Holdsport Limited

Annual financial statements

for the year ended 28 February 2014

Audited

The financial statements of Holdsport Limited have been audited in compliance with S30 of the Companies Act. Mr JP Loubser, Chief Financial Officer, was responsible for supervising the preparation of the financial statements. These financial statements for the year ending 28 February 2014 were published on 6 May 2014.

Holdsport Limited

(Reg No. 2006/022562/06)

Annual financial statements

for the year ended 28 February 2014

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Holdsport Limited
Directors' responsibility for the annual financial statements
for the year ended 28 February 2014

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Holdsport Limited, comprising the statements of financial position at 28 February 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Holdsport Limited, as identified in the first paragraph, were approved by the board of directors on 6 May 2014 and signed on their behalf by

KG Hodgson	**JP Loubser**

Holdsport Limited
Company secretary's certificate
for the year ended 28 February 2014

In my capacity as Company Secretary, I hereby certify that for the year ended 28 February 2014, Holdsport Limited has filed all such returns and notices as are required by the Companies Act 71 of 2008, and that all such returns and notices appear to be true, correct and up to date.

AE van Zyl
Company secretary
6 May 2014

Holdsport Limited

Audit committee report

for the year ended 28 February 2014

This report of the audit and risk committee is presented to shareholders in compliance with the requirements of the Companies Act No. 71 of 2008, as amended (the Companies Act).

Role and responsibilities

The audit and risk committee has an independent role with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the board. The responsibilities of the committee are set out on page 39 of the group's Integrated Annual Report.

Composition of the committee

The committee currently comprise three independent non-executive directors who are all suitably skilled, with all three members having relevant financial experience. The committee is elected by shareholders at the annual general meeting (AGM).

Biographical details of the committee members appear on pages 18 to 20 of the Integrated Annual Report.

King III recommends that the chairman of the board should not be a member of the audit and risk committee. The chairman of the board, Syd Muller, currently serves on the committee due to the small size of the board. The board has considered the issue and believes that the chairman's skills, knowledge and experience allow him to make a significant contribution to the committee and the board has therefore recommended that he continues to serve on the committee.

Fees paid to the committee members for 2014 and the proposed fees for 2015 are disclosed in the Integrated Annual Report. The effectiveness of the committee will be assessed as part of the annual board and committee self-evaluation process.

Internal audit

Internal audit should provide information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. The group does not have an independent internal audit function, but engaged Mazars Inc to conduct a review over the design and effectiveness of selected key controls, which did not identify any material weaknesses in the system of internal control.

The finance function is responsible for performing the following duties, inter alia:

- evaluating control processes, including ethics;
- assessing the effectiveness of the risk methodology and internal financial controls; and
- evaluating business processes and associated controls in accordance with the annual audit plan.

Internal control

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against misstatement or loss.

While the board of directors is responsible for the internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with executive management. The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, clearly-defined lines of authority and accountability. They also include cost and budgeting controls and comprehensive management reporting.

Holdsport Limited
Audit committee report (continued)
for the year ended 28 February 2014

Internal control (continued)

The committee has assessed the effectiveness of the internal control system based on information and explanations given by management, work done by an independent audit firm and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the committee that has caused the directors to believe that the group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statement

External audit

The audit and risk committee appraised the independence and expertise of KPMG Inc. as the external auditor, as well as approving the terms of engagement and the fees paid to KPMG Inc.

The external auditor has unrestricted access to the group's records and management. The auditor furnishes a written report to the committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the chairperson of the committee. The committee is satisfied that the external auditor is independent of the group.

Policy on non-audit services

Non-audit services provided by the external auditor may not exceed 25% of the total auditor's remuneration except if specifically approved by the committee. These services should exclude any work which may be subject to external audit and which could compromise the auditor's independence. All non-audit services undertaken during the year were approved in accordance with this policy.

During the year KPMG received fees of R10 500 (2013: R11 000) for non-audit services relating to turnover rent certificates.

