



AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS for the year ended 28 February 2017

Sales ↑ 5.8% to
R1 828.6 million

Core earnings per share before
foreign exchange effect ↓ 2.3%
to 522.3 cents

↑ Final gross dividend
by 10.0% to 220.0 cents
per share

Gross dividend yield
of 5.7%

GROUP OVERVIEW

The Holdsport Limited group comprises the retail divisions Sportsmans Warehouse and Outdoor Warehouse and a wholesale division that includes the First Ascent, Capestorm, Second Skins and African Nature brands.

In a particularly challenging retail environment total sales increased by 5.8% to R1 828.6 million and retail sales increased by 4.4% to R1 753.2 million. Holdsport's sales growth during this year follows strong growth in the comparable 2016 financial year.

Core headline earnings excluding the effect of foreign exchange adjustments were 522.3 cents per share, a decrease of 2.3% from the 534.5 cents for the previous financial year.

In evaluating this performance shareholders should take into account that the aggregate foreign exchange adjustment during the current year was a loss of R19.5 million compared to an aggregate profit of R8.4 million during the prior year. Holdsport's policy is to take out forward exchange contracts to cover all its imported merchandise commitments and this has been applied consistently with previous years. This accounting adjustment does not have an operational or cash flow effect.

Operating profit decreased by 11.4% to R273.7 million. Core headline earnings amounted to 489.0 cents per share, a 10.9% decrease on the previous year.

TRADING DIVISIONS

External sales for the various trading divisions were as follows:

	Number of stores	Sales R'm	Increase in sales %
Sportsmans Warehouse	39	1 335.1	4.4
Outdoor Warehouse	24	418.1	4.5
Retail sales	63	1 753.2	4.4
Wholesale	-	75.4	54.9
Total sales	63	1 828.6	5.8

Like-for-like retail sales grew by 1.8% while the retail divisions experienced price inflation of approximately 8.1% for the year. The time weighted trading area increased by 3.4% relative to the prior year.

The **Sportsmans Warehouse division** now trades out of 39 stores. The division opened new stores in Mall of Africa and Menlyn Park Shopping Centre during the year and expanded the store in the Pavilion Centre. Like-for-like sales increased by 2.1%.

The **Outdoor Warehouse division** comprises 24 stores. The division relocated its store in Nelspruit, expanded its store in Somerset West and opened a new store in George during the year. Like-for-like sales increased by 0.6%.

The **Wholesale division's** external sales were 54.9% higher than last year and sales to the group's retail divisions increased by 11.1%. Of the R19.5 million forex losses for the group R10.5 million (2016: R4.9 million profit) relates to the wholesale division.

BUSINESS ACQUISITIONS

The group acquired a 100% interest in Second Skins (Proprietary) Limited effective from 1 June 2016 and the business of African Nature (Proprietary) Limited from 1 October 2016. These acquisitions enhance the group's specialist manufacturing capacity and its access to niche markets.

CASH FLOW

Holdsport refinanced its term debt of R130.0 million during the year with a new loan of R160.0 million. The increase in the loan funded the business acquisitions and accordingly net debt increased to R72.5 million (2016: R36.6 million).

The aggregate investment in working capital increased by 19.1% due to the acquisitions of the Second Skins and African Nature businesses and the increase in retail trading space, coupled with the effect of the weaker exchange rate on the cost of imported stock. As a result cash generated from operations decreased by 1.8% compared to the previous year.

The group invested R60.3 million in maintaining and expanding its operations in the year.

During the year the group purchased and awarded R15.4 million of Holdsport shares in terms of and subject to the rules of the 2011 Holdsport Forfeitable Share Plan (FSP). The forfeitable share plan is expensed over the vesting period and the expense for this year was R11.4 million (2016: R11.6 million).

Holdsport holds 1 260 878 shares in treasury at 28 February 2017, which equates to 2.92% of its issued share capital. The shares were purchased over the last three financial years at an average cost of R51.41 per share.

