SEARDEL
INVESTMENT CORPORATION LIMITED
(“Seardel” or “the Group”)

UNAUDITED GROUP INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

STATEMENT OF FINANCIAL POSITION

Rand thousands	30 Sept 2011	31 March 2011
ASSETS		
Non-current assets	1 047 426	967 147
Property, plant and equipment	677 618	665 727
Intangible assets	9 278	8 812
Investment properties	285 711	224 001
Other investments	3 339	3 329
Long-term receivables	41 193	35 256
Deferred tax	30 287	30 022
Current assets	1 216 682	1 140 694
Non-current assets held for sale	14 983	16 338
Inventories	597 462	557 575
Trade and other receivables	595 979	554 995
Current tax asset	2 893	898
Cash and cash equivalents	5 365	10 888
Total assets	2 264 108	2 107 841
EQUITY AND LIABILITIES		
Total equity	1 256 032	1 254 592
Share capital and share premium	304 619	303 969
Treasury shares	(14 610)	(14 610)
Reserves	965 413	964 623
Equity attributable to owners of the parent	1 255 422	1 253 982
Non-controlling interests	610	610
Non-current liabilities	77 237	77 759
Deferred tax	7 332	7 999
Post employment medical aid benefits	66 598	66 849
Interest-bearing liabilities	3 010	98
Operating lease accruals	297	2 813
Current liabilities	930 839	775 490
Current tax payable	334	257
Post employment medical aid benefits	4 368	4 384
Interest-bearing liabilities	129 110	131 470
Short-term provisions	2 916	2 337
Trade and other payables	469 534	418 912
Bank overdrafts	324 577	218 130
Total liabilities	1 008 076	853 249
Total equity and liabilities	2 264 108	2 107 841
Net asset value (excluding intangible assets)	1 246 144	1 245 170
Net asset value per share after treasury shares (cents)	177	177

STATISTICS PER SHARE

In cents, where applicable	30 Sept 2011	30 Sept 2010 (restated)	% change
Weighted average number of shares in issue ('000)	703 074	702 946	
Number of shares in issue ('000)	703 711	702 946	
Diluted weighted average number of shares in issue ('000)	737 493	737 346	
Profit/(loss)	0,2	(10,1)	
Continuing operations	1,4	0,9	55,6%
Discontinued operations	(1,2)	(11,0)	(88,8%)
Headline earnings/(loss)	0,1	(11,3)	
Continuing operations	1,4	0,5	180,0%
Discontinued operations	(1,3)	(11,8)	(88,9%)
Diluted profit/(loss)	0,2	(9,7)	
Continuing operations	1,4	0,7	100,0%
Discontinued operations	(1,2)	(10,4)	(88,8%)
Diluted headline earnings/(loss)	0,1	(10,8)	
Continuing operations	1,4	0,5	180,0%
Discontinued operations	(1,3)	(11,3)	(88,9%)
Reconciliation between profit/(loss) and headline earnings/(loss)			
Income attributable to shareholders	1 440	(71 341)	
Net impairment of assets	(808)	10 632	
Surplus on disposal of property, plant and equipment	(25)	(16 771)	
Revaluation of investment property	–	(1 882)	
Loss on disposal of property, plant and equipment	52	10	
Total tax effect of adjustments	(2)	4	
Total non-controlling interest effects of adjustments	–	–	
Headline earnings/(loss)	657	(79 348)	

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, the Listings Requirements of the JSE Limited and the Companies Act No. 71 of 2008. These results have been prepared by the Chief Financial Officer, Gys Wege CA(SA), and 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 2011.
3. **Related party transactions**
   Expenses recognised in relation to the provision of managerial services received from HCI amounted to R2 100 000.

   Residential premises were leased to Mr A Ntuli (director) for R21 090.

   A bridging loan totalling R30 million was advanced by HCI Treasury which bears interest at prime. The associated interest expense is R245 075.
4. **Capital expenditure and commitments**
   Net capital expenditure during the period under review amounted to R97,3 million (2010: R37,2 million). There are further commitments in respect of contracted capital expenditure as at 30 September 2011 of approximately R83,3 million (2010: R33,1 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.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Rand thousands	30 Sept 2011	30 Sept 2010 (restated)	% change
Revenue	1 207 947	1 177 020	2,6%
Gross profit	229 021	278 683	(17,8%)
Operating profit before impairments and restructuring and retrenchment costs	30 879	17 904	72,5%
Net impairment of assets	192	–	–
Net restructuring and retrenchment costs	(5 521)	(1 441)	–
Operating profit before finance costs	25 550	16 463	55,2%
Finance income	3 451	1 888	–
Finance expenses	(17 842)	(11 177)	–
Profit before tax	11 159	7 174	55,5%
Income tax expense	(1 095)	(1 486)	–
Profit for the period from continuing operations	10 064	5 688	76,9%
Loss for the period from discontinued operations	(8 624)	(77 029)	–
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD	1 440	(71 341)	–
Profit/(loss) attributable to:			
Owners of the parent	1 440	(71 341)	–
Non-controlling interests	–	–	–
	1 440	(71 341)	–
Total comprehensive profit/(loss) attributable to:			
Owners of the parent	1 440	(71 341)	–
Non-controlling interests	–	–	–
	1 440	(71 341)	–