KPMG satisfied the audit and risk committee that appropriate safeguards have been adopted to maintain the independence of the external auditor when providing non-audit services.

Activities of the audit and risk committee

The committee met three times during the financial year. Members of the committee, the external auditor and the group CFO may request a non-scheduled meeting if they consider this necessary.

The chairperson of the audit and risk committee will determine if such a meeting should be convened.

Minutes of the meetings of the committee, except those recording private meetings with the external and internal auditors, are circulated to all directors and supplemented by an update from the audit and risk committee chairman at each board meeting. Matters requiring action or improvement are identified and appropriate recommendations made to the board.

The chairperson of the committee will attend all statutory shareholder meetings to answer any questions on the committee's activities.

Holdsport Limited
Audit committee report (continued)
for the year ended 28 February 2014

Activities of the audit and risk committee (continued)

The committee performed the following activities relating to the audit function during the year under review, with certain of these duties being required in terms of the Companies Act (and in terms of section 270 of the Companies Act No. 61 of 1973 for the period prior to 1 May 2011, being the implementation date of the Companies Act):

- Recommended to the board and shareholders the appointment of the external auditors, approved their terms of engagement and remuneration, and monitored their independence, objectivity and effectiveness;
- Determined the nature and extent of any non-audit services which the auditor may provide to the group and preapproved any proposed contracts with the auditors;
- Relied on the finance function's review of the group's internal financial control and financial risk management systems;
- Engaged Mazars Inc, an independent audit firm, to conduct a review over the design and effectiveness of selected key controls, which did not identify any material weaknesses in the system of internal control; and
- Reviewed and recommended to the board for approval the Integrated Annual Report and annual financial statements for the year ended 28 February 2014.

The Integrated Annual Report provides an overview of the risk management process on pages 42 to 47 of the report.

Evaluation of chief financial officer

The audit and risk committee is satisfied that the expertise and experience of the chief financial officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience and the board's assessment of the financial knowledge of the chief financial officer.

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2014 financial year and that its report to shareholders has been approved by the board.

Mary Vilakazi
Chairperson: Audit and Risk Committee
Cape Town
6 May 2014

Holdsport Limited
Directors' report
for the year ended 28 February 2014

The directors have pleasure in presenting their report for the year ended 28 February 2014.

General review

The Group is primarily involved in the retail distribution of sports and outdoor related footwear, apparel and equipment throughout South Africa. A subsidiary of the Group, Performance Brands (Pty) Ltd is an importer, manufacturer and distributor of technical sports apparel and accessories.

Performance Brands (Pty) Ltd expanded its warehouse during the year by 1500m^2.

KTR Sport (Pty) Ltd acquired 31,544m^2 of land in Philippi, Cape Town, during the previous year in a 50-50 joint venture with Redefine Properties to construct a new distribution centre. Each of the joint venture partners registered an undivided half share in the property. The 11 000m^2 distribution centre was completed in July 2013 and is leased to Moresport (Pty) Ltd.

Financial results

Full details of the financial results are set out on pages 10 to 46 in the financial statements.

Investment in subsidiaries

The attributable interest of the holding company in aggregate profit after taxation of its subsidiaries is R173.7m (2013: R168.5m).

Share capital

There were no alterations to share capital during the current year.

Dividends

Details relating to the interim and final dividends declared during the current year are set out in note 9.2.

Directors

Executive directors

KG Hodgson (Chief Executive Officer)
JP Loubser (Chief Financial Officer)
EA Haarburger (Resigned on 30 August 2013)
B Moritz (Appointed on 30 August 2013)

Non-executive directors
SA Muller (Chairman)
BD Hopkins
CF Sonn
M Vilakazi

Company secretary

AE van Zyl

Business address
The Mill House
1 Canterbury Street
Cape Town 8001

Postal address
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8000

Auditors

KPMG Inc.