STORE EXPANSION

The group signed lease agreements for a further three new stores to be opened in the next financial year.

PROSPECTS

Holdsport continues to face low levels of consumer confidence, weak economic growth and a sporting goods industry which is intensely competitive.

Household budgets are under pressure due to high food inflation, rising utility costs and increasing taxation whilst real incomes are stagnating within

a low-growth environment. The recent political disruptions and subsequent downgrades are concerning and may result in muted sales growth over the medium term. In these difficult times the group is firmly committed to its strategies to enhance returns for our stakeholders.

FINAL DIVIDEND ANNOUNCEMENT

The directors declared a final gross dividend of 220.0 cents per share payable on Monday, 12 June 2017 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 9 June 2017. The gross dividend for the year is covered 1.5 times by the core headline earnings for the year, excluding the effect of foreign exchange adjustments. This represents a gross dividend yield of 5.7% on the year-end share price of R61.22 per share.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Tuesday, 6 June 2017. The Holdsport Limited ordinary shares will commence trading "ex" the dividend from the commencement of business on Wednesday, 7 June 2017 and the record date, as indicated, will be Friday, 9 June 2017.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 7 June 2017 to Friday, 9 June 2017, both dates inclusive.

In terms of the withholding tax on dividends which became effective on 1 April 2012, the following additional information is disclosed:

- the dividend has been declared out of total reserves;
- the South African tax dividend rate is 20%;
- the net local dividend amount is 176.0 cents per ordinary share for shareholders liable to pay dividend tax, and 220.0 cents per ordinary share for shareholders exempt from the dividend tax;
- the issued share capital of Holdsport at the date of declaration is 43 150 220 ordinary shares; and
- Holdsport's tax reference number is 9618595152.

Certificated ordinary shareholders are reminded that all entitlements to dividends with a value less than R5.00 per certificated shareholder will be aggregated and the proceeds donated to a registered charity of the directors' choice, in terms of the memorandum of incorporation of the company.

Signed on behalf of the board

SA MULLER
Chairman

KG HODGSON
CEO

Cape Town
5 May 2017

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

1. These summary consolidated financial statements for the year ended 28 February 2017 have been audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual consolidated financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These audited summarised consolidated results have been prepared under the supervision of the group's Chief Financial Officer, JP Loubser (CA(SA)).

2. These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.

	Year ended 28 Feb 2017 Audited R'000	Year ended 29 Feb 2016 Audited R'000
3. Trading expenses		
Depreciation on property, plant and equipment	54 325	47 407
Amortisation of intangibles	13 796	12 963
Occupancy cost	170 009	151 624
Straight-lining of leases	6 001	7 578
Staff costs	223 073	201 103
Foreign exchange loss/(gains)	17 236	(11 315)
Other operating costs	129 960	116 024
	614 400	525 384
4. Cash generated from operations		
Operating profit	273 688	308 925
Adjustments for:		
Depreciation	54 325	47 407
Amortisation of intangibles	13 796	12 963
Profit on sale of property, plant and equipment	(321)	(593)
Fair value gain on derivative instruments	4 782	(1 339)
Forfeitable share plan expense	11 356	11 621
Straight-lining of leases	6 001	7 578
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(5 089)	1 625
Increase in inventories	(35 976)	(93 795)
(Decrease)/increase in trade and other payables	(11 184)	22 579
Cash generated from operations	311 378	316 971
5. Earnings per share and net asset value per share		
Earnings per ordinary share (cents)		
- Basic	455.6	514.9
- Headline	455.0	513.9
- Core headline	489.0	548.7
- Core headline before foreign exchange effect	522.3	534.5
Ordinary shares in issue ('000)	43 150	43 150
Weighted average ordinary shares in issue ('000)	41 969	42 488
Net asset value per ordinary share (cents)	2 444.7	2 332.4
Net tangible asset value per ordinary share (cents)	1 123.1	1 038.8

