Statement of financial position at

Rand thousands	30 September 2009	31 March 2009
ASSETS		
Non-current assets	**858 219**	1 031 644
Property, plant and equipment	**799 924**	969 526
Intangible assets	**19 276**	21 490
Other investments	**1**	1 442
Long-term receivables	**35 269**	35 412
Deferred tax	**3 749**	3 774
Current assets	**1 349 279**	1 558 351
Non-current assets held for sale	**123 602**	26 818
Inventories	**551 851**	754 354
Trade and other receivables	**641 461**	769 100
Current tax asset	**136**	129
Cash and cash equivalents	**32 229**	7 950
TOTAL ASSETS	**2 207 498**	2 589 995
EQUITY AND LIABILITIES		
Total equity	**1 187 957**	1 409 413
Share capital and share premium	**303 969**	303 969
Treasury shares	**(14 610)**	(14 610)
Reserves	**898 071**	1 119 590
Equity attributable to owners of the parent	**1 187 430**	1 408 949
Non-controlling interests	**527**	464
Non-current liabilities	**97 081**	257 099
Deferred tax	**6 610**	7 420
Post employment medical aid benefits	**81 913**	80 831
Interest-bearing liabilities	**4 696**	168 397
Operating lease accruals	**3 862**	451
Current liabilities	**922 460**	923 483
Current tax payable	**–**	3 532
Post employment medical aid benefits	**4 346**	4 346
Interest-bearing liabilities	**191 218**	40 357
Short-term provisions	**–**	12 057
Deferred royalty payment	**–**	45 172
Trade and other payables	**412 066**	558 359
Provision for closure costs – Discontinued operations	**64 647**	–
Bank overdrafts	**250 183**	259 660
TOTAL LIABILITIES	**1 019 541**	1 180 582
TOTAL EQUITY AND LIABILITIES	**2 207 498**	2 589 995
Net asset value (excluding intangible assets)	**1 168 154**	1 387 459
Net asset value per share after treasury shares (cents)	**166**	197

Condensed statement of cash flows for the six months ended

Rand thousands	30 September 2009	31 December 2008
Net cash flow from operating activities	**5 849**	(232 355)
Net cash flow from investing activities	**40 747**	(28 331)
Net cash flow from financing activities	**(12 840)**	85 606
Net decrease in cash and cash equivalents	**33 756**	(175 080)
Cash and cash equivalents at beginning of period	**(251 710)**	(104 277)
Cash and cash equivalents at end of period	**(217 954)**	(279 357)

Statement of changes in equity

Rand Thousands	Share Capital	Share Premium	Treasury Shares	Other Reserves	Retained Income	Total	Non-controlling Interests	Total
Balance at 1 July 2008	**5 943**	**187**	**(16 250)**	**241 386**	**1 158 967**	**1 390 233**	**6 606**	**1 396 839**
Acquisition of minority interest						**–**	(926)	**(926)**
Shares issued net of share issue expenses	153 264	144 575				**297 839**		**297 839**
Share disposals			**1 640**			**1 640**		**1 640**
Total comprehensive loss for the period				(790)	(183 450)	**(184 240)**	(5 113)	**(189 353)**
Balance at 31 December 2008	**159 207**	**144 762**	**(14 610)**	**240 596**	**975 517**	**1 505 472**	**567**	**1 506 039**
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**

	30 September 2009	31 December 2008
Composition of other reserves		
Revaluation of investments	**–**	615
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	**225 083**	231 618
	233 446	240 596

Condensed segmental report

Rand thousands	Textiles	Clothing	Discontinued	Other	Total
2009					
Segment revenue					
External sales	**525 144**	**680 495**	**271 025**	**189 860**	**1 666 524**
Inter-segment sales (these transactions are at arm's length)	**(29 462)**	**(6 210)**	**(64 169)**		**(99 841)**
	495 682	**674 285**	**206 856**	**189 860**	**1 566 683**
Less: Revenue attributable to discontinued operations					**(271 025)**
Revenue as per statement of comprehensive income					**1 295 658**
Segment results					
Operating (loss)/profit	**10 441**	**(46 181)**	**(171 936)**	**15 022**	**(192 654)**
2008					
Segment revenue					
External sales	588 223	887 270	385 015	282 767	2 143 275
Inter-segment sales (these transactions are at arm's length)	(25 572)		(65 606)		(91 178)
	562 651	887 270	319 409	282 767	2 052 097
Less: Revenue attributable to discontinued operations					(385 015)
Revenue as per statement of comprehensive income					1 667 082
Segment results					
Operating (loss)/profit	271	(70 258)	(49 288)	(9 579)	(128 854)

