SEARDEL
INVESTMENT CORPORATION LIMITED
("Seardel" or "the Group")

GROUP INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

STATEMENT OF FINANCIAL POSITION

Rand thousands	Unaudited 30 Sept 2010	Audited 31 March 2010
ASSETS		
Non-current assets	961 715	963 056
Property, plant and equipment	859 490	906 162
Intangible assets	–	3 933
Investment properties	52 316	–
Other investments	3 026	3 026
Long-term receivables	35 813	34 760
Deferred tax	11 070	15 175
Current assets	1 110 827	1 246 895
Non-current assets held for sale	32 212	81 725
Inventories	543 954	501 354
Trade and other receivables	522 634	583 089
Current tax asset	2 989	44
Cash and cash equivalents	9 038	80 683
Total assets	2 072 542	2 209 951
EQUITY AND LIABILITIES		
Total equity	1 220 608	1 291 949
Share capital and share premium	303 969	303 969
Treasury shares	(14 610)	(14 610)
Reserves	930 648	1 001 989
Equity attributable to owners of the parent	1 220 007	1 291 348
Non-controlling interests	601	601
Non-current liabilities	79 154	78 466
Deferred tax	6 743	6 919
Post-employment medical aid benefits	66 702	65 297
Interest-bearing liabilities	1 691	1 945
Operating lease accruals	4 018	4 305
Current liabilities	772 780	839 536
Current tax payable	–	3 074
Post-employment medical aid benefits	4 523	4 428
Interest-bearing liabilities	138 798	186 173
Short-term provisions	12 545	17 770
Trade and other payables	461 223	431 211
Bank overdrafts	155 691	196 880
Total liabilities	851 934	918 002
Total equity and liabilities	2 072 542	2 209 951
Net asset value (excluding intangible assets)	1 220 007	1 287 415
Net asset value per share after treasury shares (cents)	174	183

STATISTICS PER SHARE

In cents, where applicable	Unaudited for the six months ended 30 Sept 2010	Unaudited for the six months ended 30 Sept 2009	% change
Weighted average number of shares in issue ('000)	702 946	702 946	
Number of shares in issue ('000)	702 946	702 946	
Diluted weighted average number of shares in issue ('000)	737 346	702 946	
Loss	(10,1)	(31,5)	(67,8)
Continuing operations	0,4	(1,4)	(128,6)
Discontinued operations	(10,5)	(30,1)	(65,1)
Headline loss	(11,3)	(23,4)	(51,7)
Continuing operations	0,1	(0,2)	(150,0)
Discontinued operations	(11,4)	(23,2)	(51,0)
Diluted loss	(9,7)	(31,5)	(69,3)
Continuing operations	0,3	(1,4)	(121,4)
Discontinued operations	(10,0)	(30,1)	(66,7)
Diluted headline loss	(10,8)	(23,4)	(54,0)
Continuing operations	–	(0,2)	(100,0)
Discontinued operations	(10,8)	(23,2)	(53,3)
Reconciliation between loss and headline loss			
Loss attributable to shareholders	(71 341)	(221 698)	(67,8)
Net impairment of assets	10 632	48 143	
Impairment of investments	–	4 200	
Surplus on disposal of property, plant and equipment	(16 771)	–	
Revaluation of investment property	(1 882)	–	
Loss on disposal of property, plant and equipment	10	5 035	
Total tax effect of adjustments	4	–	
Total non-controlling interest effects of adjustments	–	–	
Headline loss	(79 348)	(164 320)	(51,7)

NOTES

1. **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. These results have not been audited or reviewed by the Group's auditors, KPMG Inc.
2. **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 period ended 31 March 2010.
3. **Related party transactions**
Expenses recognised in relation to the provision of managerial services rendered by HCI amounted to R2 100 000. Expenses relating to the provision of services received from Neil Lazarus, deputy chairman of Seardel, amounted to R70 000.
4. **Capital expenditure and commitments**
Net capital expenditure during the period under review amounted to R37,2 million (2009: R17,0 million). There are further commitments in respect of contracted capital expenditure as at 30 September 2010 of approximately R33,1 million (2009: R4,9 million).
5. **Restatement of prior year results**
The prior year statement of comprehensive income has been restated so as to separately identify the additional discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME

Rand thousands	Unaudited for the six months ended 30 Sept 2010	Unaudited (Restated) for the six months ended 30 Sept 2009	% change
Revenue	1 201 870	1 088 306	10,4
Gross profit	299 214	242 442	23,4
Operating profit before impairments and restructuring and retrenchment costs	16 081	14 470	11,1
Net impairment of assets	–	(4 200)	(100,0)
Net restructuring and retrenchment costs	(1 441)	(2 343)	(38,5)
Operating profit before finance costs	14 640	7 927	84,7
Finance income	1 888	4 424	(57,3)
Finance expenses	(12 544)	(23 816)	(47,3)
Profit/(loss) before tax	3 984	(11 465)	(134,7)
Income tax expense	(1 486)	1 310	(213,4)
Profit/(loss) for the period from continuing operations	2 498	(10 155)	(124,6)
Loss for the period from discontinued operations	(73 839)	(211 480)	(65,1)
Loss for the period	(71 341)	(221 635)	(67,8)
Available-for-sale financial assets	–	179	(100,0)
Other comprehensive income for the period, net of tax	–	179	(100,0)
Total comprehensive loss for the period	(71 341)	(221 456)	(67,8)
Loss attributable to:			
Owners of the parent	(71 341)	(221 698)	(67,8)
Non-controlling interests	–	63	(100,0)
	(71 341)	(221 635)	(67,8)
Total comprehensive loss attributable to:			
Owners of the parent	(71 341)	(221 519)	(67,8)
Non-controlling interests	–	63	(100,0)
	(71 341)	(221 456)	(67,8)

