
MRM Middle East	85 540	77 451	18 884	14 582
Products and Services South Africa	263 977	207 173	47 245	33 265
Central and Eliminations	–	–	(34 282)	(35 514)
Total	**979 677**	**933 465**	**324 782**	**322 651**
South African operations	803 060	756 383	262 497	251 269
Non-South African operations	176 617	177 082	62 285	71 382

	Operating profit		Tangible assets	
R'000	**Audited 12 months ended 30 June 2022**	**Audited 12 months ended 30 June 2021**	**Audited 12 months ended 30 June 2022**	**Audited 12 months ended 30 June 2021**
MRM South Africa	198 692	213 566	704 370	706 087
MRM Rest of Africa	28 156	34 955	136 690	132 939
MRM Middle East	17 091	13 046	69 356	48 441
Products and Services South Africa	28 190	16 974	151 595	116 489
Central and Eliminations	(31 727)	(37 740)	(23 597)	(23 341)
Total	**240 402**	**240 801**	**1 038 414**	**980 615**
South African operations	195 155	192 800	832 368	799 235
Non–South African operations	45 247	48 001	206 046	181 380

Notes to the financial statements (continued)

3. Summarised segmental information (continued)

R'000	Revenue streams	
	Audited 12 months ended 30 June 2022	Audited 12 months ended 30 June 2021
Secure storage	567 104	576 212
Digital services	204 637	153 072
Products and solutions	143 957	146 610
Business support services	63 979	57 571
Total	**979 677**	**933 465**

4. Reconciliation of headline earnings

R'000	Audited 12 months ended 30 June 2022	Audited 12 months ended 30 June 2021
Reconciliation of headline earnings		
Profit attributable to owners of the parent	133 588	138 306
Profit on disposal of plant and equipment	(429)	(320)
Tax effect of above items	121	90
Headline earnings	133 280	138 076
Headline earning per ordinary share (cents)	30.7	31.8
Weighted average number of shares in issue ('000)	433 700	433 700
Diluted weighted average number of shares in issue ('000)	446 011	443 962
Earnings per share: (cents)		
– Basic	30.8	31.9
– Diluted	30.0	31.2
Headline earnings per share (cents)		
– Basic	30.7	31.8
– Diluted	29.9	31.1
Dividend per share (cents)	18.0	15.0
– Interim dividend per share paid	9.0	7.0
– Final dividend per share proposed/paid	9.0	8.0

Notes to the financial statements (continued)

5. Financial risk

The Group is exposed to fixed and variable interest rates (3 month JIBAR interest rate benchmark plus interest rate scale) within its debt profile.

The interest rate exposure of the existing facilities is as follows:

	Total facilities	Unutilised as at 30 June 2022	Capital outstanding as at 30 June 2022	Variable interest rate	Fixed interest rate
RCF loan facility – variable	200 000 000	–	200 000 000	3 month JIBAR plus margin premium	–
Bullet loan facility – fixed	200 000 000	–	200 000 000	–	4.65% plus margin premium
Amortisation facility – fixed	60 000 000	–	60 000 000	–	4.16% plus margin premium
Amortisation facility – variable	21 700 678	–	21 700 678	3 month JIBAR plus margin premium	–
Working capital facility	108 000 000	102 395 000	5 605 000	Prime interest rate minus 1%	–

Interest rate scale – margin premium

	Bullet/RCF loan (3 month JIBAR plus) %	Amortisation loan (3 month JIBAR plus) %
Gross debt/EBITDA		
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. Operating profit before interest, taxation, depreciation and amortisation (EBITDA)

Items included in EBITDA for the year are as follows	Audited 12 months ended 30 June 2022	Audited 12 months ended 30 June 2021
Materials and consumables	(127 208)	(122 807)
Staff costs	(308 917)	(277 875)
Other operating expenses	(230 194)	(218 928)
Other operating income	11 424	8 796

7. Statement of financial position movements

Goodwill has increased due to the acquisition of IronTree Internet Service (Pty) Ltd ("IronTree") with a corresponding increase in interest-bearing liabilities and acquisition related liabilities that have been disclosed in note 8. Property, plant and equipment increased as a result of capital expenditure and trade and other receivables has increased as a result of the acquisition. Right-of-use assets and lease liabilities both increased as a result of lease renewals of existing facilities.