Comment on results and corporate actions

Overview

As was reported in the results for Seardel Investment Corporation Limited ("Seardel" or "the Group") for the nine months ended 31 March 2009, there are no quick fixes to a group of this size, particularly when the macro-economic environment is as unfavourable as the one currently being experienced. The global recession and strong Rand have certainly slowed the rate of progress and given the long lead times, will continue to have an effect for the remainder of the year. However, despite this, we believe that the Group has made some tremendous steps forward operationally and significant costs have been cut out of the business. The results for the first six months do not reflect the full benefits of the turnaround, but we are confident that we will be able to report improved results for the second half of this financial year.

During the period under review, the Group took the significant decision to close certain of its textile divisions namely, Spinning, Weaving, Finishing and Denim ("the Affected Divisions") after it became apparent that there was little that could be done within management's control that would see these Affected Divisions returning to profitability. The financials reflect the results of these operations as part of the discontinuing operations disclosure.

The other significant event of the period under review was the 12 day clothing industry strike which cost the Group around R16 million. It is acknowledged that in order to survive, the local industry has to have efficiency levels that are world class. This has been the focus of Seardel and we have seen marked improvement in efficiency levels. However, the high absenteeism levels experienced by the Group, particularly in the Western Cape, are a major stumbling block in the attainment of world class efficiencies on a consistent basis. The wage offer made by employers during this year's negotiations represented an increase of 8% with certain conditions aimed at reducing absenteeism. The union rejected this offer on the grounds that it represented a downward variation in employment conditions. The strike was eventually settled on terms that effectively gave workers in the metro areas an increase of 7% without any significant changes to the terms of employment. However, the union has acknowledged the problem of absenteeism and have stated a commitment to working with the industry to find a solution to the problem. We hope that the commitment expressed by the parties translates into a positive action.

In addition to the industry strike, the period under review also incorporated a metro rail and taxi strike which also had an adverse effect on the reported results.

Results

The Group recorded an attributable loss of R222 million for the six months to 30 September 2009. The discontinued operations accounted for R172 million of this loss whilst continuing operations accounted for a further R50 million loss.

Continuing Operations

For the period under review, the Group recorded an operating loss before finance costs from continuing operations of R21 million. Included in this loss are the following non-recurring or non-core items:

- The Group's policy is to cover forward its foreign exchange exposure and in a strengthening Rand environment, this meant that the Group recorded forex losses of R19 million for the period, R18 million of which were unrealised losses at the reporting date;
- The strike action is estimated to have cost the Group some R16 million;
- A R4 million asset impairment charge was raised relating to a write down of the Group's minority interest in Sustainable Fibre Solutions (Pty) Ltd;
- A R2.3 million charge relating to retrenchment and relocation costs was processed; and
- The results were positively affected by the renegotiation of the 2010 World Cup contract which resulted in a R17 million reduction in the total liability.

The reduced debt levels and lower interest rates have reduced the net interest paid from R54 million in the 6 months to 31 December 2008 to R30 million in the current period.

Discontinued operations

During the period under review, the loss from the discontinued operations was R172 million. This loss comprises a R58 million operating loss and closure costs of R114 million. The closure costs include:

- R35 million in respect of retrenchment costs;
- R31 million provision for onerous contracts; and
- R48 million in respect of an asset impairment charge.

R21 million of the asset impairment charge relates to the strengthening Rand as these assets are likely to be sold offshore with the proceeds being US$ denominated. The remainder of the impairment charge was required to take into account the current depressed market conditions for assets of this sort.