Reconciliation to core headline earnings

The group uses core headline earnings as a consistent measure of performance for management purposes. Core headline earnings exclude exceptional once-off costs, the amortisation of trademarks and the lease straight-lining expense, and are presented below:

	Year ended 28 Feb 2017 Audited R'000	Year ended 29 Feb 2016 Audited R'000
Basic earnings	191 195	218 776
<i>Adjusted for (net of taxation):</i>		
Profit on sale of assets	(231)	(427)
Headline earnings	190 964	218 349
<i>Adjusted for (net of taxation):</i>		
Amortisation of intangibles	9 933	9 333
Straight-lining of leases	4 321	5 455
Core headline earnings	205 218	233 138
<i>Adjusted for (net of taxation):</i>		
Foreign exchange losses/(gains)	12 410	(8 147)
Foreign exchange adjustments in cost of sales	1 592	2 124
Core headline earnings before foreign exchange effect	219 220	227 115
6. Dividend per share		
Dividend declared per share (cents)		
- Interim	130.0	120.0
- Final	220.0	200.0
Total dividend	350.0	320.0
Dividend cover (by core headline earnings before foreign exchange effect)	1.5	1.7



TO VIEW THE RESULTS ONLINE VISIT
www.holdsport.co.za

HOLDSPORT LIMITED
("Holdsport" or "the company" or "the group")
Executive directors: KG Hodgson, B Moritz, JP Loubser
Non-executive directors: SA Muller (Chairman), B Hopkins, P Matlakala, KR Moloko, KA Hedderwick
Company secretary: R Thomas
Registered office: The Mill House, 1 Canterbury Street, Cape Town, 8001
Registration number: 2006/022562/06
Share code: HSP | **ISIN:** ZAE000157046
Transfer secretaries: Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196.
Sponsor: UBS South Africa (Proprietary) Limited



AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS for the year ended 28 February 2017

SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 28 Feb 2017 Audited R'000	At 29 Feb 2016 Audited R'000
ASSETS		
Non-current assets		
Property, plant and equipment	131 233	145 429
Goodwill and other intangibles	608 748	594 410
Total non-current assets	739 981	739 839
Current assets		
Inventories	511 845	459 191
Assets held for sale	21 082	–
Trade and other receivables	30 879	23 994
Cash and cash equivalents	87 505	93 363
Taxation	7 451	–
Derivative instruments	–	1 726
Total current assets	658 762	578 274
Total assets	1 398 743	1 318 113
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	229 312	229 312
Share-based payment reserve	(25 724)	(21 726)
Treasury shares	(64 832)	(63 895)
Retained earnings	885 296	832 912
Equity attributable to owners of the company	1 024 052	976 603
Non-current liabilities		
Loan	160 000	–
Deferred taxation	30 762	28 070
Straight-lining lease liability	42 497	36 496
Total non-current liabilities	233 259	64 566
Current liabilities		
Trade and other payables	138 376	143 808
Derivative instruments	3 056	–
Loan	–	130 000
Taxation	–	3 136
Total current liabilities	141 432	276 944
Total liabilities	374 691	341 510
Total equity and liabilities	1 398 743	1 318 113

