

Reviewed Provisional Financial Results

for the year ended 31 July 2008

[CONDENSED CONSOLIDATED INCOME STATEMENT] [for the year ended 31 July 2008]

	31 July 2008 R'000	31 July 2007 R'000
Revenue	271 347	148 221
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	36 456	37 901
Depreciation and amortisation	(8 732)	(1 020)
- Depreciation	(2 651)	(1 020)
- Amortisation	(6 081)	-
Profit from operations	27 724	36 881
Interest received	1 289	845
Finance costs	(13 420)	(28)
- Interest paid	(5 376)	(28)
- Foreign exchange losses on loan to subsidiary	(8 044)	-
Profit before taxation	15 593	37 698
Taxation	(6 654)	(11 400)
Profit after taxation	8 939	26 298
Loss on disposal of discontinued operations	-	(20 135)
Profit attributable to minority shareholders	(240)	-
Profit for the year attributable to equity holders of the company	8 699	6 163
Earnings per share (cents)	5,0	3,9
Diluted earnings per share (cents)	4,7	3,6
Net asset value per share (cents)	71,5	30,9
Weighted average numbers of shares on which		
- earnings per share is based ('000)	173 219	159 227
- diluted earnings per share is based ('000)	183 409	168 867
Number of ordinary shares in issue	242 102	180 102
Reconciliation between earnings and headline earnings		
Profit for the year attributable to ordinary shareholders	8 699	6 163
Profit on disposal of business	-	(4 400)*
Profit on disposal of assets	-	(507)
Headline earnings	8 699	1 256*
Headline earnings per share (cents)	5,0	0,8*
Reconciliation between earnings and adjusted earnings		
- Profit for the year attributable to ordinary shareholders	8 699	6 163
- Amortisation (after taxation)	4 354	-
- Foreign exchange losses on group loans (after taxation)	5 791	-
- Profit on disposal of assets	-	(507)
- Discontinued operations	-	20 135
Adjusted earnings	18 844	25 791
Adjusted earnings per share (cents)	10,9	16,2

* Amended headline earnings as explained in commentary

[CONDENSED CONSOLIDATED BALANCE SHEET] [at 31 July 2008]

	31 July 2008 R'000	31 July 2007 R'000
ASSETS		
Non-current assets	291 630	44 378
Property, plant and equipment	7 495	3 889
Goodwill	120 975	37 123
Intangible assets	125 587	-
Deferred taxation	37 573	3 366
Current assets	131 586	77 325
Inventories	6 117	7 807
Trade and other receivables	83 236	46 977
Taxation	723	-
Cash and cash equivalents	41 510	22 541
Total assets	423 216	121 703
EQUITY AND LIABILITIES		
Equity	161 617	49 367
Share capital	242	180
Share premium	115 234	12 039
Treasury share reserve	(23 586)	(30 187)
Share-based payment equity	2 482	615
Foreign currency translation reserve	(8 174)	-
Retained earnings	75 419	66 720
Outside shareholders' interest	21 770	-
Non-current liabilities	127 328	-
Long-term loans	92 167	-
Deferred taxation	35 161	-
Current liabilities	112 501	72 336
Trade and other payables	97 401	35 358
Owing to vendors	-	32 000
Taxation	1 907	4 978
Short-term loans	13 193	-
Total equity and liabilities	423 216	121 703

[CONDENSED CONSOLIDATED CASH FLOW STATEMENT] [for the year ended 31 July 2008]

	31 July 2008 R'000	31 July 2007 R'000
Cash flow from operating activities	40 650	(22 891)
Profit from operations	27 724	17 563
Adjustments not affecting the flow of funds	10 599	(1 980)
Operating income before working capital changes	38 323	15 583
Increase/(decrease) in working capital	19 180	(7 447)
Cash generated from operations	57 503	8 136
Interest received	1 289	845
Finance costs	(5 376)	(28)
Taxation paid	(12 766)	(11 009)
Dividends paid	-	(8 966)
Net cash from continuing operations	40 650	(11 022)
Cash utilised to discontinue operations	-	(11 869)
Cash flow from investing activities	(243 360)	5 275
Cash flow from financing activities	204 777	1
Proceeds from issue of shares	105 406	207
Share issue expenses	(2 149)	(4)
Own share acquired by subsidiary	(411)	(202)
Loans raised	101 931	-
Increase/(decrease) in cash equivalents	2 067	(17 615)
Cash and cash equivalents at beginning of the year	22 541	40 156
Cash acquired with acquisitions	16 902	-
Cash and cash equivalents at end of the year	41 510	22 541

