

HOLDSPORT LIMITED
("Holdsport" or "the company" or "the group")
Registration number: 2006/022562/06
Share code: HSP
ISIN: ZAE000157046

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS
for the half-year ended 31 August 2013

Sales up 5.0% to R630.9 million
Operating profit increased by 3.5% to R94.1 million
Core headline earnings per share increased by 3.8% to 163.1 cents
Interim gross dividend increased to 75 cents per share

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 August 2013 Unaudited R'000	31 August 2012 Unaudited R'000	28 February 2013 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	130 301	70 567	98 282
Goodwill and other intangibles	626 820	639 780	633 299
Total non-current assets	757 121	710 347	731 581
Current assets			
Inventories	363 810	323 852	346 054
Trade and other receivables	24 909	17 248	22 346
Cash and cash equivalents	-	-	36 284
Taxation	10 839	8 766	-
Derivative instruments	1 326	-	402
Total current assets	400 884	349 866	405 086
Total assets	1 158 005	1 060 213	1 136 667
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	229 312	229 312	229 312
Other reserves	(23 120)	(24 857)	(20 521)
Retained earnings	612 580	527 785	604 291
Equity attributable to owners of the company	818 772	732 240	813 082
Non-current liabilities			
Loans	130 000	110 351	-
Deferred taxation	47 485	53 852	49 623
Straight-lining lease liability	26 759	23 950	24 452
Total non-current liabilities	204 244	188 153	74 075
Current liabilities			
Trade and other payables	111 420	91 762	125 085
Bank overdraft	23 569	19 119	-
Short-term portion of loans	-	27 357	124 282
Derivative instruments	-	1 582	-
Taxation	-	-	143
Total current liabilities	134 989	139 820	249 510
Total liabilities	339 233	327 973	323 585
Total equity and liabilities	1 158 005	1 060 213	1 136 667

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	6 months ended 31 August 2013 Unaudited R'000	6 months ended 31 August 2012 Unaudited R'000	Year ended 28 February 2013 Audited R'000
Sales	630 985	601 217	1 374 531
Cost of sales	(326 506)	(309 873)	(717 971)
Gross profit	304 479	291 344	656 560
Other income	2 163	1 813	3 667
Trading expenses	(212 583)	(202 302)	(416 937)
Operating profit	94 059	90 855	243 290
Finance income	1 232	2 279	3 104
Finance cost	(5 066)	(6 386)	(11 652)
Profit before taxation	90 225	86 748	234 742
Taxation	(25 841)	(24 943)	(66 226)
Profit and total comprehensive income for the period attributable to equity holders of the company	64 384	61 805	168 516

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31 August	6 months ended 31 August	Year ended 28 February
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	2013 Unaudited R'000	2012 Unaudited R'000	2013 Audited R'000
Cash flows from operating activities			
Cash generated from operations	84 386	60 070	239 122
Finance income	1 232	2 279	3 104
Finance costs	(5 066)	(6 386)	(11 652)
Dividends paid	(56 095)	(49 623)	(79 828)
Taxation paid	(38 961)	(37 621)	(74 224)
Net cash (outflows)/inflows from operating activities	(14 504)	(31 281)	76 522
Cash flows from investing activities			
Additions to property, plant and equipment	(45 558)	(31 527)	(72 489)
Additions to intangibles	-	(8 179)	(8 179)
Proceeds on sale of assets	429	751	1 357
Net cash outflows from investing activities	(45 129)	(38 955)	(79 311)
Cash flows from financing activities			
Increase/(decrease) in loans	5 718	(12 826)	(26 252)
Forfeitable share plan	(5 938)	(13 431)	(12 049)
Net cash outflows from financing activities	(220)	(26 257)	(38 301)
Net (decrease)/increase in cash and cash equivalents	(59 853)	(96 493)	(41 090)
Cash and cash equivalents at the beginning of the period	36 284	77 374	77 374
Cash and cash equivalents at the end of the period	(23 569)	(19 119)	36 284