We had previously reported that the loss from discontinued operations would be in the region of R165 million but this estimate did not include the asset impairment charge. As there are still costs to be incurred in the Affected Divisions until the assets are sold and shipped, which is expected to only be completed by the end of the next financial year, we believe that the estimate of R165 million (before accounting for the impairment charge) is still reasonably accurate.

Operational review

Textiles

The performance of the continuing textile operations showed an improvement and delivered an operating profit of R10 million after accounting for a R4 million foreign exchange loss and retrenchment and restructuring costs of R2 million.

The restructuring initiatives have, in the main, been completed with the formation of clusters for the knitting, home textile and non-woven products. The full benefits of these reorganisations will only be felt in the second half of this financial year. There are still some weaker areas within the textile divisions and these are being addressed.

The textile division has made significant progress in the implementation and adoption of the various world class management and manufacturing disciplines and structures we are applying across the Group. Some of the benefits that these world class systems will bring are already being realised in a number of operations. Based on the interventions mentioned, we anticipate an improvement in the performance of this division over the next six months. If the fundamentals of our economic environment improve, we believe this improvement could be meaningful. However, the strong Rand and the extraordinary utility cost increases we are facing, are a massive undermining factor in our more capital intensive operations.

Clothing

The results for the clothing division were disappointing with it delivering an operating loss of some R46 million. This has been affected by a number of non-core or non-recurring items most notably:

- The strike action which is estimated to have cost the Group R16 million; and
- Some R11 million of forex losses.

We have made further progress in the consolidation of the various clothing divisions with the bulk of the work now having been completed. We have also appointed senior executives to take functional responsibility for production, quality, procurement and supply chain management. These new appointments all come from the motor industry and are proponents of world class manufacturing principles. We look forward to their contributions to these critical areas.

The benefits of this reorganisation should start to be seen in the next 6 months when we hope to report that these divisions are profitable on an operating level. Although we remain optimistic that this goal can be achieved, the clothing divisions are being severely affected by a loss of volume to imports from the East (exacerbated by the strong Rand) and even more worryingly, by a shift from the retailers to procure more product from our neighbouring SACU states where wage rates are far lower than our own and against whom we have no tariff protection. To counter this threat, it may require a change in government policy that allows local producer's better protection or support to enable them to be competitive.

Toys, stationery and games

The tough economic times experienced in the first quarter of 2009 and referred to in the Director's Report for the nine months ended 31 March 2009 continued to impact on Prima's trading for the period under review. The past six months have been one of the most difficult periods in Prima's history. Retailer confidence has been at an all-time low and they have put much of their efforts into controlling their stock levels with the concomitant impact on Prima's turnover. Notwithstanding this, Prima has managed to trade profitably albeit on a lower level delivering an operating profit of R12 million.

Prima has maintained its market share during this difficult period. This has been achieved by its continued focus on the appropriate mix of product and attention to detail on the shop floor. New character license agreements have been concluded which will supplement the existing business.

Prima continues to explore opportunities that fit into its profile and expertise of distribution of branded FMCG. This will be in the area of new business opportunities outside of toys and games or for new licenses and distributorships. To this end, Prima has recently created a new trading division – Prima Interactive. Prima Interactive specialises in the distribution of electronic games for the major console offerings and personal computers.

Electronics

The performance of our electronics division was severely affected by the current economic climate with copier and calculator sales below the levels achieved in the previous corresponding period and margins being put under pressure. This has resulted in the division delivering an operating loss of R1.3 million after accounting for some R2.5 million of forex losses.

We anticipate that the copier and calculator markets will show some improvement from the second quarter of 2010 and are planning accordingly. The current challenges remain trying to balance the weaker sales and margins with the reduction of fixed expenses whilst maintaining our sales and marketing efforts. We anticipate that this division will be profitable for the second half of this financial year.

Forensic issues

The board has commissioned an extensive forensic audit of the past conduct in the Group. In consequence, the Group has launched an action consisting of various substantial claims for relief against former directors of Seardel and its subsidiaries. The total value of these claims is in excess of R300 million and primarily relate to property transactions, which opportunities we believe ought to have been presented to the Group. These actions are being defended and are likely to continue for some time.

