Group Interim Report

to shareholders for the six months ended December 2006

SEARDEL

INVESTMENT CORPORATION LIMITED

39 YEARS

Financial Highlights

Rand thousands, unless otherwise indicated	SIX MONTHS ENDED 31 DECEMBER 2006 (unaudited)	2005 (unaudited)	% Change
Revenue	**2 003 392**	1 870 185	+ 7,1
Profit before taxation	**40 459**	51 270	– 21,1
Earnings per share - cents	**37,6**	39,5	– 4,8
Headline earnings per share - cents	**31,1**	36,5	– 14,8
Capital and reserves	**1 378 171**	1 427 344	– 3,4
Total tangible assets (excluding cash)	**2 673 361**	2 437 092	+ 9,7
Net asset value per share - cents	**1 514**	1 240	+ 22,1

The unaudited condensed consolidated financial statements of the group for the six months ended 31 December 2006 with comparative figures for the corresponding period last year, together with the audited financial statements for the financial year ended 30 June 2006 are set out below.

Income Statement

	SIX MONTHS ENDED 31 DECEMBER			YEAR ENDED 30 JUNE
Rand thousands	**2006 (unaudited)**	2005 (unaudited)	% Change	2006 (audited)
Revenue	**R2 003 392**	R1 870 185	+ 7,1	R3 686 322
Operating profit before finance costs	**66 441**	74 091	– 10,3	152 693
Finance income	**9 855**	7 693		15 463
Finance expenses	**(35 837)**	(30 514)		(61 991)
Profit before taxation	**40 459**	51 270	– 21,1	106 165
Taxation	**(7 541)**	(5 500)		(19 366)
Profit for the period	**32 918**	45 770	– 28,1	86 799
Attributable to:				
Shareholders	**34 374**	45 353	– 24,2	86 681
Minority interest - (loss)	**(1 456)**	417		118
Profit for the period	**R32 918**	R45 770		R86 799

Statistics Per Share

In cents, where applicable	SIX MONTHS ENDED 31 DECEMBER			YEAR ENDED 30 JUNE
Weighted average number of shares in issue (000)	**91 332**	114 752		105 224
Weighted average number of diluted shares in issue (000)	**91 702**	115 501		105 997
Earnings	**37,6**	39,5	– 4,8	82,4
Diluted earnings	**37,5**	39,3	– 4,6	81,8
Headline earnings	**31,1**	36,5	– 14,8	74,2
Diluted headline earnings	**31,0**	36,2	– 14,4	73,6
Distribution - annual	**–**	–	–	27,0
Distribution cover - headline earnings	**–**	–	–	2,7
RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS				
Income attributable to shareholders	**34 374**	45 353		86 681
Impairment of goodwill	**–**	–		542
Insurance claim - loss of profits	**–**	–		(34)
Reversal of impairment of property, plant and equipment	**–**	–		(6 190)
Surplus on disposal of property, plant and equipment	**(9 369)**	(4 929)		(12 077)
Loss/(profit) on share options exercised	**210**	–		(24)
Tax effect of adjustments	**3 217**	1 429		9 155
Headline earnings	**R28 432**	R41 853		R78 053

Balance Sheet

Rand thousands	SIX MONTHS ENDED 31 DECEMBER 2006 (unaudited)	SIX MONTHS ENDED 31 DECEMBER 2005 (unaudited)	YEAR ENDED 30 JUNE 2006 (audited)
ASSETS			
Non-current assets	**1 062 770**	973 748	1 029 537
Property, plant and equipment	**1 004 690**	946 826	971 703
Goodwill	**–**	542	–
Investments	**1 911**	1 333	1 801
Long-term receivables	**46 533**	15 670	49 153
Deferred taxation	**9 636**	9 377	6 880
Current assets	**1 775 384**	1 740 751	1 650 455
Assets held for disposal	**3 687**	85 597	27 741
Inventory	**828 593**	631 757	736 921
Trade and other receivables	**787 947**	750 799	703 923
Taxation receivable	**–**	5 110	–
Cash and cash equivalents	**155 157**	267 488	181 870
TOTAL ASSETS	**R2 838 154**	R2 714 499	R2 679 992
EQUITY AND LIABILITIES			
Capital and reserves	**1 378 171**	1 427 344	1 370 789
Share capital and share premium	**6 130**	6 766	6 262
Treasury shares	**(9 441)**	(1 917)	(4 740)
Reserves	**1 376 687**	1 418 865	1 366 071
Total equity attributable to equity holders	**1 373 376**	1 423 714	1 367 593
Minority interest	**4 795**	3 630	3 196
Non-current liabilities	**568 713**	400 306	484 809
Interest-bearing liabilities	**338 166**	180 925	256 619
Deferred liabilities	**68 554**	63 500	68 074
Deferred taxation	**155 426**	155 881	154 303
Operating lease accruals	**6 567**	–	5 813
Current liabilities	**891 270**	886 849	824 394
Interest-bearing loans	**256 886**	220 719	217 496
Trade and other payables	**431 789**	456 779	497 355
Provisions	**39 748**	27 345	79 351
Bank overdrafts	**153 710**	181 989	22 159
Taxation payable	**9 120**	–	8 016
Dividend to shareholders	**17**	17	17
TOTAL EQUITY AND LIABILITIES	**R2 838 154**	R2 714 499	R2 679 992
Net asset value (excluding intangible assets)	**1 373 376**	1 423 172	1 367 593
Net asset value per share - cents	**1 514**	1 240	1 496