STATEMENT OF CASH FLOWS

Rand thousands	Unaudited for the six months ended 30 Sept 2010	Unaudited for the six months ended 30 Sept 2009
Net cash flow from operating activities	(16 118)	5 849
Net cash flow from investing activities	33 291	40 747
Net cash flow from financing activities	(47 629)	(12 840)
Net decrease in cash and cash equivalents	(30 456)	33 756
Cash and cash equivalents at beginning of period	(116 197)	(251 710)
Cash and cash equivalents at end of period	(146 653)	(217 954)

STATEMENT OF CHANGES IN EQUITY

Rand thousands	Share capital	Share premium	Treasury shares	Other reserves	Retained income	Total	Non-controlling interest	Total equity
Balance at 1 April 2009	159 207	144 762	(14 610)	234 023	885 567	1 408 949	464	1 409 413
Total comprehensive loss for the period					(221 519)	(221 519)	63	(221 456)
Release reserve on realisation of investment				(577)	577	–		–
Balance at 30 September 2009	159 207	144 762	(14 610)	233 446	664 625	1 187 430	527	1 187 957
Balance at 1 April 2010	159 207	144 762	(14 610)	318 019	683 970	1 291 348	601	1 291 949
Total comprehensive loss for the period					(71 341)	(71 341)	–	(71 341)
Balance at 30 September 2010	159 207	144 762	(14 610)	318 019	612 629	1 220 007	601	1 220 608

Rand thousands	Unaudited for the six months ended 30 Sept 2010	Unaudited for the six months ended 30 Sept 2009
Composition of other reserves		
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	309 656	225 083
	318 019	233 446

SEGMENTAL REPORT

Rand thousands	Textiles	Clothing	Toys, stationery and electronics	Properties	Head office	Total
2010						
Segment revenue						
Total sales	533 022	617 529	206 618	33 255	–	1 390 424
Inter-segment sales (these transactions are at arm's length)	(31 158)	(24 007)	(976)	(30 842)	–	(86 983)
External sales	501 864	593 522	205 642	2 413	–	1 303 441
Less: Revenue attributable to discontinued operations	(53)	(101 518)	–	–	–	(101 571)
Revenue as per statement of comprehensive income	501 811	492 004	205 642	2 413	–	1 201 870
Segment results						
Operating profit/(loss) from continuing operations	8 033	(22 053)	10 428	23 911	(5 679)	14 640
Operating profit/(loss) from discontinued operations	418	(64 067)	–	–	–	(63 649)
2009						
Segment revenue						
Total sales	780 397	709 957	189 860	27 168	–	1 707 382
Inter-segment sales (these transactions are at arm's length)	(29 462)	(6 210)	–	(27 063)	–	(62 735)
External sales	750 935	703 747	189 860	105	–	1 644 647
Less: Revenue attributable to discontinued operations	(271 025)	(285 316)	–	–	–	(556 341)
Revenue as per statement of comprehensive income	479 910	418 431	189 860	105	–	1 088 306
Segment results						
Operating (loss)/profit from continuing operations	(2 791)	(17 536)	10 725	19 162	(1 633)	7 927
Operating loss from discontinued operations	(171 936)	(28 645)	–	–	–	(200 581)

COMMENTARY

The six months to 30 September 2010 has seen the Group make further progress on its turnaround journey. The Group delivered an attributable loss of R71 million (2009: R222 million loss) with continuing operations recording a profit of R2,5 million (2009: R10 million loss) and discontinuing operations recording a loss of R74 million (2009: R211 million loss).

Turnover from continuing operations was up 10% to R1,2 billion and gross margins improved by 2,6% to 24,9%. The improved gross margin reflects the improved efficiencies and better procurement practices but it must also be borne in mind that the results to September 2009 included the effects of the 12-day industry strike.

The improved gross profit margin does not result in an improved operating profit margin due to the prior year numbers including sundry income of R17 million relating to the renegotiation of the FIFA contract. In the current year the Group has also incurred costs relating to future revenue streams, mostly brands and property, ahead of the revenue being realised.

Textiles

The performance of the textile operations continue to improve with most of the business units now either profitable or well on their way to becoming profitable. The continuing textile operations delivered an operating profit of R8 million compared to a R3 million loss in the corresponding period. The challenging business units within this segment are the operations that are focused on producing textiles for the garment industry. The declining garment industry means that volumes in these businesses are likewise declining and being mostly fixed cost businesses, these declines are problematic. Work is being done to break their dependence on the garment industry.