CONDENSED STATEMENT OF CASH FLOWS

Rand thousands	30 Sept 2011	30 Sept 2010
Net cash flow from operating activities	(19 581)	(16 118)
Net cash flow from investing activities	(92 941)	33 291
Net cash flow from financing activities	552	(47 629)
Net decrease in cash and cash equivalents	(111 970)	(30 456)
Cash and cash equivalents at beginning of period	(207 242)	(116 197)
Cash and cash equivalents at end of period	(319 212)	(146 653)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Other reserves	Retained income	Total	Non-controlling interest	Total equity
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
Balance at 1 April 2011	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	191	459	–	–	–	650	–	650
Share incentive scheme adjustments	–	–	–	–	(650)	(650)	–	(650)
Balance at 30 September 2011	159 398	145 221	(14 610)	264 064	701 349	1 255 422	610	1 256 032

Composition of other reserves	30 Sept 2011	30 Sept 2010
Revaluation of investments	2 861	2 601
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	252 840	307 055
	264 064	318 019

CONDENSED SEGMENTAL REPORT

Rand thousands	Textiles	Clothing	Toys, stationery and electronics	Properties	Head office	Total
30 Sept 2011						
Segment revenue						
External sales	542 887	496 743	209 737	29 681	–	1 279 048
Inter-segment sales (these transactions are at arms length)	(20 763)	–	–	(20 732)	–	(41 495)
	522 124	496 743	209 737	8 949	–	1 237 553
Less: Revenue attributable to discontinued operations	–	(29 606)	–	–	–	(29 606)
Revenue as per statement of comprehensive income	522 124	467 137	209 737	8 949	–	1 207 947
Segment results						
Operating profit/(loss) from operations	34 223	(55 614)	13 159	31 740	(5 233)	18 275
Less: operating profit/(loss) from discontinued operations	517	(7 792)	–	–	–	(7 275)
Operating profit/(loss) from continuing operations	33 706	(47 822)	13 159	31 740	(5 233)	25 550
30 Sept 2010						
Segment revenue						
External sales	533 022	617 529	206 618	33 255	–	1 390 424
Inter-segment sales (these transactions are at arms length)	(31 158)	(24 007)	(976)	(30 842)	–	(86 983)
	501 864	593 522	205 642	2 413	–	1 303 441
Less: Revenue attributable to discontinued operations	(53)	(126 368)	–	–	–	(126 421)
Revenue as per statement of comprehensive income	501 811	467 154	205 642	2 413	–	1 177 020
Segment results						
Operating profit/(loss) from operations	8 451	(86 120)	10 428	23 911	(5 679)	(49 009)
Less: operating profit/(loss) from discontinued operations	418	(65 890)	–	–	–	(65 472)
Operating profit/(loss) from continuing operations	8 033	(20 230)	10 428	23 911	(5 679)	16 463

COMMENTARY

Despite the difficult trading conditions experienced in the period under review, most of the Group's business segments made good progress with operating profit growth being shown in the Textiles and Property, as well as the Toys, Stationery and Electronics segments. However, the good work done in these areas was blighted by the very disappointing performance of the Clothing Segment which saw its operating loss worsen significantly in the current period.

The Group as a whole managed to return to the black for the six months ended 30 September 2011, posting an attributable profit of R1,4 million compared to an attributable loss of R71,3 million in the corresponding period. The main reason for the improvement was the cessation of the operations that were reported in the discontinuing line in the prior year.

Turnover from continuing operations was up 3% due mainly to increases in raw material prices rather than increased volume. The Group's gross margins came under severe pressure being down 4,7% from 23,6% in the prior period to 18,9% in the current period. Although margin pressures were experienced across all the Group's business segments, the most severe effects were felt in the apparel manufacturing business where increases in raw material and production costs were unable to be passed on to customers while reduced volumes also meant reduced overhead absorption.

