

Group Interim Report

to shareholders for the six months ended December 2007



SEARDEL INVESTMENT CORPORATION LIMITED

40 YEARS

Financial Highlights

Rand thousands, unless otherwise indicated	SIX MONTHS ENDED 31 DECEMBER		
	2007	2006	% Change
Revenue	2 030 159	2 003 392	+ 1,3
Profit before taxation	1 211	42 434	- 97,1
Earnings per share - cents	4,2	37,6	- 88,8
Headline earnings per share - cents	4,0	31,1	- 87,1
Capital and reserves	1 538 573	1 385 839	+ 11,0
Total tangible assets (excluding cash)	2 849 456	2 632 125	+ 8,3
Net asset value per share - cents	1 698	1 520	+ 11,7

The unaudited consolidated financial statements of the group for the six months ended 31 December 2007 with comparative figures for the corresponding period last year, together with the audited financial statements for the financial year ended 30 June 2007 are set out below.

Income Statement

Rand thousands	SIX MONTHS ENDED 31 DECEMBER			YEAR ENDED 30 JUNE
	2007	2006	% Change	2007
	(unaudited)	(unaudited & restated)		(audited)
Revenue	R2 030 159	R2 003 392	+ 1,3	R3 793 357
Gross profit	414 309	463 189	- 10,6	783 816
Operating profit before finance costs	42 171	67 961	- 37,9	111 668
Finance income	12 971	10 879		21 494
Finance expenses	(51 788)	(35 802)		(78 572)
Share of losses from joint venture	(2 143)	(604)		(2 973)
Profit before taxation	1 211	42 434	- 97,1	51 617
Taxation	1 441	(8 289)		(855)
Profit for the period	2 652	34 145	- 92,2	50 762
Attributable to:				
Shareholders	3 785	34 375	- 89,0	50 770
Minority interest	(1 133)	(230)		(8)
Profit for the period	R2 652	R34 145		R50 762

Statistics Per Share

In cents, where applicable	SIX MONTHS ENDED 31 DECEMBER			YEAR ENDED 30 JUNE
Weighted average number of shares in issue (000)	90 228	91 332		91 015
Weighted average number of diluted shares in issue (000)	90 427	91 702		91 229
Net number of shares in issue	90 098	90 713		90 286
Earnings	4,2	37,6	- 88,8	55,8
Diluted earnings	4,2	37,5	- 88,8	55,7
Headline earnings	4,0	31,1	- 87,1	22,7
Diluted headline earnings	4,0	31,0	- 87,1	22,7
Distribution - annual	-	-		12,0
Distribution cover - headline earnings	-	-		1,9
RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS				
Rand thousands				
Income attributable to shareholders	3 785	34 375		50 770
Negative goodwill	-	-		(330)
Insurance claim	-	-		(153)
Impairment of property, plant and equipment	-	-		7 353
Surplus on disposal of portion of division	-	-		(31 542)
Surplus on disposal of investments	-	-		(86)
Surplus on disposal of property, plant and equipment	(351)	(9 369)		(12 107)
Profit on dilution of shareholding in minority	-	-		(1 937)
Loss on disposal of property, plant and equipment	133	-		2 100
Loss on share options exercised	-	210		1 537
Tax effect of adjustments	63	3 217		5 095
Headline earnings	R3 630	R28 433		R20 700