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Other reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 March 2012	229 312	(13 370)	515 603	731 545
Share-based payment reserve: initial award	-	(13 431)	-	(13 431)
Share-based payment expense	-	1 944	-	1 944
Dividends paid	-	-	(49 623)	(49 623)
Total comprehensive income for the half-year	-	-	61 805	61 805
Balance at 31 August 2012	229 312	(24 857)	527 785	732 240
Share-based payment reserve: initial award	-	1 382	-	1 382
Share-based payment expense	-	2 954	-	2 954
Dividends paid	-	-	(30 205)	(30 205)
Total comprehensive income for the half-year	-	-	106 711	106 711
Balance at 28 February 2013	229 312	(20 521)	604 291	813 082
Share-based payment reserve: initial award	-	(5 938)	-	(5 938)
Share-based payment expense	-	3 339	-	3 339
Dividends paid	-	-	(56 095)	(56 095)
Total comprehensive income for the half-year	-	-	64 384	64 384
Balance at 31 August 2013	229 312	(23 120)	612 580	818 772

GROUP SEGMENTAL ANALYSIS

	Sportsmans Warehouse R'000	Outdoor warehouse R'000	Performance Brands R'000
6 months ended 31 August 2013 (Unaudited)			
External revenue	458 083	141 974	30 928
External interest received	-	-	36
External interest paid	-	-	-
Depreciation and amortisation	(9 205)	(2 818)	(1 693)
Profit/(loss) before taxation	84 048	19 619	14 163
Capital expenditure	7 011	3 590	4 536
Segment assets	293 219	104 887	110 918
Segment liabilities	76 780	24 195	11 777
6 months ended 31 August 2012 (Unaudited)			
External revenue	432 572	139 482	29 163
External interest received	-	-	139
External interest paid	-	-	(3)
Depreciation and amortisation	(8 066)	(2 795)	(1 400)
Profit/(loss) before taxation	77 466	21 261	15 611
Capital expenditure	14 914	3 190	21 184
Segment assets	253 201	81 992	97 360
Segment liabilities	69 044	19 352	6 355
Year ended 28 February 2013 (Audited)			
External revenue	999 042	322 251	53 238
External interest received	-	-	258
External interest paid	-	-	(4)
Depreciation and amortisation	(16 856)	(5 691)	(2 954)

Profit/(loss) before taxation	201 540	54 300	23 393
Capital expenditure	29 164	7 891	22 327
Segment assets	283 545	100 183	101 925
Segment liabilities	87 644	24 638	11 117
		Corporate R'000	Group R'000
6 months ended 31 August 2013 (Unaudited)			
External revenue		-	630 985
External interest received		1 196	1 232
External interest paid		(5 066)	(5 066)
Depreciation and amortisation		(6 303)	(20 019)
Profit/(loss) before taxation		(27 606)	90 224
Capital expenditure		30 418	45 556
Segment assets		648 982	1 158 005
Segment liabilities		226 481	339 233
6 months ended 31 August 2012 (Unaudited)			
External revenue		-	601 217
External interest received		2 139	2 279
External interest paid		(6 383)	(6 386)
Depreciation and amortisation		(6 433)	(18 693)
Profit/(loss) before taxation		(27 590)	86 748
Capital expenditure		418	39 706
Segment assets		627 660	1 060 213
Segment liabilities		233 222	327 973
Year ended 28 February 2013 (Audited)			
External revenue		-	1 374 531
External interest received		2 846	3 104
External interest paid		(11 648)	(11 652)
Depreciation and amortisation		(12 572)	(38 073)
Profit/(loss) before taxation		(44 491)	234 742
Capital expenditure		21 286	80 668
Segment assets		651 014	1 136 667
Segment liabilities		200 186	323 585

NOTES TO THE FINANCIAL STATEMENTS

1. The unaudited interim condensed consolidated results for the half-year ended 31 August 2013 have been prepared in accordance with the recognition, measurement, presentation and disclosure requirements of IAS 34 Interim Financial Reporting, using the group's accounting policies that are in line with International Financial Reporting Standards (IFRS), the Companies Act No. 71 of 2008, as amended, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and have been consistently applied to prior periods.