KPMG

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Independent Auditor's Report

To the shareholders of Holdsport Limited

We have audited the consolidated and separate annual financial statements of Holdsport Limited, which comprise the statements of financial position at 28 February 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 46.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Holdsport Limited at 28 February 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other Reports Required by the Companies Act
As part of our audit of the financial statements for the year ended 28 February 2014, we have read the Directors' Report, the Company Secretary's Certificate and the Audit Committee Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Per Henry du Plessis
Chartered Accountant (SA)
Registered Auditor
Director
6 May 2014

Holdsport Limited
Statements of financial position
at 28 February 2014

	Note	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Assets					
Non-current assets					
Property, plant and equipment	2	**150 265**	98 282	**-**	-
Interest in subsidiaries	3	**-**	-	**225 230**	226 452
Goodwill and other intangibles	4	**620 336**	633 299	**-**	-
Total non-current assets		**770 601**	731 581	**225 230**	226 452
Current assets					
Inventories	5	**354 436**	346 054	**-**	-
Trade and other receivables	6	**24 782**	22 346	**-**	-
Derivative instruments	7	**-**	402	**-**	-
Taxation		**857**	-	**-**	-
Cash and cash equivalents	8	**57 577**	36 284	**4**	3
Total current assets		**437 652**	405 086	**4**	3
Total assets		**1 208 253**	1 136 667	**225 234**	226 455
Equity and liabilities					
Capital and reserves					
Share capital	9.1	**229 312**	229 312	**229 312**	229 312
Other reserves	10	**(17 926)**	(20 521)	**-**	-
Retained earnings/ (accumulated losses)		**689 544**	604 291	**(4 085)**	(2 864)
Total equity		**900 930**	813 082	**225 227**	226 448
Non-current liabilities					
Loans	11	**130 000**	-	**-**	-
Deferred taxation	12	**42 806**	49 623	**-**	-
Straight-lining lease liability		**24 590**	24 452	**-**	-
Total non-current liabilities		**197 396**	74 075	**-**	-
Current liabilities					
Trade and other payables	13	**109 843**	125 085	**7**	7
Derivative instruments	7	**84**	-	**-**	-
Short term portion of loans	11	**-**	124 282	**-**	-
Taxation		**-**	143	**-**	-
Total current liabilities		**109 927**	249 510	**7**	7
Total liabilities		**307 323**	323 585	**7**	7
Total equity and liabilities		**1 208 253**	1 136 667	**225 234**	226 455

Holdsport Limited
Statements of comprehensive income
for the year ended 28 February 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**R'000**	R'000	**R'000**	R'000
Sales		**1 417 584**	1 374 531	-	-
Cost of sales		**(734 035)**	(717 971)	-	-
Gross profit		**683 549**	656 560	-	-
Dividend received		-	-	**88 457**	-
Other income		**5 470**	3 667	-	-
Trading expenses		**(439 010)**	(416 937)	**(1 221)**	(1 237)
Operating profit/(loss)	*14*	**250 009**	243 290	**87 236**	(1 237)
Finance income	*15*	**2 441**	3 104	-	-
Finance cost	*16*	**(10 000)**	(11 652)	-	-
Profit/(loss) before taxation		**242 450**	234 742	**87 236**	(1 237)
Taxation	*17*	**(68 740)**	(66 226)	-	-
Profit/(loss) and total comprehensive income/(loss) for the year		**173 710**	168 516	**87 236**	(1 237)
Attributable to:					
Equity holders of the company		**173 710**	168 516	**87 236**	(1 237)
Profit/(loss) and total comprehensive income/(loss) for the year		**173 710**	168 516	**87 236**	(1 237)
Basic and diluted earnings per share (cents)	*24*	**402.6**	390.5		

Holdsport Limited
Statements of changes in equity
for the year ended 28 February 2014