8. Business combinations

Effective 1 December 2021, the Group obtained control by acquiring 70% of the issued share capital and 70% of the voting rights of IronTree, a company incorporated and based in South Africa. IronTree is a leading provider of data management services including cloud backup, disaster recovery and specialised hosting in a private cloud. IronTree also offers cybercrime and ransomware prevention, ongoing privacy law compliance management and business continuity planning services. The objective of the acquisition is to further increase the Group's market share in providing digital solutions and services. IronTree will strengthen Metrofile's core capabilities in virtual storage and digital risk management.

Notes to the financial statements (continued)

8. Business combinations (continued)

The acquisition will be settled on the following basis:

- An upfront cash amount of R48 918 295 for 70% of the shares in and claims against IronTree payable to the sellers on the effective date.
- A top-up payment (contingent consideration) of R13 136 731 payable should IronTree achieve an adjusted EBITDA of R18 719 464 for the 12-month period ending 28 February 2022. As at 30 June 2022 the target was achieved and R13 136 731 was settled.
- The remaining 30% of the shares (redemption liability) will be purchased in 2024 and will be determined using a sliding scale based on the growth in revenue of the business up to the 12-month period ending 29 February 2024 ("final payment"). The final payment will be based on revenue, rather than EBITDA, in order to simplify the integration of IronTree into Metrofile as integration initiatives are likely to consolidate costs of both Metrofile and IronTree.

8.1 Key estimates and judgements

Redemption liability recognised directly in equity

The redemption liability represents the remaining 30% to be purchased from the minority interest of IronTree.

The amount was determined using a sliding scale based on the estimated growth in revenue of the business up to the 12 month period ending 29 February 2024. The maximum payment will be linked to a revenue target of R100 million for the 12 month period ending 29 February 2024. The redemption liability will be based on the total purchase price, capped at R140 million reduced by the first two payments, discounted using the current prime lending rate.

8.2 Details of the business combination

R'000	01 Dec 2021
The details of the business combination are as follows:	
Identifiable net assets	
Property, plant and equipment	5 892
Right-of-use asset	1 076
Identifiable intangible assets	18 490
Deferred tax asset	1 055
Total non-current assets	**26 513**
Trade and other receivables	3 169
Cash and cash equivalents	2 345
Total current assets	**5 514**
Lease liability	1 098
Deferred tax liability	4 992
Total non-current liabilities	**6 090**
Trade and other payables	4 977
Income received in advance	3 422
Current tax payable	1 554
Total current liabilities	**9 953**
Total identifiable assets acquired and liabilities assumed	**15 984**
Non-controlling interest	**4 795**
Goodwill on acquisition	**58 122**
Fair value of consideration transferred	
Amount settled in cash	48 918
Contingent consideration paid	13 137
Less: cash and cash equivalent acquired	(2 345)
Net cash outflow on acquisition	59 710
Acquisition costs charged to expenses	5 894
Net cash paid relating to the acquisition	**65 604**

Notes to the financial statements (continued)

8. Business combinations (continued)

8.2 Details of the business combination (continued)

Consideration transferred

Acquisition-related costs amounting to R 5.9 million are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit and loss.

Identifiable net assets

The fair values of the identifiable intangible assets amounted to R18 million.

The fair value of the trade and other receivables acquired as part of the business combination amounted to R3 168 590, being the gross contractual amount. As at acquisition date, the Group's best estimate of the contractual cash flows not expected to be collected amounted to Rnil.

No contingent liabilities were recognised.

Goodwill

The goodwill that arose on the combination can be attributed to the future potential value arising from the acquisition. Goodwill has been allocated to the IronTree Internet Services cash-generating unit as at 30 June 2022. None of the goodwill recognised is expected to be deductible for income tax purposes.