The unaudited interim condensed consolidated results have been prepared under the supervision of the group financial director, 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.

	6 months ended 31 August 2013 Unaudited R'000	6 months ended 31 August 2012 Unaudited R'000	Year ended 28 February 2013 Audited R'000
3. TRADING EXPENSES			
Depreciation on property, plant and equipment	13 537	12 212	25 110
Amortisation of intangibles	6 482	6 481	12 963
Occupancy cost	60 485	55 096	113 791
Straight-lining of leases	2 307	1 978	2 480
Staff costs	80 363	74 060	159 888
Foreign exchange (gains)/losses	(1 408)	1 851	(461)
Other operating costs	50 817	50 624	103 166
	212 583	202 302	416 937
4. CASH GENERATED FROM OPERATIONS			
Operating profit	94 059	90 855	243 290
Adjustments for:			
Depreciation	13 537	12 212	25 110
Amortisation of intangibles	6 481	6 481	12 963
Profit on sale of assets	(429)	(98)	(357)
Fair value (gains)/losses on derivative instruments	(924)	487	(1 497)
Forfeitable share plan expense	3 339	1 944	4 898
Straight-lining of leases	2 307	1 978	2 480
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(2 563)	2 141	(2 957)
Increase in inventories	(17 756)	(27 129)	(49 331)

(Decrease)/increase in trade and other payables	(13 665)	(28 801)	4 523
Cash generated from operations	84 386	60 070	239 122

5. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

Earnings per ordinary share (cents)			
- Basic	149.2	143.2	390.5
- Headline	148.4	143.0	389.9
- Core headline	163.1	157.1	415.7
- Core headline before foreign exchange effect	161.2	161.3	418.7
Ordinary shares in issue ('000)	43 150	43 150	43 150
Weighted average ordinary shares in issue ('000)	43 150	43 150	43 150
Net asset value per ordinary share (cents)	1 897.5	1 697.0	1 884.3
Net tangible asset value per ordinary share (cents)	588.3	366.2	564.2

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 and the amortisation of trademarks, fair value adjustments to loans and the lease straight-lining expense, and are presented below:

	6 months ended 31 August 2013 Unaudited R'000	6 months ended 31 August 2012 Unaudited R'000	Year ended 28 February 2013 Audited R'000
Basic earnings	64 384	61 805	168 516
Adjusted for:			
Profit on sale of assets	(309)	(71)	(257)
Headline earnings	64 075	61 734	168 259
Adjusted for (net of taxation):			
Amortisation of intangibles	4 667	4 667	9 333
Straight-lining of leases	1 661	1 424	1 786
Core headline earnings	70 403	67 825	179 378
Adjusted for (net of taxation):			
Foreign exchange (gains)/losses	(1 014)	1 333	(332)
Foreign exchange adjustments in cost of sales	176	459	1 636
Core headline earnings before foreign exchange effect	69 566	69 617	180 682

6. Dividend per share

Dividend declared per share (cents)			
- Interim	75.0	70.0	70.0
- Final			130.0
Total dividend	75.0	70.0	200.0
Dividend cover (by core headline earnings)	2.2	2.2	2.1

GROUP OVERVIEW

The Holdspport Limited group comprises the retail divisions Sportsmans Warehouse and Outdoor Warehouse and Performance Brands, a wholesale business that includes the First Ascent and Capestorm brands.

Despite the challenging retail environment total sales increased 5.0% to R630.9 million and retail sales increased 4.9% to R600.0 million.

Operating profit increased 3.5% to R94.1 million. Core headline earnings amounted to 163.1 cents per share, a 3.8% increase on the comparable period.