Group	*Note*	Share capital R'000	Other reserves R'000	Retained earnings R'000	Total R'000
Balance at 1 March 2012		**229 312**	**(13 370)**	**515 603**	**731 545**
Total comprehensive income					
Profit		-	-	168 516	168 516
Total comprehensive income for the year		**-**	**-**	**168 516**	**168 516**
Transactions with owners of the Company					
Contributions and distributions					
Share based payment reserve: Initial award	*10*	-	(12 049)	-	(12 049)
Share based payment expense	*10*	-	4 898	-	4 898
Dividends paid	*9.2*	-	-	(79 828)	(79 828)
Total transactions with owners of the company		**-**	**(7 151)**	**(79 828)**	**(86 979)**
Balance at 28 February 2013		**229 312**	**(20 521)**	**604 291**	**813 082**
Balance at 1 March 2013		**229 312**	**(20 521)**	**604 291**	**813 082**
Total comprehensive income					
Profit		-	-	173 710	173 710
Total comprehensive income for the year		**-**	**-**	**173 710**	**173 710**
Transactions with owners of the Company					
Contributions and distributions					
Share based payment reserve: Initial award	*10*	-	(4 946)	-	(4 946)
Share based payment expense	*10*	-	7 541	-	7 541
Dividends paid	*9.2*	-	-	(88 457)	(88 457)
Total transactions with owners of the company		**-**	**2 595**	**(88 457)**	**(85 862)**
Balance at 28 February 2014		**229 312**	**(17 926)**	**689 544**	**900 930**

Holdsport Limited
Statements of changes in equity
for the year ended 28 February 2014 (Continued)

Company		Share capital R'000	Other reserves R'000	Retained earnings/ (accumulated losses) R'000	Total equity R'000
Balance at 1 March 2012		229 312	-	78 201	307 513
Total comprehensive loss					
Loss		-	-	(1 237)	(1 237)
Total comprehensive loss for the year		-	-	**(1 237)**	**(1 237)**
Transactions with owners of the Company					
Contributions and distributions					
Dividends paid	*9.2*	-	-	(79 828)	(79 828)
Total transactions with owners of the company		-	-	**(79 828)**	(79 828)
Balance at 28 February 2013		**229 312**	-	**(2 864)**	**226 448**
Balance at 1 March 2013		**229 312**	-	**(2 864)**	226 448
Total comprehensive income					
Profit		-	-	87 236	87 236
Total comprehensive income for the year		-	-	**87 236**	**87 236**
Transactions with owners of the Company					
Contributions and distributions					
Dividends paid	*9.2*	-	-	(88 457)	(88 457)
Total transactions with owners of the company		-	-	**(88 457)**	**(88 457)**
Balance at 28 February 2014		**229 312**	-	**(4 085)**	**225 227**

Holdsport Limited
Statements of cash flows
for the year ended 28 February 2014

		Group		Company	
	Note	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
Cash flows from operating activities					
Cash generated from/(utilised by) operations	*18*	**274 182**	239 122	**87 236**	(1 230)
Finance income	*15*	**2 441**	3 104	**-**	-
Finance costs	*16*	**(10 000)**	(11 652)	**-**	-
Dividends paid		**(88 457)**	(79 828)	**(88 457)**	(79 828)
Taxation paid	*19*	**(76 557)**	(74 224)	**-**	-
Net cash inflows/(outflows) from operating activities		**101 609**	76 522	**(1 221)**	(81 058)
Cash flows from investing activities					
Additions to property, plant and equipment	*2*	**(82 353)**	(72 489)	**-**	-
Additions to intangibles		**-**	(8 179)	**-**	-
Proceeds on sale of property, plant and equipment		**1 265**	1 357	**-**	-
Net cash outflows from investing activities		**(81 088)**	(79 311)	**-**	-
Cash flows from financing activities					
Loans repaid by subsidiary		**-**	-	**1 222**	81 063
Repayment of bank loan		**(124 282)**	(26 252)	**-**	-
Increase in new bank loan		**130 000**	-	**-**	-
Forfeitable share plan awards		**(4 946)**	(12 049)	**-**	-
Loans to subsidiary		**-**	-	**-**	(2)
Net cash inflows/(outflows) from financing activities		**772**	(38 301)	**1 222**	81 061
Net increase/(decrease) in cash and cash equivalents		**21 293**	(41 090)	**1**	3
Cash and cash equivalents at the beginning of the year		**36 284**	77 374	**3**	-
Cash and cash equivalents at the end of the year		**57 577**	36 284	**4**	3

1. Accounting policies

Holdsport Limited (the "company") is a company domiciled in South Africa. The consolidated financial statements at 28 February 2014 comprise the company and its subsidiaries (together referred to as the "Group" or individually referred to as "group entities").