IronTree's contribution to the Group results

From the date of the acquisition, 1 December 2021 to 30 June 2022, IronTree contributed R36.8 million in revenue and R8.2 million in net profit to the Group.

Had IronTree been acquired on 1 July 2021, the Group revenue would have been R1.005 billion and profit for the year would have been R144 million for the year ended 30 June 2022.

8.3 Acquisition related liabilities

Acquisiton related liabilities consist of the Group's remaining commitment to purchase the initial 70% as well as the additional 30% in IronTree and are represented by the balances below as at 30 June 2022.

	R'000
Contingent consideration linked to earnings	7 000
Redemption liability recognised in equity	68 813
	75 813

9. Fair value estimate

The carrying value of financial instruments approximates their fair value.

10. Commitments

Metrofile owns or leases premises based on the prevailing economic realities in each country in which we operate. Capital investment plans for the next 12 months are expected to be R73 million (FY2022: R60 million).

11. Subsequent events

No subsequent events have occurred after the reporting date of 30 June 2022.

12. 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 economic impact of recovering from 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. IronTree Internet Services' goodwill was assessed as its own CGU. Goodwill attributable to these groups of CGUs was assessed for impairment and the following key assumptions were applied:

– Revenue growth rates of between 5% and 16% (2021: 2.5% - 11%).
– Cost growth rates of between 6% and 12% (2021: 3% - 5.8%).
– Discount rates (pre-tax WACC) of between 14% and 35% (2021: 9% - 25%).

Notes to the financial statements (continued)

12. Goodwill (continued)

R'000	CONSOLIDATED 2022	2021
Net carrying value of goodwill attributable to the following groups of CGUs:		
MRM South Africa	132 323	132 323
MRM Rest of Africa	126 487	126 363
Products and Services	55 261	55 261
IronTree Internet Services	58 122	–
	372 193	313 947
Opening balance	313 947	316 661
Goodwill recognised in the reporting period*	124	(2 714)
Goodwill arising from acquisition of subsidiary**	58 122	–
Closing balance	372 193	313 947

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

** *This relates to the acquisition of IronTree. Refer to note 8.2.*

12.1 Goodwill impairment testing

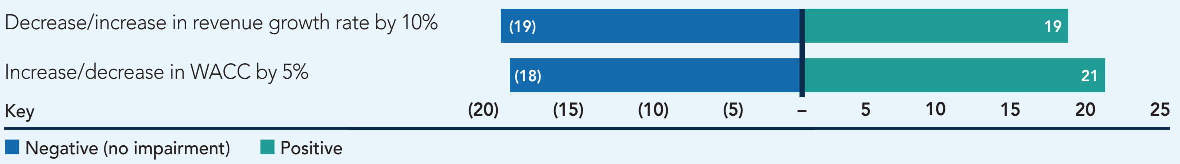
Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. The CGUs represent the identifiable assets for which an active market exists and which generate independent cash flows.

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. Various economies have traded under challenging circumstances. The goodwill assessments have included consideration of these factors in the growth rates and discount rates. As at 30 June 2022 no 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.

The sensitivity analysis performed by management on the MRM Rest of Africa CGU identified that the following changes in certain key assumptions, individually, will not result in any impairment. A negative movement in the input factors below will result in a reduced level of headroom that is marginally above the impairment threshold.

Impact on MRM Rest of Africa CGU value in use calculation (Rm)



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

12.2 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)

12. Goodwill (continued)

12.2 Key assumptions used in value in use calculations (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, references to economic indicators eg inflation rates, annual GDP growth rates, 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 cost of debt has increased across all markets.

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. The increase in the cost of equity and cost of debt across all markets as well as the increase in equity weighting to align to comparable entities has resulted in an increase in discounted 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.

