



# SEARDEL

INVESTMENT CORPORATION LIMITED

("Seardel" or "the Group")

# UNAUDITED GROUP INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012



## STATEMENT OF FINANCIAL POSITION

Rand thousands	30 Sept 2012 Unaudited	30 Sept 2011 Unaudited	31 March 2012 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1 239 561</b>	<b>1 047 426</b>	<b>1 142 413</b>
Property, plant and equipment	701 640	677 618	695 048
Intangible assets	11 688	9 278	10 563
Investment properties	442 489	285 711	357 801
Other investments	3 329	3 339	3 329
Long-term receivables	43 966	41 193	43 402
Deferred tax	36 449	30 287	32 270
<b>Current assets</b>	<b>1 253 550</b>	<b>1 216 682</b>	<b>1 286 386</b>
Non-current assets held for sale	3 298	14 983	12 906
Inventories	622 182	597 462	581 816
Trade and other receivables	624 883	595 979	688 644
Current tax asset	1 187	2 893	971
Cash and cash equivalents	2 000	5 365	2 049
<b>Total assets</b>	<b>2 493 111</b>	<b>2 264 108</b>	<b>2 428 799</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>1 392 874</b>	<b>1 256 032</b>	<b>1 411 645</b>
Share capital and share premium	309 988	304 620	304 620
Treasury shares	(17 793)	(14 610)	(14 610)
Reserves	1 100 679	965 412	1 121 635
Equity attributable to owners of the parent	1 392 874	1 255 422	1 411 645
Non-controlling interests	-	610	-
<b>Non-current liabilities</b>	<b>86 550</b>	<b>77 237</b>	<b>85 226</b>
Deferred tax	8 252	7 332	8 725
Post-employment medical aid benefits	76 057	66 598	74 645
Interest-bearing liabilities	1 002	3 010	715
Operating lease accruals	1 539	297	1 141
<b>Current liabilities</b>	<b>1 013 387</b>	<b>930 839</b>	<b>931 928</b>
Current tax payable	-	334	-
Post-employment medical aid benefits	4 750	4 368	4 662
Interest-bearing liabilities	26 456	129 110	25 427
Short-term provisions	355	2 916	13 538
Trade and other payables	459 587	469 534	437 830
Bank overdrafts	522 239	324 577	450 471
<b>Total liabilities</b>	<b>1 100 237</b>	<b>1 008 076</b>	<b>1 017 154</b>
<b>Total equity and liabilities</b>	<b>2 493 111</b>	<b>2 264 108</b>	<b>2 428 799</b>
<b>Net asset value (excluding intangible assets)</b>	<b>1 381 186</b>	<b>1 246 144</b>	<b>1 401 082</b>
<b>Net asset value per share after treasury shares (cents)</b>	<b>203</b>	<b>177</b>	<b>199</b>

## STATISTICS PER SHARE

In cents, where applicable	30 Sept 2012 Unaudited	30 Sept 2011 Unaudited
Weighted average number of shares in issue ('000)	688 393	703 074
Number of shares in issue ('000)	681 594	703 711
Diluted weighted average number of shares in issue ('000)	731 154	737 493
Basic earnings/(loss)	0,3	0,2
Continuing operations	0,5	1,4
Discontinued operations	(0,2)	(1,2)
Headline earnings/(loss)	0,1	0,1
Continuing operations	0,3	1,4
Discontinued operations	(0,2)	(1,3)
Diluted earnings/(loss)	0,2	0,2
Continuing operations	0,4	1,4
Discontinued operations	(0,2)	(1,2)
Diluted headline earnings/(loss)	0,1	0,1
Continuing operations	0,3	1,4
Discontinued operations	(0,2)	(1,3)
<b>Reconciliation between profit and headline earnings</b>		
Income attributable to shareholders	1 763	1 440
Net impairment of assets	-	(808)
Surplus on disposal of property, plant and equipment	(1 319)	(25)
Loss on disposal of property, plant and equipment	7	52
Total tax effect of adjustments	15	(2)
<b>Headline earnings</b>	<b>466</b>	<b>657</b>

## CORPORATE INFORMATION

**SEARDEL INVESTMENT CORPORATION LIMITED**  
 Registration number: 1968/011249/06 (Incorporated in the Republic of South Africa)  
 The company's shares are listed under the Consumer Goods – Personal and Household Goods Sector of the JSE Limited.