Balance Sheet

	AS AT 31 DECEMBER		YEAR ENDED 30 JUNE
	2007 (unaudited)	2006 (unaudited & restated)	2007 (audited)
Rand thousands			
ASSETS			
Non-current assets	1 254 419	1 128 645	1 261 451
Property, plant and equipment	1 072 983	941 767	1 071 578
Intangible assets	3 453	–	3 915
Interest in joint ventures	14 330	18 842	16 473
Investments	2 413	1 911	2 352
Long-term receivables	38 452	64 400	55 504
Deferred taxation	122 788	101 725	111 629
Current assets	1 787 721	1 746 511	1 861 565
Inventories	784 964	820 354	788 119
Trade and other receivables	909 518	781 164	893 225
Non-current assets held for sale	26 743	3 687	26 743
Taxation receivable	53	–	–
Cash and cash equivalents	66 443	141 306	153 478
TOTAL ASSETS	R3 042 140	R2 875 156	R3 123 016
EQUITY AND LIABILITIES			
Capital and reserves	1 538 573	1 385 839	1 547 899
Share capital and share premium	6 130	6 130	6 130
Treasury shares	(14 200)	(9 441)	(13 042)
Reserves	1 540 970	1 382 341	1 548 005
Total equity attributable to equity holders	1 532 900	1 379 030	1 541 093
Minority interest	5 673	6 809	6 806
Non-current liabilities	622 148	593 868	600 702
Interest-bearing liabilities	294 891	274 602	275 383
Deferred liabilities	70 400	68 554	70 400
Deferred taxation	253 472	244 145	254 499
Operating lease accruals	3 385	6 567	420
Current liabilities	881 419	895 449	974 415
Interest-bearing liabilities	207 625	256 886	307 129
Trade and other payables	495 035	438 482	528 841
Provisions	50 436	39 763	86 506
Bank overdrafts	109 634	153 710	42 357
Taxation payable	18 674	6 591	9 566
Dividend to shareholders	15	17	16
TOTAL EQUITY AND LIABILITIES	R3 042 140	R2 875 156	R3 123 016
Net asset value (excluding intangible assets)	R1 529 447	R1 379 030	R1 537 178
Net asset value per share after treasury shares - cents	1 698	1 520	1 703

Ratios

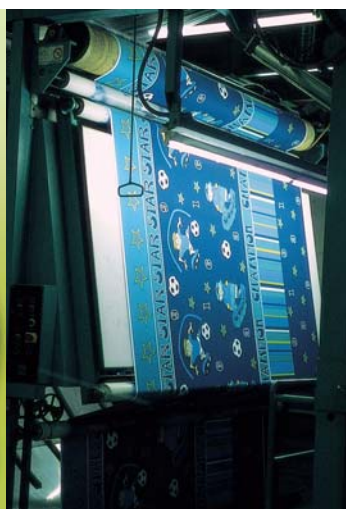
	SIX MONTHS ENDED 31 DECEMBER	YEAR ENDED 30 JUNE	
Profitability			
Operating profit as percentage of revenue	2,1%	3,4%	2,9%
Profit before taxation as percentage of revenue	0,1%	2,1%	1,4%
Profit after taxation as percentage of revenue	0,1%	1,7%	1,3%
Return on total tangible assets excluding cash	2,9%	5,4%	3,8%
Return on shareholders' interest	1,3%	5,5%	3,3%
Leverage			
Ratio of net borrowings (interest bearing debt) to capital and reserves	36%	39%	31%
Ratio of debt to capital and reserves	72%	75%	71%
Liquidity			
Current ratio	2,0	2,0	1,9
Net finance charges cover	1,1	2,7	2,0

Condensed Cash Flow Statement

	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2007	2006	2007
Rand thousands	(unaudited)	(unaudited & restated)	(audited)
Net cash flow from operating activities	(52 641)	(219 394)	(161 019)
Net cash flow from investing activities	(20 517)	(23 094)	(4 629)
Net cash flow from financing activities	(81 154)	70 497	117 182
Net decrease in cash and cash equivalents	(154 312)	(171 991)	(48 466)
Cash and cash equivalents at beginning of period	111 121	159 587	159 587
Cash and cash equivalents at end of period	(R43 191)	(R12 404)	R111 121

Statement of Changes in Equity

Rand thousands							
	Share Capital	Share Premium	Treasury Shares	Other Reserves	Retained Income	Minority Interest	Total
Balance 30 June 2006	6 075	187	(4 740)	41 249	1 330 434	4 024	1 377 229
Dilution of interest in subsidiary					1 937	3 015	4 952
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					34 375	(230)	34 145
Dividend					(24 916)		(24 916)
Balance 31 December 2006	R5 943	R187	(R 9 441)	R36 817	R1 345 524	R6 809	R1 385 839
Balance 30 June 2007	5 943	187	(13 042)	187 795	1 360 210	6 806	1 547 899
Share repurchases			(1 158)				(1 158)
Profit for the period					3 785	(1 133)	2 652
Dividend					(10 820)		(10 820)
Balance 31 December 2007	R5 943	R187	(R14 200)	R187 795	R1 353 175	R5 673	R1 538 573
Composition of other reserves						2007	2006
Revaluation of investments						1 352	753
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						178 080	27 701
						R187 795	R36 817