Changes to the board

During the period under review, the following appointments were made to the board:

- Mr Gys Wege was appointed Chief Financial Officer;
- Ms Nazeema Teladia and Ms Rachel Watson were appointed as non-executive directors.

Outlook

Although significant challenges still need to be overcome, both within Seardel and within the industry in general, we remain optimistic that a turnaround can be achieved. We are pleased with the operational progress made to date and although the benefits of these actions are yet to reflect in the numbers, we do foresee improved results for the 6 months to 31 March 2010.

However, the Rand strength is of significant concern as it has the effect of reducing the cost of imported product thereby rendering the local industry uncompetitive. Furthermore, the anticipated increases in electricity charges will also play a role in determining the viability of the local industry as the import threat will ensure that these cost increases will not be able to be passed on to the customer.

Liquidity is usually the factor that determines whether a turnaround will be successful or not. On this score we have implemented strict working capital controls and these together with the closure of the Affected Divisions has resulted in working capital levels reducing by some R248 million in the 6 months to September 2009. This has given us some space within which to work.

Appreciation

The difficulties experienced in turning around a group of this size, particularly in the current economic environment, requires high levels of dedication and commitment from our employees. The directors and management of Seardel would like to take this opportunity to thank the staff of the Group for their continued efforts.

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 IAS34: Interim Financial Reporting. 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 2009, except for the revised IAS1, IFRS 8, IAS 23 & Circular 3/2009. The effect of these have been taken into account in the Group Interim results.

3. Change of year end

During the prior year, the directors resolved to change the financial year end from 30 June to 31 March in order to coincide with the year end of the new ultimate holding company, Hosken Consolidated Investments Limited ("HCI"). Accordingly, these interim results are for the 6 months ended 30 September 2009, and the comparative period is the 6 months ended 31 December 2008.

4. Segmentation of group

The segmental report has been amended in line with the changes in internal reporting to management. The segments previously known as "office automation & consumer electronics", "toys" and "other" have been combined into one segment known as "other". Results of the discontinued operations have been removed from their original segmental classifications and are reported separately. The segment previously referred to as "apparel & household textiles" is now known as "clothing". Comparative figures have been restated accordingly.

5. Related party transactions

Expenses relating to the provision of managerial services received from HCI amounted to R2 132 740. Expenses relating to the provision of staff received from Isilumko Staffing (Pty) Ltd, an associate of HCI, amounted to R391 548. Expenses relating to the provision of services received from Neil Lazarus, deputy chairman of Seardel, amounted to R15 000. Expenses relating to the provision of advisory services received from Yunis Shaik, a director of Seardel, amounted to R75 000.

6. Capital expenditure and commitments

Net capital expenditure during the period under review amounted to R17,0 million (31 December 2008: R45,7 million). There are further commitments in respect of contracted capital expenditure as at 30 September 2009 of approximately R4,9 million (31 December 2008: R5,9 million).

7. Restatement of prior year results

The prior year statement of comprehensive income has been restated so as to separately identify the discontinued operations.

Signed for and on behalf of the board in Cape Town on 4 November 2009.

S A Queen
Chief Executive Officer – Designate

G Wege
Chief Financial 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 J A Copelyn• BA(Hons) BProc (Chairman), Adv N N Lazarus• SC (Deputy Chairman), W Simeoni* (Chief Executive Officer) (Austrian), M H Ahmed• BSc (Accounting), A E Dixon-Seager DipBus M(Hons) (Chief Operating Officer), T G (Kevin) Govender•, A M Ntuli, S A Queen CA(SA) (Chief Executive Officer - Designate), Y Shaik• BProc, N Teladia•, R Watson•, G Wege CA(SA). (• indicates Non-Executive) COMPANY SECRETARY HCI Managerial Services (Pty) Ltd. REGISTERED OFFICE 1 Moorsom Avenue, cnr Bofors Circle & Moorsom Avenue, Epping Industria II 7460, P O Box 524, Eppindust 7475, South Africa. TRANSFER SECRETARIES Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001. P O Box 61051, Marshalltown 2107. AUDITORS KPMG Inc., SPONSORS Java Capital (Pty) Ltd

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