



SEARDEL

INVESTMENT CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
 Registration number: 1968/011249/06
 N Ordinary Shares share code: SRN; Ordinary Shares share code: SER
 ISIN: ZAE000030144; ISIN: ZAE000029815
 ("Seardel" or "the Company")

ANNOUNCEMENT REGARDING THE DISPOSAL BY SEARDEL OF ITS CLOTHING MANUFACTURING BUSINESS

1 Introduction

Seardel ordinary shareholders and N-ordinary shareholders (collectively "Seardel Shareholders") are advised that Seardel and the Southern African Clothing & Textile Workers Union ("SACTWU") have entered into a Memorandum of Understanding ("MOU") in terms of which SACTWU, or its assignee ("the Purchaser"), will acquire the Seardel Group's apparel manufacturing business, excluding the Lesotho operation, ("the Business"), as a going concern ("the Proposed Transaction").

2 Rationale

The apparel manufacturing business of Seardel has over the years been ravaged by the flood of legal and illegal imports that have entered the market, including those that have been significantly undervalued to reduce import duties. To combat this the business has undertaken a number of restructuring initiatives to significantly reduce costs, improve trading margins and increase efficiencies. Despite these efforts, the business has continued to make losses.

The Directors have resolved to exit the apparel manufacturing business through a closure of its Western Cape and KwaZulu-Natal operations and a disposal of its Lesotho operation. Further to the notification of the proposed closures, and in an effort to protect local manufacturing capacity and the loss of over 2 000 jobs, the Company has entered into the MOU with the Purchaser for the disposal of the Business on the terms set out below.

3 Terms of the Proposed Acquisition

3.1 In terms of the Proposed Transaction, Seardel's wholly-owned subsidiary, Seardel Group Trading Proprietary Limited ("SGT") will dispose of the Business to the Purchaser as a going concern with effect from 1 October 2013.

3.2 The consideration payable for the Business is an amount equal to:

3.2.1 the aggregate of the book values of the Plant, Equipment, Furniture, Vehicles and Intangible Assets, (expected to be R51,1 million) and Inventory (expected to be R131,0 million) as reflected in the Implementation Date Accounts (being the unaudited management accounts of the Business to be prepared as at the Implementation Date); plus

3.2.2 an amount equal to the losses incurred by the Business from 1 October 2013 and terminating on the Implementation Date; plus

3.2.3 an amount equal to all retrenchment costs incurred by SGT in retrenching employees; less

3.2.4 an amount of R105 million,

(collectively "the Purchase Price").

3.3 The Purchaser will, on the Implementation Date, pay an amount of R77,1 million (exclusive of value-added tax), as adjusted in line with the Implementation Date Accounts, to SGT on account of the Purchase Price ("Initial Payment").

4 Implementation date

4.1 It is anticipated that the Proposed Transaction will be implemented on or before 15 April 2014 (the Implementation Date).

5 Loan by SGT

5.1 SGT will, on the Implementation Date, lend and advance to SACTWU an amount equal to the amount of R77,1 million (as adjusted in line with the Implementation Date Accounts), on the basis that SACTWU will, on the Implementation Date, apply the proceeds of the loan in discharging the Initial Payment.

5.2 The loan will bear interest at the prime rate from the Implementation Date to the date of settlement.

5.3 The loan will be repaid by SACTWU out of any cash payments or distributions received by SACTWU from Seardel and Hosken Consolidated Investments Limited ("HCI") (whether by way of dividend, repurchase of shares, interest, capital repayments or otherwise). As security for its obligation to repay the loan, SACTWU will cede and assign its rights to receive such payments and distributions, to SGT and will mandate both Seardel and HCI to make all such payments and distributions to SGT until the loan, together with the interest accrued thereon, has been repaid in full.

5.4 Once the Purchase Price has been determined in terms of the Implementation Date Accounts, the amount of the loan will be adjusted for any further payments or refunds to be made in respect of the Purchase Price.