**JSE share code:** SER **ISIN:** ZAE000029815  
**JSE share code:** SRN **ISIN:** ZAE000030144

**Directors:** J A Copelyn\* (Chairman), Adv N N Lazarus\* (Deputy Chairman), M H Ahmed\*, T G Govender\*, A M Ntuli, S A Queen (Chief Executive Officer), Y Shaik\*, R Watson\*, G D T Wege (Financial Director)  
 (\*Non-executive)

**Company Secretary:** HCI Managerial Services (Pty) Ltd  
**Registered office:** 1 Moorsom Avenue, cnr Bofors Circle and Moorsom Avenue, Epping Industria II 7460 | PO Box 524, Eppingindust 7475, South Africa  
**Transfer secretaries:** Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001 | PO Box 61051, Marshalltown 2107  
**Auditors:** KPMG Inc.  
**Sponsors:** Investec Bank Limited

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Rand thousands	30 Sept 2012 Unaudited	30 Sept 2011 Unaudited	% change
<b>Revenue</b>	<b>1 199 283</b>	<b>1 207 947</b>	<b>(0,7)</b>
<b>Gross profit</b>	<b>255 007</b>	<b>229 021</b>	<b>11,3</b>
<b>Operating profit before impairments and restructuring costs</b>	<b>25 134</b>	<b>30 879</b>	<b>(18,6)</b>
Net impairment of assets	-	192	
Net restructuring and retrenchment costs	(1 316)	(5 521)	
<b>Operating profit before finance costs</b>	<b>23 818</b>	<b>25 550</b>	<b>(6,8)</b>
Finance income	1 456	3 451	
Finance expenses	(23 344)	(17 842)	
<b>Profit before tax</b>	<b>1 930</b>	<b>11 159</b>	<b>(82,7)</b>
Income tax income/(expense)	1 119	(1 095)	
<b>Profit for the period from continuing operations</b>	<b>3 049</b>	<b>10 064</b>	<b>(69,7)</b>
Loss for the period from discontinued operations	(1 286)	(8 624)	
<b>Total comprehensive income for the period</b>	<b>1 763</b>	<b>1 440</b>	<b>22,4</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	1 763	1 440	
Non-controlling interests	-	-	
	1 763	1 440	

## CONDENSED STATEMENT OF CASH FLOWS

Rand thousands	30 Sept 2012 Unaudited	30 Sept 2011 Unaudited
Net cash flow from operating activities	50 950	(19 581)
Net cash flow from investing activities	(103 007)	(92 941)
Net cash flow from financing activities	(19 760)	552
Net decrease in cash and cash equivalents	(71 817)	(111 970)
Cash and cash equivalents at beginning of period	(448 422)	(207 242)
<b>Cash and cash equivalents at end of period</b>	<b>(520 239)</b>	<b>(319 212)</b>

## NOTES

- Basis of preparation**  
The Group interim results have been prepared in accordance with International Financial Reporting Standards (IFRS) and specifically International Accounting Standard IAS 34: Interim Financial Reporting and the AC 500 Standards as issued by the Accounting Practices Board or its successor, the Listings Requirements of the JSE Limited and the Companies Act, No 71 of 2008. These results have been prepared under the supervision of the Financial Director, Gys Wege (CA/ISA), and have not been audited or reviewed by the Group's auditors, KPMG Inc.
- Significant accounting policies**  
The Group interim results have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.
- Capital expenditure and commitments**  

Rand thousands	Capital expenditure		Contractual commitments	
	30 Sept 2012 Unaudited	30 Sept 2011 Unaudited	30 Sept 2012 Unaudited	30 Sept 2011 Unaudited
Investments property	28 469	59 163	95 845	70 402
Land and buildings	64 995	942	-	-
Plant and equipment	17 002	36 214	19 110	12 898
Intangible assets	3 500	945	-	-
<b>Total capital expenditure</b>	<b>113 966</b>	<b>97 264</b>	<b>114 955</b>	<b>83 300</b>

The capital commitments are expected to be incurred in the remainder of the 2013 reporting period.
- Restatement of prior year results**  
The prior year's condensed segmental report has been restated due to the Group's decision to change the composition of its reportable segments. The recomposition reflects the underlying changes within the Group and provides improved reporting to stakeholders. The restatement has no effect on the financial information other than to the segmental report.
- Issue and repurchase of shares**  
14 175 366 ordinary shares and 11 885 606 N ordinary shares were repurchased from the market in accordance with the Settlement Agreement as communicated in the circular to shareholders dated 30 April 2012.  
During the period, 3 943 800 ordinary shares were issued in terms of the Group's share incentive scheme.
- Diluted weighted average number of shares**  
The difference between the weighted average number of shares and the diluted weighted average number of shares are due to the impact of the unexercised options under the Group's incentive scheme.