12.3 Impairment of goodwill

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

The goodwill accumulated impairments by CGUs were as follows:

	Accumulated impairment of goodwill	Discount rate (pre-tax WACC)		Growth rate	
CGU	R'm	2022	2021	2022	2021
MRM South Africa	–	14% - 18%	13% - 17%	5% - 8%	2.5% - 8%
MRM Rest of Africa	97.5	14% - 35%	9% - 25%	7% - 15%	7% - 11%
Products and Services	20.9	17% - 22%	13% - 17%	8% - 16%	2.5% - 8%
IronTree Internet Services	–	18% - 22%	–	8% - 16%	–
Total	**118.4**				

13. Going concern

Performance

2022 was a year of significant challenges in the external environment both locally and internationally. Despite these several headwinds experienced, particularly in the South African and Kenya markets, the Group had remained resilient and navigated through these challenges with focus and efficacy.

The Group remains focused on improving operating profit and growth in the digital service offerings.

The Group cash reserves remain healthy, amounting to R35 million as at 30 June 2022. No significant disruptions of operations were experienced during FY2022.

Commentary on the results

The Group in context

Over the past four decades, Metrofile has established a credible and trusted reputation of being a leading records and information management specialist offering quality products and services to organisations of all sizes and sectors across South Africa, Kenya, Botswana, Mozambique and the Middle East. We operate from 71 facilities at 36 locations covering 118 370 square meters of warehousing space. Metrofile's services assist clients in structuring, managing, and accessing their information in any format, in any location, at any given time. Our clients are guided to ensure that adherence to all legislative requirements is met and that their most valuable asset, their information, is protected. Whilst retaining our core offerings, such as the physical management of records and information, and our expertise in space optimisation through a vast range of products, we have deepened our digital offerings through the acquisition of IronTree, which is an award-winning provider of data management services including cloud backup, disaster recovery and specialised hosting in a private cloud. IronTree also offers cybercrime and ransomware prevention, management of ongoing privacy law compliance and business continuity planning services. By providing end-to-end services across all aspects of the information management life cycle, we are well placed to meet the evolving demands of our clients and to assist them on their digital transformation journey, which includes digitising processes from end-to-end. Empowerment partner and strategic shareholder, Mineworkers Investment Company, owns 38.16% of Metrofile's equity.

Results overview

Results overview for the year:
- Revenue increased by 5% to R980 million.
- EBITDA increased by 1% to R325 million.
- Operating profit before acquisition related costs remained flat at R240 million.
- Dividend per share increased by 20% to 18c for the year, with a final dividend of 9c declared.
- EPS & HEPS decreased by 3% to 30.8 and 30.7c respectively.

Financial review

Revenue

Revenue increased by 5% to R980 million (FY2021: R933 million). Excluding the acquisition of IronTree, revenue increased by 1% to R943 million (FY2021: R933 million). FY2022 was characterised by a turbulent trading environment with unforeseen challenges both locally and internationally. This in turn severely impacted our customers as well as our operations in the South African and Kenyan markets as we experienced longer lead times in customer decision making and client dependencies became more challenging. Despite this, we have grown market share in all territories in which we operate. During the first quarter of the year destructions of higher priced boxes from various sectors followed the implementation of POPIA, however, since the second quarter, we have experienced an increase in box intake and a reduction in destructions. MRM Middle East has demonstrated significant growth over the past 18 months and is now our largest revenue and operating profit contributor outside of South Africa. The addition of IronTree to the Group will enhance our core capabilities in providing value-add services in virtual storage and information risk management.

Secure storage contributed 58% to Group revenue and was down 2% due to a reduction in paper services and paper storage being flat. Closing box volumes for the Group as at 30 June 2022 were 11.5 million (30 June 2021: 11.1 million) as net box volume increased by 2%. New box volume intake increased 8% from new and existing clients and was partially offset following destructions and withdrawals of 6%. Net box volumes grew in all territories with South Africa 2% higher, Rest of Africa growing by 6% and the Middle East up by 8%.

Digital services contributed 21% to Group revenue and was up 35% mainly as a result of an increase in digital projects in South Africa, the acquisition of IronTree, as well as an increase in digitisation activities in the Middle East. Digital services is now our second largest revenue contributor and growth over the past 18 months has demonstrated the effect of the Group's introduction of relevant digital service offerings.

