



Condensed Consolidated Statement of Comprehensive Income
[for the six months ended 31 January 2011]

	Unaudited six months ended 31 January 2011 R'000	Unaudited six months ended 31 January 2010 R'000	Audited 12 months ended 31 July 2010 R'000
Revenue	198 958	220 208	458 953
Earnings before interest, taxation, depreciation and amortisation (EBITDA) and other financial items	15 432	24 212	57 170
Depreciation and amortisation	(4 853)	(8 364)	(14 342)
– Depreciation	(1 486)	(2 317)	(4 044)
– Amortisation	(3 367)	(6 047)	(10 298)
Profit from operations	9 093	15 848	42 828
Finance income	281	142	400
Finance costs	(3 552)	(11 345)	(22 079)
– Interest paid	(3 552)	(5 377)	(11 588)
– Foreign exchange gains/(losses) on loan to subsidiary	253	(8 968)	(10 491)
Other financial items	(112)	(750)	2 793
Profit before taxation	5 963	3 895	23 942
Taxation	(3 834)	(1 852)	(7 994)
– Normal taxation	(2 602)	(1 852)	(7 994)
– Secondary Taxation on Companies	(1 232)	–	–
Profit for the period	2 129	2 043	15 948
Attributable to:			
– owners of the parent	2 478	1 875	17 044
– minority interest	(349)	168	(1 096)
Profit for the period	2 129	2 043	15 948
Total comprehensive income for the period	2 129	2 043	15 948
Attributable to:			
– owners of the parent	2 478	1 875	17 044
– minority interest	(349)	168	(1 096)
Total comprehensive income for the period	2 129	2 043	15 948
Earnings per share (cents)	1,1	0,8	7,5
Diluted earnings per share (cents)	1,1	0,8	7,5
Weighted average numbers of shares on which – earnings per share is based ('000)	230 063	227 997	228 700
– diluted earnings per share is based ('000)	230 063	227 997	228 700
Number of ordinary shares in issue ('000)	246 320	242 102	246 320
Reconciliation between earnings and headline earnings			
Profit for the period attributable to ordinary shareholders	2 478	1 875	17 044
Profit on disposal of assets	–	–	26
Headline earnings	2 478	1 875	17 070
Headline earnings per share (cents)	1,1	0,8	7,5
Reconciliation between earnings and adjusted earnings			
– Profit for the period attributable to ordinary shareholders	2 478	1 875	17 044
– Amortisation (after taxation)	3 494	4 151	7 414
– Unrealised losses/(profits) on derivatives (after taxation)	81	540	(2 011)
– Foreign exchange (gains)/losses on group loans (after taxation)	(181)	4 297	7 554
Adjusted earnings	5 872	10 863	30 001
Adjusted earnings per share (cents)	2,6	4,8	13,1

Condensed Consolidated Statement of Financial Position
[at 31 January 2011]

	Unaudited at 31 January 2011 R'000	Unaudited at 31 January 2010 R'000	Audited at 31 July 2010 R'000
ASSETS	216 437	231 790	221 607
Non-current assets	6 889	7 586	7 895
Property, plant and equipment	130 109	133 562	129 541
Goodwill	44 879	55 373	48 645
Intangible assets	34 560	35 269	35 526
Deferred taxation	–	–	–
Current assets	153 589	163 839	202 037
Inventories	4 042	3 721	3 592
Trade and other receivables	119 806	131 649	129 775
Taxation	99	143	634
Cash and cash equivalents	29 642	28 326	68 036
Total assets	370 026	395 629	423 644
EQUITY AND LIABILITIES	179 935	177 286	191 157
Equity	118 900	115 234	118 900
Share capital	246	242	246
Share premium	118 900	115 234	118 900
Treasury share reserve	(22 478)	(22 215)	(19 699)
Share-based payment equity reserve	4 358	3 496	3 957
Foreign currency translation reserve	(21 909)	(19 464)	(22 431)
Retained earnings	90 016	83 924	99 093
Equity attributable to owners of the parent	169 133	161 217	180 066
Minority interest	10 802	16 069	11 091
Non-current liabilities	48 635	71 393	59 806
Long-term loans	36 581	56 829	46 664
Deferred taxation	12 054	14 564	13 142
Current liabilities	141 456	146 950	172 681
Trade and other payables	113 842	122 467	138 700
Taxation	3 188	2 183	10 828
Derivative financial instruments	4 394	4 939	4 262
Short-term loans	20 032	17 361	18 871
Total equity and liabilities	370 026	395 629	423 644
Net asset value per share net of treasury (cents)	73,7	70,7	77,5
Tangible net asset value per share net of treasury (cents)	(2,6)	(12,2)	(0,8)

Condensed Consolidated Statement of Changes in Equity
[for the six months ended 31 January 2011]