During the current period the aggregate foreign exchange adjustment was a profit of R1.2 million compared to an aggregate loss of R2.5 million during the prior period. Core headline earnings excluding the effect of foreign exchange adjustments was 161.2 cents per share (first half 2013: 161.3 cents per share).

TRADING DIVISIONS

Sales for the various trading divisions were as follows:

	Number of stores	Sales R'm	Increase in sales %
Sportsmans Warehouse	35	458.1	5.9
Outdoor Warehouse	19	141.9	1.8
Retail sales	54	600.0	4.9
Performance Brands	-	30.9	6.1
Total sales	54	630.9	5.0

Like-for-like retail sales grew by 2.5% while the retail divisions experienced price inflation of approximately 4.6% for the period. The weighted trading area increased by 6.2% relative to the prior corresponding period.

The Sportsmans Warehouse division is now trading out of 35 stores and will open one new store in Sea Point and expand three stores in the second half of the year. Like-for-like sales increased by 3.4%.

The Outdoor Warehouse division currently trades from 19 stores and opened a further

store in Rondebosch on 14 September 2013. Like-for-like sales decreased by 1.4%.

Performance Brands achieved R30.9 million of external sales, a 6.1% increase from the previous period.

CAPITAL EXPENDITURE

Holdsport successfully completed and moved into its new retail distribution centre during the period. Performance Brands commenced with construction of an additional warehouse which will be completed at the end of the year. The group incurred R32.8 million on its distribution projects in this period and anticipates spending approximately R8.8 million in the second half of this year.

The group incurred R12.8 million in maintaining and expanding its retail operations and anticipates spending a further R30.7 million in the second half of the year.

CASH FLOW

Holdsport repaid loans of R124.3 million to Standard Bank during the period and replaced them with a R130 million loan from the FirstRand Group, repayable by 31 August 2016. The group's net debt amounted to R153.6 million at the end of the current period compared to R156.8 million in the prior period.

The total investment in working capital increased by 11.2% as a result of the increase in trading space and the effect of the weaker exchange rate on the cost of imported stock.

During the period, the group purchased and awarded R5.9 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 of R3.3 million for the current period is R1.4 million higher than the prior period.

PROSPECTS

We expect trading conditions to remain challenging for the remainder of the year but, as always, the second half is heavily dependent on Christmas trading, which will largely determine the performance of the group in the second half and for the year.

The group signed lease agreements for a further two new stores to be opened in the next financial year and are evaluating other opportunities.

INTERIM DIVIDEND ANNOUNCEMENT

The directors declared an interim gross dividend of 75.0 cents per share payable on Monday, 9 December 2013 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 6 December 2013. The gross dividend is in line with the dividend policy of the group to have dividends covered approximately twice by the core headline earnings for the period, which is 163.1 cents.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Friday, 29 November 2013. The Holdsport Limited ordinary shares will commence trading "ex" the dividend from the commencement of business on Monday, 2 December 2013 and the record date, as indicated, will be Friday, 6 December 2013.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Monday, 2 December 2013 to Friday, 6 December 2013, 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 15%;
- there are no STC credits utilised;
- the net local dividend amount is 63.75 cents per ordinary share for shareholders liable to pay the new dividend tax, and 75.0 cents per ordinary share for shareholders exempt from the new 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

S MULLER
Chairman
Cape Town
11 October 2013

K HODGSON
CEO

Registered office: The Mill House, 1 Canterbury Street, Cape Town 8001
Executive directors: KG Hodgson, B Moritz, JP Loubser
Non-executive directors: SA Muller (Chairman), B Hopkins, C Sonn, M Vilakazi

Company secretary: AE van Zyl
Transfer secretaries: Computershare Investor Services (Proprietary) Limited,
Ground Floor, 70 Marshall Street, Johannesburg 2001
Sponsor: UBS South Africa (Proprietary) Limited