Products and solutions decreased by 2% due to local challenges that impacted demand for archiving products, however business support services grew 11%, mainly as a result of increased demand in confidential destruction. Products and solutions and business support services contributed 15% and 6% respectively to Group revenue.

Operating profit and EBITDA

Operating profit before acquisition related costs remained flat at R240 million (FY2021: R241 million) mainly as a result of a decline in higher margin paper services' activities, offset by increased digital services. EBITDA increased by 1% to R325 million (FY2021: R323 million). Excluding the IronTree acquisition, EBITDA decreased by 3% to R314 million (FY2021: R323 million), mainly as a result of the change in revenue mix.

Cash and debt

Net finance costs were flat at R49 million (FY2021: R49 million). Excluding the impact of IFRS 16, net finance costs reduced by 5% as a result of lower debt levels in H1FY2022. Net debt increased by 3% to R446 million following the acquisition of IronTree for R66 million and reduced dividend cover.

Commentary on the results (continued)

Review of operations

MRM South Africa

Revenue from MRM South Africa decreased by 2% to R539 million (FY2021: R549 million) due to a decline in demand for paper services, however, this was partially offset by greater demand for solutions requiring less physical space, including digital services, specifically image processing projects. Core storage remained in line with the prior year. The decline in higher yield paper services, as well as additional costs incurred during the period of social unrest in Gauteng and KwaZulu Natal, resulted in an overall decline in operating margin with operating profit decreasing by 7% to R199 million (FY2021: R214 million).

MRM Rest of Africa

MRM Rest of Africa consists of operations in Kenya, Botswana and Mozambique. Kenya experienced several headwinds, particularly in the financial services sector that contributed to the majority of the operation's revenue. The financial services sector encountered regulatory moratoriums on lending repayments and premiums, which led to significant cost reduction measures within this sector. This in turn led to pressure on the services's revenue within Metrofile Kenya, specifically active filing and image processing. Revenue decreased by 9% to R91 million (FY2021: R100 million) despite an improvement in net box volume growth of 6%. Operating profit was similarly impacted, which resulted in a decrease of 20% to R28 million (FY2021: R35 million).

MRM Middle East

MRM Middle East consists of operations in the United Arab Emirates and Oman. This region continued to grow and expand its digital project pipeline with revenue increasing by 10% to R86 million (FY2021: R77 million) with a respective increase in operating profit of 31% to R17 million (FY2021: R13 million).

Products and Services South Africa

Our Products and Services South Africa suite of offerings includes Tidy Files, Cleardata, Global Continuity, Metrofile Vysion and the recently acquired IronTree. While operating in a challenging trading environment during 1HFY2022, this segment performed in line with expectations, with significant growth being achieved particularly through the digital offering of Metrofile Vysion, which provides business process automation, as well as increased confidential destruction through Cleardata. Tidy Files experienced a difficult year due to loadshedding and the impact of competitor pricing, resulting in a decline in revenue and margin. Overall, revenue increased by 28% to R264 million (FY2021: R207 million). Operating profit increased by 65% to R28 million (FY2021: R17 million) as a result of the improved operational performance and digital projects.

IronTree's results were included for the seven months from 1 December 2021. IronTree's revenue of R37 million and operating profit of R8 million are included in the figures above. The performance is in line with expectations in relation to the growth targets set at acquisition as we settled the second top up payment in full, and further expect to settle the remaining deferred purchase consideration in full.

Dividend declaration and final dividend

The Board had reviewed the dividend policy in light of Metrofile's healthy cash generation and reduced net debt levels and has updated the dividend cover policy to a range of between 1.5x and 2.0x.

The Board has declared a final cash dividend of 9 cents per share, bringing the total dividend for the year to 18 cents per share.