Where reference is made to the "Group" in the accounting policies, it should be interpreted as referring to the company where the context requires, and unless otherwise noted.

The annual financial statements were approved by the board of directors on 6 May 2014.

1.1 Basis of preparation

The company and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE listing requirements and the requirements of the South African Companies Act of 2008. The accounting policies applied are consistent with the previous year except for instances where new standards have been adopted. Refer to note 29 for the new standards adopted.

The financial statements are presented in South African Rands ("Rands"), which is the company's functional currency. All financial information presented in Rands has been rounded to the nearest thousand. They are prepared on the basis that the company and its subsidiaries are going concerns, using the historical cost basis of measurement except for derivative financial instruments which are measured at fair value through profit or loss. Minor adjustments have been made to certain comparative figures to allow for more meaningful disclosure. These adjustments have no material impact on the reported results.

1.2 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.3 Basis of consolidation

The consolidated financial statements of the company consolidate the financial statements of the company and its subsidiaries.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the aquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the non-controlling interests shall increase in proportion to their share of changes in equity since the date of combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1. Accounting policies (continued)

1.3 Basis of consolidation (continued)

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group. Intra-Group balances and any income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The financial statements include the assets that the company controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the company incurs and its share of income that it earns from the joint operation.

1.5 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group company at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies at the reporting date are translated at the rate of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Foreign exchange differences arising on translation are recognised in profit or loss.

Functional and presentation currency

All items in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

1.6 Financial instruments

Non-derivative financial instruments

Recognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs except for financial instruments that are classified as being carried at fair value through profit or loss. Subsequent to initial recognition, these instruments are measured based on classification according to their nature.

1. Accounting policies (continued)

1.6 Financial instruments (continued)

Non-derivative financial instruments (continued)

Recognition (continued)

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

The Group has the following non-derivative financial instruments. The subsequent measurement of each financial instrument is explained in more detail below.

Trade and other receivables

Trade and other receivables are categorised as loans and receivables. These financial assets originate by the Group providing goods, services or money directly to a debtor and are subsequent to initial recognition measured at amortised cost using the effective interest method less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents are categorised in the statement of financial position as loans and receivables and subsequent to initial recognition measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Interest-bearing loans and borrowings

Interest bearing loans and borrowings are categorised as other financial liabilities. Other financial liabilities are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition these financial liabilities are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis. Where the difference between the fair value and the proceeds received is considered to be an equity contribution (i.e. as with shareholders' loans) the difference is recognised directly to equity (net of deferred tax) at initial recognition.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are categorised as other financial liabilities. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

Investment in subsidiaries

Investments in subsidiary companies are carried at cost less accumulated impairment losses.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on re-measurement is recognised in profit or loss in the period in which the change arises.

1. Accounting policies (continued)

1.6 Financial instruments (continued)

Derivative financial instruments (continued)

The fair value of forward exchange contracts is their quoted market price at the reporting date.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge the foreign exchange exposure and interest rate risk exposure of a recognised asset or liability, no hedge accounting is applied and gains or losses on the hedging instrument is recognised in profit or loss.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to acquire property, plant and equipment, are also included in cost.

1. Accounting policies (continued)

1.7 Property, plant and equipment (continued)

Recognition and measurement (continued)

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains or losses on the disposal of property, plant and equipment are recognised in profit or loss. Gains and losses on disposal are determined by comparing the net proceeds received with the carrying amount of the item.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at an interest rate relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings were utilised.