6 Conditions precedent to the Proposed Transaction

The Proposed Transaction is subject to the fulfilment or waiver of the following conditions precedent:

- the obtaining of the approval of the JSE Limited ("JSE"), in so far as may be necessary, including the approval of any documentation to be issued to Seardel Shareholders;
- the obtaining of the consents of the bankers of Seardel to the Proposed Transaction;
- the obtaining of such regulatory approvals as may be required;
- the obtaining of a fairness opinion from an independent expert in terms of the Listings Requirements of the JSE ("Listings Requirements");
- the obtaining of any shareholder approvals required; and
- such other conditions as may be specified by the Parties.

7 Financial effects

The table below sets out the unaudited *pro forma* financial effects of the Proposed Transaction on the earnings, diluted earnings, headline earnings and diluted headline earnings per Seardel Share for the year ended 31 March 2013 and the net asset value and tangible net asset value per Seardel Share at that date.

The unaudited *pro forma* financial effects have been prepared in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS"). The accounting policies used to prepare the unaudited *pro forma* financial effects are consistent with those applied in the preparation of the financial statements for the year ended 31 March 2013.

The unaudited *pro forma* financial effects have been prepared for illustrative purposes only, in order to provide information on how the proposed disposal may have affected the financial results and position of a Seardel Shareholder and, because of their nature, may not give a true reflection of the actual financial effects of the Proposed Transaction. The unaudited *pro forma* financial effects are the responsibility of the Directors of Seardel.

Per Seardel Share	Before the Proposed Transaction (cents) ¹	After the Proposed Transaction (cents) ^{2,3,4}	% Change	Notes
Earnings	5,96	(4,06)	(168,1)	3
Diluted earnings	5,75	(3,91)	(168,0)	3
Headline earnings	2,92	8,23	181,8	3
Diluted headline earnings	2,82	7,93	181,2	3
Net asset value	214	199	(7,0)	4
Tangible net asset value	212	197	(7,1)	4
Weighted average number of Seardel Shares in issue ('000)	685 310	685 310	-	
Diluted weighted average number of Seardel Shares in issue ('000)	710 913	710 913	-	
Number of Seardel Shares in issue ('000)	682 892	682 892	-	

Notes to the unaudited *pro forma* financial effects:

- The *Before the Proposed Transaction* column reflects the earnings, diluted earnings, headline earnings, diluted headline earnings, net asset value and the tangible net asset value per Seardel Share based on the audited consolidated financial statements of Seardel for the year ended 31 March 2013.
- The *After the Proposed Transaction* column is based on the audited consolidated financial statements of Seardel for the year ended 31 March 2013 and the financial results and position of the Business for the year ended 31 March 2013 based on its management accounts for the year ended 31 March 2013.
- The effects on earnings, diluted earnings, headline earnings and diluted headline earnings per Seardel Share are based on the following assumptions:
 - the Proposed Transaction was effective 1 April 2012;
 - the financial results of the Business are excluded from Seardel's financial results for the year ended 31 March 2013; and
 - the costs relating to the Proposed Transaction, which are once-off in nature, have not been included in the calculation as they are not considered to have a significant impact.
- The effects on net asset value and tangible net asset value per Seardel Share are based on the following assumptions:
 - the Proposed Transaction was effective on 31 March 2013;
 - the assets of the Business that are disposed of are excluded from Seardel's financial position as at 31 March 2013;
 - the purchase consideration is settled in cash on 31 March 2013; and
 - the costs relating to the Proposed Transaction, which are once-off in nature, have not been included in the calculation as they are not considered to have a significant impact.

8 Categorisation

In terms of the Listings Requirements, the Proposed Transaction is a related party transaction as SACTWU is a material shareholder of HCI, Seardel's holding company. Accordingly, the Proposed Transaction is subject to approval by means of an ordinary resolution by Seardel's Shareholders excluding SACTWU.

A circular will be issued to Seardel's Shareholders in accordance with the Listings Requirements and Companies Act, 2008, as amended, which will incorporate a notice convening a general meeting of Seardel's Shareholders to pass the resolutions necessary to approve the Proposed Transaction.

9 Fairness opinion

The Directors of Seardel have appointed BDO Corporate Finance Proprietary Limited as the independent expert to provide the fairness opinion on the Proposed Transaction. The fairness opinion will form part of the circular to Seardel's Shareholders referred to above.

Cape Town
29 October 2013

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