Ratios

Profitability	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
Profit from operations as percentage of revenue	**3,3%**	4,0%	4,1%
Profit before taxation as percentage of revenue	**2,0%**	2,7%	2,9%
Profit after taxation as percentage of revenue	**1,6%**	2,4%	2,4%
Return on total tangible assets (excluding cash)	**5,4%**	4,8%	6,1%
Return on total equity attributable to equity holders	**5,5%**	5,4%	6,3%
Leverage			
Ratio of debt to capital and reserves	**78%**	56%	66%
Ratio of net borrowings (interest bearing debt) to capital and reserves	**43%**	22%	23%
Liquidity			
Current ratio	**2,0**	2,0	2,0
Net finance charges cover	**2,6**	3,2	3,3

Condensed Cash Flow Statement

Rand thousands	SIX MONTHS ENDED 31 DECEMBER 2006 (unaudited)	SIX MONTHS ENDED 31 DECEMBER 2005 (unaudited)	YEAR ENDED 30 JUNE 2006 (audited)
Net cash flow from operating activities	**(210 514)**	(19 485)	116 817
Net cash flow from investing activities	**(66 609)**	(6 291)	(1 844)
Net cash flow from financing activities	**118 859**	(74 209)	(140 746)
Net decrease in cash and cash equivalents	**(158 264)**	(99 985)	(25 773)
Cash and cash equivalents at beginning of period	**159 711**	185 484	185 484
Cash and cash equivalents at end of period	**R1 447**	R85 499	R159 711

Statement of Changes in Equity

Rand thousands	Share Capital	Share Premium	Treasury Shares	Other Reserves	Retained Income	Minority Interest	Total
Balance 30 June 2005	6 719	187	(5 420)	70 534	1 322 762	3 213	1 397 995
Cancellation of shares	(140)		2 884		(7 181)		(4 437)
Share options exercised			619				619
Profit for the period					45 353	417	45 770
Dividend					(12 603)		(12 603)
Balance 31 December 2005	R6 579	R187	(R 1 917)	R70 534	R1 348 331	R3 630	R1 427 344
Balance 30 June 2006	**6 075**	**187**	**(4 740)**	**41 249**	**1 324 822**	**3 196**	**1 370 789**
Dilution of interest in subsidiary					**1 896**	**3 055**	**4 951**
Revalued amount released				**(4 432)**	**4 432**		**–**
Cancellation of shares	**(132)**		**835**		**(738)**		**(35)**
Share repurchases			**(5 834)**				**(5 834)**
Share options exercised			**298**				**298**
Profit for the period					**34 374**	**(1 456)**	**32 918**
Dividend					**(24 916)**		**(24 916)**
Balance 31 December 2006	**R5 943**	**R187**	**(R9 441)**	**R36 817**	**R1 339 870**	**R4 795**	**R1 378 171**

	2006	2005
Composition of other reserves		
Revaluation of investments	**753**	284
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	**27 701**	61 887
	R36 817	R70 534