Subsequent costs

Expenditure incurred to replace a part of an item of property, plant and equipment is capitalised if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure, including repairs and maintenance, are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is charged on the straight-line basis over the estimated useful lives of the assets, in order to reduce the cost of the asset to its residual value. Residual value is the amount that an entity could receive for the asset at the reporting date if the asset were already of the age and the condition that it will be in when the entity expects to dispose of it. Residual value does not include expected future inflation. Leasehold improvements are depreciated over the shorter of the useful lives and term of the lease.

The estimated useful lives for the current and comparative periods of property, plant and equipment are:

Buildings	20 years
Motor vehicles	5 years
Furniture, fittings and equipment	4 years
Computer equipment	3 years

Land is not depreciated. The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.8 Leases

Leases involving plant and equipment in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases and depreciated over the shorter of the useful life of the asset and the lease term. Items of property, plant and equipment held under a finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The capital element of future obligations under the lease is included as a liability in the statement of financial position. The interest element of the finance charge is charged to profit or loss over the lease period.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Contingent rental escalations, such as those relating to turnover, are expensed in the year in which the escalation is determined.

1. Accounting policies (continued)

1.9 Goodwill

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the aquiree. For each business combination, the aquirer measures the non-controlling interest in the aquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. It is not amortised, but is tested annually for impairment.

1.10 Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. The cost of intangible assets acquired in a business combination is fair valued as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Amortisation of intangible assets with a finite useful life is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets. Intangible assets with finite lives are assessed annually for impairment and tested whenever there is an indication that the intangible asset may be impaired. The amortisation period, amortisation method and residual value for an intangible asset with a finite useful life are reassessed annually. Changes in the expected useful life of the expected pattern of consumption for future economic benefits embodied in the asset is accounted for by changing the amortisation period of method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. There are no intangible assets that have indefinite useful lives other than goodwill.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised and not classified as revenue.

Intangible assets comprise of trademarks. The estimated useful lives of intangibles assets with finite useful lives are as follows:

Sportsmans Warehouse	25 years
Outdoor Warehouse	25 years
First Ascent	20 years
Capestorm	20 years

1. Accounting policies (continued)

1.11 Inventories

Inventory comprises merchandise held for sale and is stated at the lower of cost and net realisable value. The cost of inventories is calculated on the weighted average cost basis and comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is stated net of purchase incentives. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised.

1.12 Impairment of assets

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories (see accounting policy note for deferred tax and inventories), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each reporting date.

Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, the goodwill is allocated to cash-generating units on a reasonable and consistent basis.

The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment loss is recognised for a cash-generating unit, the impairment loss is applied first to the goodwill allocated to the cash-generating unit (if any) and then to other assets on a pro rata basis comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1. Accounting policies (continued)

1.12 Impairment of assets (continued)

Reversal of impairment losses

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the losses have decreased or no longer exist. Reversal of impairment losses recognised in prior years are recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in profit or loss. An impairment loss in respect of goodwill is not reversed.

Financial assets

At each reporting date, an assessment is made as to whether objective evidence exists that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset.

The Group considers evidence of impairment for assets at amortised cost at both individual asset and collective level. All individually significant assets are individually assessed for impairment. Those not found to be impaired are then collectively assessed for any impairment that has been incurred and not yet individually assessed. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss and reflected in an allowance account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

1.13 Share capital

Ordinary share capital

Ordinary share capital represents the value of ordinary shares issued of no par value.

1.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the expected future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability.