	Unaudited six months ended 31 January 2011 R'000	Unaudited six months ended 31 January 2010 R'000	Audited 12 months ended 31 July 2010 R'000
Share capital	246	242	246
Balance at beginning of the period	246	242	242
Issued during the period	–	–	4
Share premium	118 900	115 234	118 900
Balance at beginning of the period	118 900	115 234	115 234
Issued during the period	–	–	3 666
Treasury share reserve	(22 478)	(22 215)	(19 699)
Balance at beginning of the period	(19 699)	(22 215)	(22 215)
Own shares acquired by subsidiary	(2 779)	–	–
Own shares sold by subsidiary	–	–	2 516
Share based payment equity reserve	4 358	3 496	3 957
Balance at beginning of the period	3 957	3 096	3 096
Share based payment transactions during the period	401	400	861
Foreign currency translation reserve	(21 909)	(19 464)	(22 431)
Balance at beginning of the period	(22 431)	(14 386)	(14 386)
Foreign exchange movements during the period	522	(5 078)	(8 045)
Retained earnings	90 016	83 924	99 093
Balance at beginning of the period	99 093	82 049	82 049
Profit for the period	2 478	1 875	17 044
Dividends paid	(11 555)	–	–
Equity attributable to owners of the parent	169 133	161 217	180 066
Minority interest	10 802	16 069	11 091
Balance at beginning of the period	11 091	17 080	17 080
Recognised (loss)/income for the period	(349)	168	(1 096)
Reduction due to purchase by the parent	–	–	(3 054)
Foreign exchange movements	60	(1 179)	(1 839)
Total capital and reserves	179 935	177 286	191 157

Condensed Consolidated Statement of Cash Flow
[for the six months ended 31 January 2011]

	Unaudited six months ended 31 January 2011 R'000	Unaudited six months ended 31 January 2010 R'000	Audited 12 months ended 31 July 2010 R'000
Cash flow from operating activities	(14 301)	(9 166)	40 834
Profit before taxation	5 963	3 895	23 942
Adjustments not affecting the flow of funds	10 038	17 831	33 962
Operating income before working capital changes	16 001	21 726	57 904
(Decrease)/increase in working capital	(15 431)	(17 730)	1 650
Cash generated from operations	570	3 996	59 554
Finance income	281	142	400
Finance costs	(3 552)	(5 377)	(11 588)
Taxation paid	(11 600)	(7 922)	(7 532)
Cash flow from investing activities	(1 412)	(3 044)	(8 512)
Cash flow from financing activities	(22 690)	(16 477)	(18 537)
Proceeds from issue of shares	–	–	3 670
Dividends paid	(11 555)	–	–
Own shares acquired by subsidiary	(2 779)	–	–
Own shares sold by subsidiary	–	–	2 516
Loans repaid	(8 356)	(16 477)	(24 723)
(Decrease)/increase in cash and cash equivalents	(38 403)	(28 687)	13 785
Foreign exchange movements in cash balances	9	(592)	(3 354)
Cash and cash equivalents at beginning of the period	68 036	57 605	57 605
Cash and cash equivalents at end of the period	29 642	28 326	68 036

Commentary

General Review

The six months to January 2011 was a difficult period for the group and particularly for SecureData Africa. Group EBITDA reduced to R15,4 million (2010: R24,2 million) on revenues that dipped to R199,0 million (2010: R220,2 million) reflecting an EBITDA margin of 7.8% (2010: 11.0%). Rand strength negatively impacted the group's revenues and earnings, affecting not only the Rand translation of the group's Sterling based income but also by reducing the selling unit cost of products sold in South Africa which are foreign currency denominated.

Services revenues, the bulk of which are monthly billed managed services, remained strong and accounted for a greater share of revenue (27%), than any other technology or product. Revenue generated outside of South Africa climbed to 44% from 37% in the prior year, and annuity revenue remained solid at 42%.

The calculation of earnings per share ("EPS") and headline earnings per share ("HEPS") incorporate the following items:

- a R4,9 million (2010: R6,0 million) charge for amortisation of intangible assets created by the group's prior acquisitions. This charge is unrealised and has no effect on group cash flow;
- a R253 000 (2010: R6,0 million loss) foreign exchange gain on inter-group loans reflecting the difference in Rand to Sterling exchange rate between the previous and current reporting closing dates. This charge is unrealised and has no effect on group cash flow and
- a R1 12 000 (2010: R0,75 million) loss on foreign exchange forward contracts, entered into to settle outstanding creditor payments by the group at a time of great Rand volatility. As at 31 January 2011 these losses were unrealised. Although the contracts will be crystallised during the course of 2011, these unrealised losses could be recognised as profits, should the Rand exchange rate weaken sufficiently at the time the contracts are recognised.

Together these non-operational and unrealised non-cash items reduced EPS and HEPS by 1,5 cents per share. Adjusted EPS, which ignores these items but includes cash expenses such as interest, reflects 2,6 cents per share (2010: 4,8 cents per share).

As reported in the 2010 annual report the company paid a dividend of 5 cents per share on 22 November 2010 for a total cash outlay including STC of R12,8 million. The STC payable reduced the EPS, HEPS and Adjusted EPS by 0,5 cents per share.