Clothing

The clothing operations continue to be problematic with the continuing operations delivering an operating loss of R22 million (2009: R18 million). The loss is after accounting for a R7,5 million loss from the contract to supply official FIFA apparel. This contract proved to be disappointing with retail and consumer demand being well below expectations.

The problems with the clothing sector are multi-faceted but to touch on a few of the more critical areas:

- The strong Rand is of major concern to the local clothing industry. As there is very little protection from logistic costs, the local industry directly competes in US Dollar terms. Hence a 35% strengthening of the Rand, which is what we have seen in the past 18 months, means a 35% increase in all Rand-based costs such as salaries, wages and rentals. This increase is over and above our own inflationary increases and cannot be passed on to the customer who have the import product as an alternative;
- Although the local garment industry is protected by 45% import duties. This protection is greatly diminished by the levels of garments that arrive in our stores without duties having been paid at all or reduced duties through the under-declaration of values. This scourge not only robs the local industry of many thousands of jobs but an industry study has estimated this to cost the South African taxpayer over R2,5 billion in lost tax revenue. To eliminate this will require more stringent policing and harsher penalties for those associated with this practice;
- The current list of fabrics and trims that are subject to import duties is too wide and results in imported fabrics and trims being 22% more expensive than those of our international competitors. A more focused solution is required that will enable garment manufacturers to source fabrics and trims at competitive prices without sounding the death knell for the remaining textile producers;
- Finally, the central bargaining process is unworkable if some employers are simply able to undercut the legal minimum wages. It is simply not possible for compliant manufacturers to sustainably compete with those who illegally undercut the minimum wage. This issue needs to be urgently addressed and will require the co-operation of all stakeholders if a workable solution is to be found.

Toys, stationery and electronics

The businesses within this sector have performed satisfactorily during the period under review. Turnover is up 8% to R206 million, but pressure on the margins has meant that operating profit has remained static at R10 million. These businesses are highly seasonal with the majority of their earnings typically being made in the second half of the financial year.

Properties

We have previously reported that the Group intended to redevelop and lease the properties which housed the discontinued Frame vertical pipeline. It is anticipated that when the redevelopment is complete, the Group will have around 150 000 m^2 of rental space available which should provide the Group with a meaningful revenue stream.

We can report that good progress has been made in this regard with some 30 000 m^2 having been let as at the reporting date with the development work in progress.

Brand Identity

We have previously mentioned that branded products would be an area of renewed focus for the Group. We can announce that a new division, Brand ID (www.brand-identity.co.za), has been formed to focus on the development of lifestyle brands.

Our anchor Speedo brand is being launched as a lifestyle brand offering and our first concept store has recently been opened in Cape Town. Our men's brands of Azzaro, Brooksfield, BF and Jonty's have been refreshed for the new season.

In terms of new brands, we have recently launched some innovative new lingerie brands into the local market, including Elle Macpherson Intimates, After Eden and Maidenform. Our commitment to South Africa and local production has been affirmed in our launch of the Love SA brand which encompasses the most unique South African designs with home-grown product and focuses on sustainable job creation.

Discontinued operations

During the period under review we announced the closure of our Intimate Apparel operation which predominantly made lingerie. The products made within this division were uncompetitive when compared to imports. The discontinued clothing operations have recorded an operating loss (before interest) of R64 million for the six months to September 2010. The loss reflects the costs associated with closing the division down including ongoing operating losses while we work through the orders on hand, retrenchment costs and onerous contracts.

In addition, we continue to incur costs relating to the dismantling and shipping of the Frame vertical pipeline assets. Fortunately, during the period under review we recovered more for the assets sold than their book values and hence made a profit on sale, which assisted the discontinuing textile operations to record an operating profit of R0.5 million.

Further costs associated with these discontinued operations will be incurred in the second half of the financial year but very little is expected to be incurred post the financial year-end.

Outlook

The seasonality of the Group's results mean that all other things being equal, the second half of the financial year is typically stronger than the first. However, the continued Rand strength and the volatile cotton prices will have an influence on the second half. World cotton prices have more than doubled since the start of the year and are now at record levels.

The introduction of the Production Incentive scheme is welcomed and the Group stands to benefit from this scheme in the second half of the year. The benefit that will accrue to the Group is not insignificant but is dependent on the Group incurring qualifying expenditure and so cannot be reliably estimated at this point.

On behalf of the board

Stuart Queen
Chief Executive Officer

Gys Wege
Chief Financial Officer

Cape Town
15 November 2010

CORPORATE INFORMATION

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 Ltd. **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*, A E Dixon-Seager (Chief Operating Officer), T G (Kevin) Govender*, A M Ntuli, S A Queen (Chief Executive Officer), Y Shaik*, N Teladia*, R Watson*, G D T Wege (Chief Financial Officer) (* indicates 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, Eppindust 7475, South Africa. **Transfer secretaries:** Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001, PO Box 61051, Marshalltown 2107. **Auditors:** KPMG Inc. **Sponsors:** Java Capital (Pty) Ltd