Although the Group's gross margin was down, operating profit was up R17,9 million (72,5%) to R30,9 million on the back of a combination of cost savings and the recognition of some R46 million of production incentive in the current year. We did not recognise any production incentive in the comparative period as there was no certainty on the incentive scheme at the time. Income from the production incentive is recognised in accordance with the strict requirements of the relevant accounting standard, which amongst other things requires us to match the income and expenses associated with the incentive wherever possible.

Textiles

The performance of the Textiles segment continues to improve, with all but one of the business units within this sector now being profitable. Operating profit grew from R8,0 million in the prior period to R33,7 million although this does include benefits from the production incentive. If one excludes the effects of the production incentive entirely, operating profit grew by an impressive 29%. The improvement in these business units is particularly pleasing given that it has been achieved under difficult trading conditions. Most of the business units within this segment are running at well below capacity and remain primed to take advantage of any improvements in the economic conditions.

Clothing

The clothing operations continue to be problematic with the continuing operations delivering an operating loss of R50 million (2009: R20 million).

Although undoubtedly the apparel manufacturing business is still plagued by all the issues that have weighed down the entire sector for a number of years, the losses incurred cannot be entirely ascribed to the industry woes. There are a number of areas that are under our direct control where significant improvements can and need to be made.

There are a number of improvement measures at various stages of completion that are taking place to address the poor performance of this business, most notably:

- a complete revamp of the IT backbone that will ensure that reliable and timely information is received in order to enhance decision-making processes. This has now largely been completed;
- the material resource planning system has been upgraded and now runs off a central platform to: enable greater visibility of material flow throughout the operations, improve production planning and ensure better delivery performance;
- rationalisation of the product portfolio to remove unnecessary complexity in the business and ensure that margins can be maintained;
- finalising the centralisation process to reduce fixed overheads. Until the centralisation process is completed, the Group is incurring costs in maintaining additional production and administration facilities; and
- a continuous focus of productivity improvements.

Unfortunately, the turnaround of the clothing division has been slower than we first anticipated. Any improvements that have been made have been lost to reduced margins and declining volumes. Our production facilities in the high-wage metro areas are of particular concern as over time these factories have lost more and more of the long-run work without which factory efficiencies suffer. This has resulted in further restructuring being required in these areas.

However, there are a number of positive initiatives taking place in the industry including:

- the advent of the production incentive which has provided a level of stability and enables the business to invest in necessary equipment upgrades and process improvements;
- the new wage dispensation that has been agreed which provides for lower wages for new entrants into the industry is a positive step and should benefit the industry generally. However, it's a moot point whether this dispensation is of benefit to the more established manufacturers with a large number of existing employees. We believe that there may be benefit to this in the longer term and that if it assists the local industry generally to grow employment there will be positive spin-offs in time;
- the weakening Rand will be of assistance;
- the current discussions around duty rebates on fabrics not locally produced are encouraging, although there is a genuine concern from the textile manufacturers that if this process is not carefully managed it will have significant negative consequences on this important sector; and
- the local procurement initiatives in both the public and private sectors.

The internal issues that are being addressed and the more positive external factors give us hope that this business will show improvements in time. However, we expect that any improvements that may come will not materialise in the short term and conditions in the second half of this financial year are likely to remain challenging.

Brand Identity

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

Of particular note was the launch of the 46664 fashion label during the period. Early indications for the brand are very positive. We are investigating launching the brand internationally in due course and are currently evaluating potential partners to assist in specific regions. We will also shortly be launching an on-line retail store (www.46664fashion.com) which is the Group's first real foray into e-retailing.

Toys, stationery and electronics

The businesses within this segment continue to perform solidly. Although turnover only grew by 1,5% to R210 million, good cost controls and some assistance from the stronger Rand resulted in operating profit growing by 26% to R13 million. The performance of the electronics business in particular was pleasing with some of the longer-term strategies that were put in place to make this business more competitive starting to take effect.

Properties

The Group's property development continues at pace with some 86 000 m^2 of lettable space either having already been developed or nearing completion. As at 30 September 2011, we have signed up tenants for approximately 71 000 m^2 of this space with good interest being shown in the last 15 000 m^2. The Group has an additional 61 000 m^2 which will be developed in time, provided we have sufficient tenants signed up.

Although it was anticipated that the operating profit for the properties segment would be down on the prior year given the amount of space under construction, a once-off income item of R14 million helped lift operating profit by 33% to R31,7 million (2010: R23,9 million).

Material litigation

The litigation against former directors has proceeded to arbitration hearings which have been completed, other than for final argument which is scheduled to be heard in the first quarter of 2012.

On behalf of the board

Stuart Queen
Chief Executive Officer

Gys Wege
Chief Financial Officer

Cape Town
17 November 2011

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 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 (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.