During the reporting period the group repurchased 2 870 277 shares in the market at a cost of R2,8 million. This brings the total number of shares held in treasury to 16 975 000.

The statement of financial position remained comfortable at end January 2011 with R29,6 million in cash and cash equivalents after the dividend payment and share-buy-back, and total borrowing of R56,6 million. In comparison with the six months ended 31 January 2010 inventory and debtors days remained flat around R4 million and 79 days respectively. Management continues to place particular emphasis on effective working capital management.

Operational Review

SDH operates subsidiaries in three major groupings: SecureData Africa, SecureData Europe (previously MIS-CDS) and SensePost.

SecureData Africa

	Six months to 31 January 2011 R'000	Six months to 31 January 2010 R'000	% Growth	12 months to 31 July 2010 R'000
Revenue	115 295	131 868	(12,6)	268 350
EBITDA	6 970	16 322	(57,3)	37 969
EBITDA margin (%)	6,0	12,4	(51,2)	14,1

SecureData Africa markets and distributes best of class IRM products in South Africa and across the rest of the continent.

Revenue declined almost 13% with the concomitant decline in EBITDA and EBITDA margin. In particular the Public Sector and Financial Services business units underperformed as government departments delayed transactions and financial institutions cut back on expenditure for new security projects. There is current evidence that the Financial Services unit will return to normal in the near future but the timing of Public Sector recovery remains uncertain.

In the year to come SecureData Africa will continue to focus on improving existing operations as well as continued organic expansion into the rest of Africa.

SecureData Europe

	Six months to 31 January 2011 R'000	Six months to 31 January 2010 R'000	% Growth	12 months to 31 July 2010 R'000
Revenue	72 809	78 561	(7,3)	168 780
EBITDA	5 828	5 539	5,2	14 351
EBITDA margin (%)	8,0	7,1	13,5	8,5

	Six months to 31 January 2011 £'000	Six months to 31 January 2010 £'000	% Growth	12 months to 31 July 2010 £'000
Revenue	6 503	6 285	3,5	14 006
EBITDA	525	443	18,4	1 191

During the period MIS-CDS changed its name to SecureData Europe. The name change was well received by all stakeholders. We believe this will strengthen the group brand amongst customers and suppliers. SecureData Europe remains one of the largest information security solution providers in the United Kingdom.

In sterling SecureData Europe posted a creditable 3,5% increase in revenue with a strong 18% improvement in EBITDA and a firming of the first half EBITDA margin to 8,0%. This strong performance was achieved by increasing the managed services portion of the product mix and a strong focus on customer retention. The Sterling improvement is not reflected in the Rand results of the company due to the strengthening of the Rand.

Management is confident that the company will continue to show improving margin and earnings performance in the coming period.

SensePost

	Six months to 31 January 2011 R'000	Six months to 31 January 2010 R'000	% Growth	12 months to 31 July 2010 R'000
Revenue	12 155	9 779	24,3	23 281
EBITDA	2 634	2 351	12,1	6 357
EBITDA margin (%)	21,7	24,0	(9,9)	27,3

SensePost provides independent information security assessment services. Based in South Africa, the company is a recognised leader in this niche market and boasts a blue-chip client base internationally.

SensePost boosted revenue to R12,2 million and EBITDA to R2,6 million with a slightly reduced EBITDA margin of 21,7% reflecting the specialist, high value nature of the company's service offering. Approximately a quarter of SensePost revenues were generated outside of South Africa and we continue to invest in the UK operations.

The table below reconciles the divisional results back to the consolidated group results.

	Six months to 31 January 2011 Revenue R'000	Six months to 31 January 2011 EBITDA R'000	Six months to 31 January 2010 Revenue R'000	Six months to 31 January 2010 EBITDA R'000	12 months to 31 July 2010 Revenue R'000	12 months to 31 July 2010 EBITDA R'000
SecureData Africa	115 295	6 970	131 868	16 322	268 350	37 969
SecureData Europe	72 809	5 828	78 561	5 539	168 780	14 351
SensePost	12 155	2 634	9 779	2 351	23 281	6 357
Consolidation entries	(1 301)	–	–	–	(1 458)	(1 507)
Group results	198 958	15 432	220 208	24 212	458 953	57 170

Strategic Review

Historically the second half of the year has proven to be stronger than the first half for the group. Despite current difficulties in SecureData Africa the group remains a significant player in the information risk management market. The group's operations are cash generative and continue to reduce the debt obligations incurred in acquisitions three years ago. Working capital management remains a key focus area.

Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards and the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the Companies Act, 1973 (Act 61 of 1973), as amended, and with the Listings Requirements of JSE Limited. The accounting policies applied in the preparation of these condensed interim financial statements conform to the requirements of International Financial Reporting Standards, and are consistent with those applied in the prior year. These interim financial statements have not been audited or reviewed by the group's auditors.

Subsequent Events

The directors are not aware of any material matter or circumstance arising since the end of the interim period and up to the date of this report.

Directorate

There has been no change to the board of directors during the period under review.

For and on behalf of the board.

PR Pretorius
Chairman
17 March 2011