## STATEMENT OF CHANGES IN EQUITY

Rand thousands	Share capital	Share premium	Treasury shares	Other reserves	Retained income	Total	Non-controlling interest	Total equity
<b>Balance at 1 April 2011</b>	159 207	144 762	(14 610)	264 064	700 559	1 253 982	610	1 254 592
Total comprehensive profit for the period	-	-	-	-	1 440	1 440	-	1 440
Shares issued	192	459	-	-	-	651	-	651
Share incentive scheme	-	-	-	-	(651)	(651)	-	(651)
<b>Balance at 30 September 2011</b>	<b>159 399</b>	<b>145 221</b>	<b>(14 610)</b>	<b>264 064</b>	<b>701 348</b>	<b>1 255 422</b>	<b>610</b>	<b>1 256 032</b>
<b>Balance at 1 April 2012</b>	<b>159 399</b>	<b>145 221</b>	<b>(14 610)</b>	<b>284 791</b>	<b>836 844</b>	<b>1 411 645</b>	<b>-</b>	<b>1 411 645</b>
Total comprehensive profit for the period	-	-	-	-	1 763	1 763	-	1 763
Shares issued	986	4 401	-	-	-	5 387	-	5 387
Share incentive scheme	-	-	-	-	(5 132)	(5 132)	-	(5 132)
Own shares acquired	-	-	(20 789)	-	-	(20 789)	-	(20 789)
Shares cancelled	(19)	-	17 606	-	(17 587)	-	-	-
<b>Balance at 30 September 2012</b>	<b>160 366</b>	<b>149 622</b>	<b>(17 793)</b>	<b>284 791</b>	<b>815 888</b>	<b>1 392 874</b>	<b>-</b>	<b>1 392 874</b>
Composition of other reserves							30 Sept 2012	30 Sept 2011
Revaluation of investments							2 861	2 861
Capital redemption reserve fund							440	440
Surplus on disposal of subsidiary and associated companies							7 923	7 923
Surplus on revaluation of land and buildings							273 567	252 840
							284 791	264 064

## CONDENSED SEGMENTAL REPORT

Rand thousands	Textiles	Industrials	Clothing	Branded product distribution	Properties	Head office	Total
<b>2012</b>							
<b>Segment revenue</b>							
Gross sales	331 523	168 877	361 298	342 261	46 114	-	1 250 073
Inter-segment sales (these transactions are at arm's length)	(23 043)	-	-	-	(24 030)	-	(47 073)
	308 480	168 877	361 298	342 261	22 084	-	1 203 000
Less: Revenue attributable to discontinued operations	-	-	(3 717)	-	-	-	(3 717)
<b>Revenue as per statement of comprehensive income</b>	<b>308 480</b>	<b>168 877</b>	<b>357 581</b>	<b>342 261</b>	<b>22 084</b>	<b>-</b>	<b>1 199 283</b>
<b>Segment results</b>							
Operating profit/(loss) from operations	(7 352)	10 676	(10 927)	2 891	33 229	(5 985)	22 532
Less: Operating profit/(loss) from discontinued operations	20	-	(1 306)	-	-	-	(1 286)
<b>Operating profit/(loss) from continuing operations</b>	<b>(7 372)</b>	<b>10 676</b>	<b>(9 621)</b>	<b>2 891</b>	<b>33 229</b>	<b>(5 985)</b>	<b>23 818</b>
<b>2011*</b>							
<b>Segment revenue</b>							
Gross sales	363 978	178 909	449 451	257 029	29 681	-	1 279 048
Inter-segment sales (these transactions are at arm's length)	(20 763)	-	-	-	(20 732)	-	(41 495)
	343 215	178 909	449 451	257 029	8 949	-	1 237 553
Less: Revenue attributable to discontinued operations	-	-	(29 606)	-	-	-	(29 606)
<b>Revenue as per statement of comprehensive income</b>	<b>343 215</b>	<b>178 909</b>	<b>419 845</b>	<b>257 029</b>	<b>8 949</b>	<b>-</b>	<b>1 207 947</b>
<b>Segment results</b>							
Operating profit/(loss) from operations	21 631	12 592	(42 999)	(805)	31 740	(5 233)	16 926
Less: Operating profit/(loss) from discontinued operations	517	-	(9 141)	-	-	-	(8 624)
<b>Operating profit/(loss) from continuing operations</b>	<b>21 114</b>	<b>12 592</b>	<b>(33 858)</b>	<b>(805)</b>	<b>31 740</b>	<b>(5 233)</b>	<b>25 550</b>

\* Restated, refer note 4.