Segmental Report

Rand thousands 2006	Textiles	Apparel & household textiles	Office automation & consumer electronics	Toys	Industrial products	Total
Segment revenue						
External sales	**722,498**	**979,351**	**112,902**	**141,709**	**81,939**	**2,038,399**
Inter-segment sales (these transactions are at arms length)	**(35,007)**	**–**	**–**	**–**	**–**	**(35,007)**
	687,491	**979,351**	**112,902**	**141,709**	**81,939**	**2,003,392**
Segment results						
Operating profit	**26,764**	**13,557**	**15,858**	**12,028**	**(1,766)**	**66,441**
2005						
Segment revenue						
External sales	696,116	928,853	107,464	101,064	78,196	1,911,693
Inter-segment sales (these transactions are at arms length)	(41,508)	–	–	–	–	(41,508)
	654,608	928,853	107,464	101,064	78,196	1,870,185
Segment results						
Operating profit	35,018	17,659	11,366	7,012	3,036	74,091

Comment on results and corporate actions

Revenue increased by 7,1% to R2,003 billion. The substantial imports of apparel and textiles continued growing at an alarming rate. Imports of apparel for the period January to November 2006 totalled R6,11 billion, up 35,2% on last year's imports of R4,52 billion, which itself was up 35,1% on 2004 imports. Imports of textiles for the period January to November 2006 amounted to R1,9 billion, up by 28,7% on the previous year. China remains far and away the major source of imports of apparel, accounting for 77,6% of total imports by value.

A quota dispensation was gazetted on 20 October 2006, following a formal bi-lateral agreement between South Africa and China, which became effective on 1 January 2007. Under the regulations, importers had to apply for Special Import Permit Certificates. These specify the quotas across specific textile and garment categories, which a registered importer would qualify for. A special committee, operating under the auspices of the Department of Trade and Industry has been established to monitor the implementation of the quotas. This monitoring committee consists of labour, business and government and will, where required, make recommendations to the Minister of Trade and Industry in the course of the administration of these measures. This, combined with the requirement of Country of Origin labelling already in place, is expected to have the effect of slowing down the unacceptable rate of import increases. After many years of effort and pressure the gazetting of the Country of Original labelling legislation, in spite of considerable resistance from retail and import agents, will greatly assist SARS Customs in establishing a paper trail in respect of under invoicing, round-tripping and general illegal trade practices. The expected benefits are yet to be realised. Clothing PPI now stands at 0,8% against the overall manufacturing PPI index of 9,9%.

The level of Seardel's exports declined by 2% to R72,5 million.

Profit before taxation amounted to R40,5 million (2005: R51,3 million), a decrease of 21,1%. A contributing factor was that the Frame textile division experienced continuous pressure on prices, especially polyester and wool, which had a significant impact on margins. There were also major delays in the relocation of some of the spinning mills, which has had an effect on costs. Finance costs increased by R3,2 million because of the increase in interest-bearing debt from June 2006 of R279 million, due partly to the consolidation of debt of R89 million to fund the initial costs of R3,2 million written off and assets amounting to R78 million in Sustainable Fibre Solutions (Pty) Limited (SFS). This is because of Seardel's management control position in the company, notwithstanding our one third investment in the equity of this company. The Industrial Development Corporation owns the remaining two thirds of the equity. It should also be noted that debtor payments of R53 million, due on 31 December 2006, were, because of the New Year weekend, only received on the 2nd or 3rd of January 2007. Finished goods, produced for orders, were held pending delivery instructions from customers at December 2006. This impacted negatively on inventory levels and cash flows. These are expected to return to normality in the second half of the financial year and liquidity will improve accordingly. Earnings attributable to shareholders amounted to R34,4 million (2005: R45,3 million), a decrease of 24,2%.

Earnings per share amounted to 37,6 cents (2005: 39,5 cents), a decrease of 4,8%.

Headline earnings per share amounted to 31,1 cents (2005: 36,5 cents), a decrease of 14,8%.

The main contributing factors were a reduction in operating profit, the increase in interest rates and a R2 million higher tax charge. However, both Seartec (Sharp) and Prima Toys posted substantial increases in operating profit. These businesses source their products offshore. The diversification of the group's investment policy has again shown positive results.

During the period under review the group repurchased 37,837 ordinary and 708,952 N ordinary shares. An additional 528,494 ordinary shares were cancelled and delisted during this period. This reduced the shares in issue at 31 December 2006 to 92,1 million (23,1 million ordinary shares and 69 million N ordinary shares). Treasury shares amount to 1,3 million.

Tangible net asset value per share is 1514 cents based on 90,7 million shares (2005 : 1240 cents per share based on 114,7 million shares).

The group's clothing and textile divisions have, where necessary, been restructured and streamlined in order to remain competitive, thereby enabling the divisions to concentrate on their strengths, i.e. top quality garments, service levels to local customers, short lead times, and innovative sourcing of certain product from Eastern suppliers to our specifications and quality control.