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

	Sportsmans Warehouse R'000	Outdoor Warehouse R'000	Wholesale R'000	Corporate R'000	Group R'000
Year ended 28 February 2017 (audited)					
Total sales	1 335 076	418 116	182 908	–	1 936 100
Less inter-segment sales	–	–	(107 500)	–	(107 500)
External sales	1 335 076	418 116	75 408	–	1 828 600
External interest received	–	–	503	5 936	6 439
External interest paid	–	–	(175)	(13 899)	(14 074)
Depreciation and amortisation	(34 007)	(13 139)	(6 362)	(14 613)	(68 121)
Profit/(loss) before taxation	268 784	53 345	11 497	(67 573)	266 053
Capital expenditure	39 347	13 143	2 945	4 851	60 286
Segment assets	444 226	166 321	155 232	632 964	1 398 743
Segment liabilities	115 078	32 282	14 798	212 533	374 691
Year ended 29 February 2016 (audited)					
Total sales	1 278 569	400 210	145 400	–	1 824 179
Less inter-segment sales	–	–	(96 743)	–	(96 743)
External sales	1 278 569	400 210	48 657	–	1 727 436
External interest received	–	–	306	6 285	6 591
External interest paid	–	–	(6)	(11 382)	(11 388)
Depreciation and amortisation	(31 411)	(10 273)	(4 061)	(14 625)	(60 370)
Profit/(loss) before taxation	281 406	58 227	28 481	(63 986)	304 128
Capital expenditure	42 219	21 600	7 315	2 366	73 500
Segment assets	393 761	143 820	134 420	646 112	1 318 113
Segment liabilities	111 705	26 955	10 386	192 464	341 510

SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 28 Feb 2017 Audited R'000	Year ended 29 Feb 2016 Audited R'000
Sales	1 828 600	1 727 436
Cost of sales	(950 080)	(899 421)
Gross profit	878 520	828 015
Other income	9 568	6 294
Trading expenses	(614 400)	(525 384)
Operating profit	273 688	308 925
Finance income	6 439	6 591
Finance cost	(14 074)	(11 388)
Profit before taxation	266 053	304 128
Taxation	(74 858)	(85 352)
Profit and total comprehensive income for the year attributable to equity holders of the company	191 195	218 776

SUMMARISED CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 28 Feb 2017 Audited R'000	Year ended 29 Feb 2016 Audited R'000
Cash flows from operating activities		
Cash generated from operations	311 378	316 971
Finance income	6 439	6 591
Finance costs	(14 074)	(11 388)
Dividends paid	(138 811)	(121 619)
Taxation paid	(88 729)	(89 202)
Net cash inflows from operating activities	76 203	101 353
Cash flows from investing activities		
Additions to property, plant and equipment	(60 286)	(73 500)
Acquisition of new businesses	(38 494)	–
Proceeds on sale of property, plant and equipment	3 010	2 544
Net cash outflows from investing activities	(95 770)	(70 956)
Cash flows from financing activities		
Increase in loans	30 000	–
Treasury shares acquired	(937)	(51 811)
Forfeitable share plan awards	(15 354)	(15 069)
Net cash inflows/(outflows) from financing activities	13 709	(66 880)
Net decrease in cash and cash equivalents	(5 858)	(36 483)
Cash and cash equivalents at the beginning of the year	93 363	129 846
Cash and cash equivalents at the end of the year	87 505	93 363

SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Share- based payment reserve R'000	Treasury shares R'000	Retained earnings R'000	Total R'000
Balance at 1 March 2015 (audited)	229 312	(18 278)	(12 084)	735 755	934 705
Share-based payment reserve: initial award	–	(15 069)	–	–	(15 069)
Share-based payment expense	–	11 621	–	–	11 621
Treasury shares acquired	–	–	(51 811)	–	(51 811)
Dividends paid	–	–	–	(121 619)	(121 619)
Total comprehensive income for the year	–	–	–	218 776	218 776
Balance at 29 February 2016 (audited)	229 312	(21 726)	(63 895)	832 912	976 603
Balance at 1 March 2016 (audited)	229 312	(21 726)	(63 895)	832 912	976 603
Share-based payment reserve: initial award	–	(15 354)	–	–	(15 354)
Share-based payment expense	–	11 356	–	–	11 356
Treasury shares acquired	–	–	(937)	–	(937)
Dividends paid	–	–	–	(138 811)	(138 811)
Total comprehensive income for the year	–	–	–	191 195	191 195
Balance at 28 February 2017 (audited)	229 312	(25 724)	(64 832)	885 296	1 024 052