Segmental Report

Rand thousands 2007	Textiles	Apparel & household textiles	Office automation & consumer electronics	Toys	Industrial products	Total
Segment revenue						
External sales	792 264	931 017	109 985	163 142	79 081	2 075 489
Inter-segment sales (these transactions are at arms length)	(45 330)	–	–	–	–	(45 330)
	746 934	931 017	109 985	163 142	79 081	R2 030 159
Segment results						
Operating profit	22 949	(134)	8 103	16 842	(5 589)	R42 171
2006						
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	R2 003 392
Segment results						
Operating profit	26 764	13 557	15 858	12 028	(246)	R67 961

Comment on results and corporate actions

The six month period ending 31 December 2007 has been a difficult one for the group.

Revenue increased by a marginal 1,3% to R2,03 billion. Operating profit amounted to R42,2 million (2006: R68 million), a decrease of 37,9%. Pre-tax profit amounted to R1,2 million (2006: R42,4 million), a decrease of 97,1%. Attributable earnings to shareholders amounted to R3,8 million (2006: R34,4 million), a decrease of 89%.

The strength of the balance sheet has been enhanced. Share capital and reserves now amount to R1,5 billion compared to R1,38 billion last year. Tangible net asset value per share is 1698 cents based on 90,1 million shares (2006: 1520 cents per share based on 90,7 million shares).

Earnings per share amounted to 4,2 cents (2006: 37,6 cents), a decrease of 88,8%.

Headline earnings per share amounted to 4,0 cents (2006: 31,1 cents), a decrease of 87,1%.

A contributing factor to the decline in profitability was the increase in net finance charges of R13,9 million when compared to the same period last year. This was as a result of an increase in interest rates. Rental income from group properties decreased by R1,2 million due to the disposal of certain properties not occupied by group entities.

In the first three working days of January 2008 the group received R23,3 million cash from debtors, which amount was due on 31 December 2007. As was the case in the comparative period, finished goods produced for orders were held pending delayed delivery instructions from customers at half year end. These factors combined to negatively impact on inventory levels and cash flows for the reporting period. Delivery schedules are expected to return to normality in the second half of the financial year.

The main contributing factors to these poor results were a marginal increase in revenue, a reduction in operating profit reflecting the pressure on margins and the substantial increase in interest rates. These factors were prevalent throughout the clothing and textile sectors. However, Prima Toys posted a very pleasing and substantial increase in operating profit. Seartec (Sharp Electronics), which is now fully BBBEE compliant, was faced with highly competitive pricing from Korean manufacturers, buying market share, which had the effect of reducing operating profit by R7,7 million. This led to a review of their product offering and, with the advent of the emergence of solar power as an addition to ESKOM generated power, they expect to increase profitability in the medium term. These two businesses source their products offshore.

Imports of clothing and textiles totalled R13 billion for the period January to November 2007, compared to R12,7 billion for the same period in 2006. The China quota dispensation which came into effect on 1 January

2007 has thus far delivered mixed results. In total, 395,8 million garments and 22,4 million kilograms of apparel were imported compared to last year's 483,2 million garments and 20,4 million kilograms of apparel.

The greatest impact on the whole apparel and textile value chain came from massive imports, of which about 75% of the volume – being 314 million units, and 62% of the value of all garment imports, being R5,84 billion – came from China. More pertinent is the fact that China accounted for just under half (40% by value, which amounts to R5,17 billion) of all textile and clothing imports into South Africa.

Whilst these figures reflect a decline, it should be noted that between 38,5 million and 42 million imported garments were brought forward for delivery in November/December 2006 from January to March 2007, ahead of the introduction of the quotas.

The achievements of the first two Imbizos, and the active involvement of the major retailers in the Cape and KwaZulu-Natal clusters have created a platform where the stakeholders can address the key competitive issues impacting on the domestic clothing supply chain. This is particularly important given the imminent termination of the Chinese quotas at the end of 2008.