The Charmfit division manufactures, amongst other products, Triumph underwear under licence. Negotiations are currently under way to sell the distribution, sales and marketing functions to Triumph International, but to retain the production unit.

Seardel has entered into a joint venture with the Industrial Development Corporation through the SFS vehicle. This business, situated in the Winterton area of the KwaZulu Natal Midlands, is partnering with selected farmers in the area to grow and process kenaf for industrial use as a natural product replacement of plastic in the building and motor industries. Funding of the plant is in proportion to shareholding. A trust fund has been set up to facilitate empowerment ownership. SFS will initially provide product mainly for export and also to the local market when production is ramped up.

Seartec Industries (Pty) Limited has concluded a transaction to sell a 25,1% interest in its business to a BBBEE entity, Thesele Group, with effect from 26 January 2007.

Outlook to June 2007

The economy is expected to increase by about 4% during the next six months. The continuity of electricity supplies is in doubt. The group has therefore invested in power generating machinery in order to maintain continuity of production schedules at its various manufacturing plants. Order books are considered to be reasonable at this stage. It is anticipated that the slow down in imports should reflect positively on the group in the medium term.

Notes

1. Accounting Policies

The condensed financial statements have been prepared in accordance with International Accounting Standard IAS34: Interim Financial Reporting. They are also compliant with International Financial Reporting Standards (IFRS).

2. Significant accounting policies

The condensed financial statements 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 30 June 2006.

3. Related parties

Transactions between group companies

During the year, in the ordinary course of business, certain companies within the group entered into intra-group transactions which have been eliminated on consolidation.

Acquisition of shares

Seardel Investment Corporation Limited acquired 528,494 ordinary shares from the Seardel Investment Corporation Employee Incentive Scheme 2001 at R8,05 per share. These shares were subsequently cancelled.

Transactions with entities controlled by directors

Mr J Copelyn is a non-executive director of Mettle Limited. Group companies have entered into financial transactions with the Mettle Group as set out in note 33 of the 2006 financial statements.

Subsidiary companies within the group have entered into property lease transactions with Dr A Searll or entities controlled by him or in which he has part ownership. The monetary value of these transactions is approximately R2,8 million for the period under review. A subsidiary company has a loan owing to Grawood Investments (Pty) Limited, a company of which Dr A Searll is the sole shareholder. This loan bears interest at a rate of prime minus 1%. The monetary value of the loan at 31 December 2006 is R85,3 million and the related interest for the six months ended 31 December 2006 is R4,2 million. The group engages the services of Searay BD100 Charters, a partnership in which Dr A Searll has a 30% interest. The related expense is R286,700. The group engages the services of Crystal River Consultants, an entity owned by a family member of Dr A Searll. The related expense is R475,000.

Remuneration of key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group. The remuneration paid by the group to its key management personnel amounted to R9,5 million as at 31 December 2006.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at the balance sheet date are disclosed in the directors' report on page 35 of the 2006 financial statements. There has been no material change to date hereof.

Related parties

All subsidiaries qualify as related parties and all subsidiaries are listed on page 56 of the 2006 financial statements.

4. Capital expenditure and commitments

Net capital expenditure during the period under review amounted to R74,4 million (2005: R12,3 million), of which SFS accounted for R37 million. There are further commitments in respect of contracted capital expenditure as at 31 December 2006 of approximately R27 million (2005: R13 million).

5. Contingent liabilities

The company is jointly and severally liable in respect of third party liabilities incurred by subsidiary companies.

There are uncertainties about the probability of outflows of resources and about the amount of possible obligations with regard to the "improper use" of the surplus funds in terms of amendments to the Pension Funds Act No 24 of 1956. Based on legal advice taken, the directors do not believe that such outflows are likely to materialise.

Signed for and on behalf of the board in Cape Town on 1 March 2007.

Adv. N N Lazarus SC	Dr. A Searll DBA
CHAIRMAN	CHIEF EXECUTIVE OFFICER

Registration number 1968/011249/06
The company's shares are listed under the Consumer Goods - Personal and Household Goods Sector of the JSE Limited.
Seardel; Seardel-N; SER: ZAE000029815 SRN: ZAE000030144

DIRECTORS N N Lazarus* (Chairman), A Searll (CEO), J Copelyn*, A D Jacobson, W Simeoni (Austrian), R Upton*.
(*indicates non-executive.)

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