## COMMENTARY

The results for the six months ended 30 September 2012 represent good progress for the Group. Although headline earnings, at a break-even level, remained constant with the prior period, the following factors need to be considered:

- The Government incentives recognised during the period are R7 million below those recognised in the comparative period. Incentives are recognised based on the level of qualifying expenditure incurred during any particular period and we anticipate that for the full year, the total incentives will be in line with those recognised in the prior year;
- The prior period numbers include once-off income of some R14 million relating to property rates refunds; and
- Net interest costs are some R7 million greater than in the prior period due to the increased debt incurred relating to the property development ahead of the full benefit of increased rentals.

The Group's revenue at R1.2 billion was 0.7% down on the prior period. The prevailing economic environment for local manufacturers remained challenging and revenue from the Group's manufacturing operations was down 11% to R835 million. However, this shortfall was offset by a 37% increase, to R364 million, in revenue from the Group's non-manufacturing operations. The shift in revenue away from the lower margin manufacturing segments as well as improved margins in the Apparel manufacturing business saw gross margins improve from 19.0% to 21.3%.

### SEGMENTS

In order to better disclose the nature of the underlying businesses within the Group the segmental reporting has been adjusted. The segmental report now comprises the following segments:

- Textiles:** This segment includes the Group's traditional textile operations, namely, Berg River Textiles, Hextex, Frame Knitting and the Home Textiles business;
- Industrials:** This segment includes the Group's manufacturing businesses that predominantly derive their revenue from industrial sectors including the automotive, construction and mining industries. The businesses that fall within this segment are our chemicals, non-woven and polypropylene businesses;
- Clothing:** This segment incorporates the Group's apparel manufacturing business; and
- Branded product distribution:** This segment incorporates the Group's toy, stationery, electronics and branded apparel businesses.

### Textiles

The performance of the textiles segment was disappointing. This segment delivered an operating loss of R7.4 million for the period compared to an operating profit of R21.1 million in the prior period. The main reason for the decline was a 9% reduction in revenue to R332 million due largely to softer market conditions. The results were also affected by a number of extenuating circumstances, most notably the liquidation of an external steam supplier which cost the Group some R7 million in increased energy

costs. A coal powered boiler has recently been commissioned which should see energy costs return to normal levels going forward.

### Industrials

Revenue in this segment was down 6% to R169 million, due to the tough trading environment and the effect of the transport strike. The fixed cost nature of the businesses in this segment saw operating profit decline from R12.6 million in the prior period to R10.7 million in the current period.

### Clothing

Revenue reduced by 20% to R361 million in line with the downsized operations. The reduced capacity has enabled fixed overheads to be substantially reduced and efficiencies improved. As a result, the operating losses were greatly reduced, down from R33.9 million in the prior period to R9.6 million in the current period. Although much improvement has been made there are still areas where margins and efficiencies are below the required hurdles. Remedial steps are being implemented to further curb the losses.

### Branded product distribution

Revenue in this segment is up 33% to R342 million partly driven by the fact that revenue generated on the Microsoft Xbox distribution was not included in the prior period numbers as this distribution agreement only kicked off in October 2011. The segment delivered an operating profit of R2.9 million compared to a R0.8 million loss in the prior period. Included in this segment are the results of our start-up branded apparel business "Brand ID" which is in the building phase and still at least 18 months away from break-even. We are pleased with the progress made with all the businesses within this segment and it remains a key growth area for the Group going forward.

### Properties

Revenue grew 55% to R46 million with rentals from external tenants comprising 48% of the total revenue at R22.1 million. Operating profit was only up 5% to R33.2 million due to the prior period figure including the once-off rates refund income of R14 million.

The property developments are progressing well. The New Germany Industrial Park will be completed by the end of 2012 and is 155 000 m<sup>2</sup> in extent. 108 500 m<sup>2</sup> is available to be let to external tenants with in excess of 80% already having been let. The Mobeni Industrial Park will be completed by mid 201