Notwithstanding these challenges, the stakeholders within the clothing value chain continue to engage with one another in order to find solutions and increase competitiveness.

The level of Seardel's exports declined by 16% to R61,2 million during the six months period under review, which is 3% of total group revenue.

During the period under review the group repurchased 400 ordinary and 201,767 N ordinary shares. This reduced the net shares in issue at 31 December 2007 to 90,1 million after treasury shares (22,9 million ordinary shares and 67,2 million N ordinary shares) (2006: 90,7 million shares, comprising 23 million ordinary shares and 67,7 million N ordinary shares). Treasury shares amount to 1,952,369 (2006: 1,337,189).

The advent of power outages has impacted detrimentally on production planning and increased rejection rates, especially in respect of textiles. The installation of power generating equipment has increased operating costs due to the expenses incurred in running these generators and the constant surges in power have played havoc with computerised equipment in the factory environment.

The clothing and textile divisions constantly realign their business practices to meet the current demands of the market place. They will continue to enhance their niche market strengths, which are excellent service levels to local customers, short lead times, short production runs, enhanced quality of garments and innovative sourcing of product to group specifications and quality control.

Outlook to June 2008

Due to the problems encountered by ESKOM the South African economy is now only expected to increase by about 3,5% during the next six months. This slow growth rate is expected to continue over the next few years until such time as power generating capacity is increased to meet anticipated demand.

Order books are satisfactory at this stage, but margins remain under pressure. The group will continue to cut costs wherever possible and to restructure manufacturing operations, especially in the textile sector. A number of Frame Textile Group's employees, being a part of the vertical pipeline, will, in accordance with an agreement with the South African Clothing & Textile Workers Union, be subject to new baseline employment conditions. This will necessitate a one off cost of approximately R32 million, which will have a negative impact on the second half results of the 2008 financial year. However this initiative, supported by appropriate capital investments, will ensure that the company's conversion costs can beat inflationary pressures and show a positive financial performance in the 2009 financial year. The group also has further plans to stay ahead of the ever changing dynamics within the textile value chain.

In the medium term, the quantum of imports may slow down due to the weakening of the Rand.

Notes

1. Basis of preparation

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). These results have not been audited or reviewed by the company's auditors, KPMG Inc.

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 2007.

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. These transactions have been eliminated on consolidation.

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 37 of the 2007 financial statements.

Subsidiary companies within the group have entered into property lease transactions at market related rentals with Dr A Searll or entities controlled by him or in which he has part ownership. The monetary value of these transactions is approximately R4 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 2007 is R93 million and the related interest for the six months ended 31 December 2007 is R5,7 million. The group engages the services of Searay BD100 Charters, a partnership in which Dr A Searll has a 20% interest. The related expense is R231,800. The group engages the services of Crystal River Consultants, an entity owned by a family member of Dr A Searll. The related expense is R298,500.

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 R9,7 million as at 31 December 2007 (2006: R9,5 million).

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 2007 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 2007 financial statements.

4. Acquisition of shares

A subsidiary company acquired 400 ordinary shares and 201,767 N ordinary shares through the market for a total consideration of R1,2 million.

5. Prior year adjustments

The comparative figures for the period ended 31 December 2006 have been restated in line with the prior year adjustments referred to in the group's annual financial statements for the year ended 30 June 2007.

6. Capital expenditure and commitments

Net capital expenditure during the period under review amounted to R42,8 million (2006: R37,5 million). There are further commitments in respect of contracted capital expenditure as at 31 December 2007 of approximately R27,1 million (2006: R27 million).

7. Contingent liabilities

The company is jointly and severally liable in respect of certain 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 surplus funds in terms of amendments to the Pension Funds Act No 24 of 1956. The directors are obtaining legal advice on the possibility of such outflows and the quantum thereof.

A subsidiary company has a contingent liability in the amount of R3 million relating to the payment of back pay following the dismissal of certain employees. This matter is subject to an appeal to be heard in the Labour Appeal Court. Based on legal advice taken the directors do not consider that this liability is likely to materialise.

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

Adv. N N Lazarus SC
CHAIRMAN

4 March 2008

Dr. A Searll DBA
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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