SecureData Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1998/010017/06)
("SecureData" or "the group")
Share code: SDH ISIN: ZAE000096368

Directors:
P Sneddon* (Chairman), DTK Brazier (Chief Executive Officer), JG du Toit (Financial Director), TN Mali*, YT Moerane*, S Murray*, B Parker, R Pretorius*
*Independent non-executive director *Non-executive director

Company secretary:
K Rossam (email: krossam@telkomsa.net)

Registered office:
Medscheme Building South, 10 Muswell Road South, Bryanston, 2021.
(PO Box 4673, Rivonia, 2128)

[CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY] [for the year ended 31 July 2008]

	31 July 2008 R'000	31 July 2007 R'000
Share capital	242	180
Balance at beginning of the year	180	179
Issued during the year	62	1
Share premium	115 234	12 039
Balance at beginning of the year	12 039	11 837
Issued during the year	105 344	206
Share issue expenses	(2 149)	(4)
Treasury share reserve	(23 586)	(30 187)
Balance at beginning of the year	(30 187)	(29 985)
Own shares acquired by subsidiary	(411)	(202)
Own shares sold by subsidiary	7 012	-
Share-based payment equity	2 482	615
Balance at beginning of the year	615	-
Share-based payment transactions during the year	1 867	615
Foreign currency translation reserve	(8 174)	-
Balance at beginning of the year	-	-
Foreign exchange movements during the year	(8 174)	-
Retained earnings	75 419	66 720
Balance at beginning of the year	66 720	69 523
Profit for the year	8 699	6 163
Dividends paid	-	(8 966)
Total capital and reserves	161 617	49 367

[COMMENTARY]

GENERAL REVIEW

During the year under review, SecureData made significant progress towards achieving its vision of becoming a dominant provider of Information Risk Management (IRM) solutions and services. Although marred by a weaker than expected earnings performance by the SecureData Africa division, the year had many highlights including significant market share gains in South Africa, an excellent financial and operational performance by SensePost and the completion of our R196 million acquisition of MIS-CDS in the United Kingdom (UK) effective June 2008.

Group revenue increased by 83% to R271 million of which R29 million (11%) constitutes MIS-CDS' two-month contribution. Group EBITDA remained static at R36 million resulting in an EBITDA margin of 14%. Net borrowings at the end of the year were R64 million. The group will meet its debt obligations.

In order to acquire MIS-CDS, SecureData advanced an amount to a UK subsidiary for a portion of the acquisition price. By year end the Rand had strengthened relative to Sterling. International Financial Reporting Standards requires that the exchange loss of R8 million be reflected as interest cost, and be recognised through the income statement although it is unrealised and has no impact on group cash flow. The weakening of the Rand relative to Sterling subsequent to year end could well cause this amount to reverse in the next reporting period. In addition the intangible assets of all acquired companies are amortised over their estimated useful lives. This resulted in an amortisation charge in this period of R6 million. The combined negative effect of these non-cash, non-operational items on earnings per share is 5,9 cents. An 'adjusted EPS' calculation that ignores these non-cash items but includes cash expenses such as interest would have resulted in an 'adjusted EPS' of 10,9 cents per share.

The headline earnings per share for the prior year have been amended from 16,2 cents to 0,8 cents as a result of the reclassification of operating costs and profit on disposal of discontinued operations. This adjustment has no effect on the results of continuing operations or on earnings per share for the prior year.

Working capital management improved somewhat with inventories reducing from R8 million to R6 million, R2 million of which is attributable to MIS-CDS, and debtors reducing to 73 days from 94 days at the end of the prior year. Management is aware of the importance of these metrics and will continue to put particular emphasis on working capital management over the next period.

OPERATIONAL REVIEW

SecureData operates subsidiaries in three major groupings:

SecureData Africa	
Revenue	R225 million
EBITDA	R24,5 million
EBITDA margin	11%

SecureData Africa markets and distributes category leading IRM products in South Africa and on the rest of the continent.