Notice is hereby given that a final gross cash dividend of 9 cents per share in respect of the year ended 30 June 2022 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 7 October 2022. The last day to trade cum-dividend will therefore be Tuesday, 4 October 2022 and Metrofile shares will trade ex-dividend from Wednesday, 5 October 2022. Payment of the dividend will be on Monday, 10 October 2022. Share certificates may not be dematerialised or rematerialised from Wednesday, 5 October 2022 (which is ex-date) to Friday, 7 October 2022, 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 7.2 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 and Company Secretary

The following changes were made to the Board during the 2022 financial year:

- Effective 30 September 2021:
  - Chris Seabrooke stepped down as independent non-executive Chairman of the Board and Phumzile Langeni was appointed as the new independent non-executive Chairman. Chris continues as an independent non-executive member of the Board.
  - Graham Wackrill retired as non-executive director.
  - Andile Khumalo and Thabo Seopa were appointed as independent non-executive directors.
- Effective 30 June 2022 Zaheer Abdulla resigned, and Lebohang Storom has been appointed as a non-executive director. Lebohang Storom has been an alternate director to Zaheer Abdulla since 26 March 2021.
- Effective 31 July 2022, Paige Atkins resigned as Company Secretary and was replaced by Elmarie Smuts in an interim capacity.

Commentary on the results (continued)

Share buy-back programme

The Board has authorised a share buy-back programme under the general authority of the Company for the first time since the 2018 financial year. The general authority of the Company is valid until the annual general meeting scheduled for 22 November 2022.

Outlook

The expansion of our core capabilities in digital and cloud services has distinguished Metrofile from both traditional competitors and digital providers in our industry. Revenue contribution from digital services has validated our strategy of innovating across our core offerings, including cloud services, to assist our customers in becoming digitally transformed enterprises. We are transforming our Company and making it digital and cloud ready by pivoting our investments to strategic growth areas that enable us to focus on accelerated growth opportunities in the market. This puts us on a strong trajectory as we drive our attention towards taking advantage of the current and future digital opportunities.

We remain fully dedicated to our customers' growth plans and to this end we have strengthened our approach to the market by appointing industry experts. This will enhance our focus, ensure a quick response to market and a comprehensive provision of end-to-end integrated solutions and services to our customers. We remain committed to working closely with our local and international solution providers to efficiently implement practical solutions for our customers. As we transform Metrofile through a greater contribution from digital services, we expect these solutions to potentially dilute our operating margin. This will be necessary for the evolution of Metrofile but ultimately we recognise the valuable contribution that these solutions will make towards our customers growth plans. Interactions with our customers have demonstrated an optimistic future in the data and information management sector. Metrofile is well positioned, capable and ready to be at the core of this exciting journey.

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.

Phumzile Langeni
Chairman of the Board

Pfungwa Serima
Group Chief Executive Officer

Illovo
12 September 2022

Corporate information

Directors

P Langeni (Chairman)^*, MS Bomela (Deputy Chairman)*, PG Serima (CEO), S Mansingh (CFO), SV Zilwa†*, A Khumalo^*, LE Mthimunye^*, CS Seabrooke^*, STM Seopa^*, DL Storom*, L Rood (Alternate)^*.

*^Independent *Non-executive †Lead independent*

Acting Company Secretary

EM Smuts

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

Anne Dunn
082 448 2684
anne@annedunn.co.za

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")

Appendix A

Independent auditor's report on the summarised consolidated financial statements to the shareholders of Metrofile Holdings

Opinion

The summarised consolidated financial statements of Metrofile Holdings Limited, which comprise the summarised consolidated statement of financial position as at 30 June 2022, summarised consolidated statement of comprehensive income, summarised consolidated statement of other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Metrofile Holdings Limited for the year ended 30 June 2022.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Metrofile Holdings Limited, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Metrofile Holdings Limited and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 12 September 2022. That report also includes the communication of other key audit matters as reported in the auditor's report of the audited financial statements.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

DocuSigned by:

Deloitte & Touche

E696AE0B32F14FE...

Deloitte & Touche
Registered Auditor

Per: H. Loonat
Partner

12 September 2022

Deloitte
5 Magwa Crescent
Waterfall City
Waterfall
2090
South Africa