For a number of years, SecureData Africa has successfully expanded its product portfolio to the extent that it now represents products in every strategic area within the IRM market. Despite a clear understanding of the relationship between product mix and earnings performance this year the company failed to control the product mix in the requisite manner. This imbalance in product mix, combined with increased operating costs required to support revenue increases, and foreign exchange losses as a result of Rand volatility, resulted in an incongruous 32% reduction in EBITDA on a robust revenue increase of 52% to R225 million. Management has put in place strategic initiatives to balance the product mix in future. In addition the risks inherent in currency exposure have been somewhat mitigated by means of forward exchange contracts.

We are confident of an improved performance from SecureData Africa in the coming period albeit during a period of potentially slower revenue growth.

MIS-CDS (two months)

Revenue	R29 million
EBITDA	R5,3 million
EBITDA margin	18,3%

MIS-CDS is one of the largest and longest established independent information security solution providers in the United Kingdom.

The acquisition of MIS-CDS became effective June 2008 and the results reflect a two-month operating performance. In comparison to the previous year MIS-CDS achieved a 15% increase in both revenue and EBITDA.

SecureData acquired a 75,8% interest in MIS-CDS in June 2008 for a consideration of R196 million. The purchase was funded by the issue of 62 million shares at R1,70 each (R105 million), raising a loan facility of R100 million, of which R30 million was used to repay existing debt.

The table below indicates the effect on results had the results for MIS-CDS been included in the group results for the full year.

	Reported	Pro forma with MIS-CDS
Revenue	271 347	426 960
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	36 456	52 202
Profit after taxation	8 939	4 787
Adjusted earnings per share	10,9	9,9
Earnings per share (cents)	5,0	0,0
Weighted average numbers of shares on which earnings per share is based ('000)	173 219	225 385
Net assets acquired in MIS-CDS		R'000
Property plant and equipment		3 768
Intangible assets		120 750
Goodwill		80 989
Deferred taxation		36 701
Inventories		610
Trade and other receivables		38 056
Cash and cash equivalents		15 778
Deferred taxation		(35 017)
Trade and other payables		(43 609)
Outside shareholders' interest		(21 529)
Cost of investment		196 497

SensePost	
Revenue	R18,1 million
EBITDA	R6,8 million
EBITDA margin	37,6%

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 spanning five continents.

SensePost posted revenue of R18 million with a pleasing 38% EBITDA margin reflecting the specialist, high value nature of the company's service offering. Approximately a quarter of SensePost revenues were generated outside South Africa and in future we intend utilising our UK presence to increase SensePost's offshore revenues. Early indications of success are encouraging.

STRATEGIC REVIEW

With the inclusion of MIS-CDS for the full year, the group expects both Revenue and EBITDA to increase significantly in the coming financial year, making SecureData a significant IRM presence in the Europe/Africa region.

The IRM market has historically proved to be quite resilient during downturns in the economic cycle although it is clearly not immune to changes in the cycle. It is difficult at this stage to predict to what extent current financial market turmoil will impact buyer activity. The board believes the group is well positioned to take advantage of attractive opportunities within the IRM sector well into the future.

BASIS OF PREPARATION

These provisional condensed 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 (Act 61 of 1973, as amended), and with the listing requirements of the JSE Limited. The accounting policies applied in the preparation of these condensed financial statements conform with the requirements of International Financial Reporting Standards, and are consistent with those applied in the prior year.

INDEPENDENT REVIEW

KPMG Inc., SecureData's independent auditor, has reviewed the condensed financial statements contained in this provisional report and has expressed an unmodified conclusion on the provisional financial statements. Their review report is available for inspection at the company's registered office.

DIRECTORATE

Subsequent to the MIS-CDS acquisition and the claw-back offer, which details are set out in the circulars sent to SecureData shareholders dated 27 May and 30 June 2008 respectively, Mr R Pretorius and Mr S Murray have been appointed to the board, as non-executive directors, with effect from 15 October 2008.

Mr JG du Toit, currently the Chief Financial Officer, has assumed the role of Financial Director, with effect from 15 October 2008.

For and on behalf of the board

P Sneddon **DTK Brazier**
Chairman *Chief Executive Officer*
17 October 2008

Transfer secretaries:
Computershare Investor Services (Proprietary) Limited
Registration number 2004/003647/07
70 Marshall Street, Johannesburg, 2001.
(PO Box 61051, Marshalltown, 2107)

Sponsors:
Merchantec (Proprietary) Limited