1. Accounting policies (continued)

1.14 Provisions (continued)

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the asset associated with that contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

1.15 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

Accruals for employee entitlements to wages, salaries, bonuses, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Share based payment transactions – other reserves

The Group grants equity-settled share instruments to certain employees under an employee share plan. These instruments will be settled in shares. The grant-date fair value of share-based payment instruments granted is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the instruments. The amount recognised as an expense is adjusted to reflect the number of instruments for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of instruments that meet the related service and non-market performance conditions at the vesting date. For share-based payment instruments with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.16 Sales

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and value added-taxes by the Group. Revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer, there is no continuing managerial involvement, the amount of costs and revenue can be measured reliably, and receipt of the future economic benefits is probable.

1.17 Dividend income received

Dividends are recognised when the right to receive payment has been established.

1. Accounting policies (continued)

1.18 Dividends declared

Dividends are accounted for in the period when the dividend is declared by the Company. Dividends declared on equity instruments after the reporting date, are accordingly not recognised as liabilities at the reporting date. Final dividends declared after the reporting date, are however, transferred to a dividend reserve.

1.19 Finance income

Finance income comprises interest income earned on cash held. Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

1.19 Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest method, and unwinding of the discount on provisions.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

1.20 Income taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for all temporary differences between the tax value of an asset or liability and its carrying amount for financial reporting purposes, except the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised in the foreseeable future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividend Withholding Tax (DWT)

DWT is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The Company withholds dividends tax on behalf of the shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

1. Accounting policies (continued)

1.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing profit or loss attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. This provides a measure of the interests of each ordinary share of the company in the performance of the entity over the reporting period.

Diluted EPS takes into account the effect of all dilutive potential ordinary shares outstanding during the period. Headline EPS is based on earnings attributable to shareholders, excluding capital items and the tax effects thereon and is calculated using the same number of shares as the basic and diluted EPS calculations.

1.22 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the executive management committee (which has been identified as the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

1.23 Standards and interpretations not yet effective

The following IFRS and amendments, that are relevant to the Group, have been issued but are not effective for the period under review. The Group will adopt these no later than their effective dates, to the extent that they are applicable to its activities:

IAS 32: Financial Instruments (Effective 1 January 2014)

The amendment to IAS 32 clarifies the meaning of 'currently has a legally enforceable right of set-off' and that selected gross settlement systems may be considered equivalent to net settlement.

The adoption of the amended standard is not expected to have a material effect on the financial statements of the Group.

IAS 36: Impairment of Assets (Effective 1 January 2014)

The amendment to IAS 36 restricts the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognised or reverses. It also clarifies the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

The adoption of the amended standard is not expected to have a material effect on the financial statements of the Group.

IFRS 9: Financial Instruments (effective 1 January 2015)

The standard released to date represents the first phase of a larger project to replace IAS 39: Financial Instruments- Recognition and Measurement, and deals with the classification and measurement of financial assets and financial liabilities. The second and third phases of the project will deal with impairment of financial instruments and hedge accounting respectively. The Group will only be able to quantify the effect of the new standard once all phases have been issued.

Holdsport Limited

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

2. Property, plant and equipment

Group	Motor vehicles R'000	Furniture, fittings and equipment R'000	Computer equipment R'000	Land and buildings R'000	Assets under construction* R'000	Total R'000
Year ended 28 February 2014						
Opening carrying amount	**5 307**	**53 120**	**8 269**	**10 075**	**21 511**	**98 282**
Additions	**2 824**	**44 492**	**5 421**	**29 616**	**-**	**82 353**
Disposals/Transfers*	**(576)**	**-**	**(32)**	**21 511**	**(21 511)**	**(608)**
Depreciation	**(1 846)**	**(22 853)**	**(4 244)**	**(819)**	**-**	**(29 762)**
Closing carrying amount	**5 709**	**74 759**	**9 414**	**60 383**	**-**	**150 265**
At 28 February 2014						
Cost	**11 078**	**220 124**	**33 195**	**61 447**	**-**	**325 844**
Accumulated depreciation	**(5 369)**	**(145 365)**	**(23 781)**	**(1 064)**	**-**	**(175 579)**
Carrying amount	**5 709**	**74 759**	**9 414**	**60 383**	**-**	**150 265**
Group						
Year ended 28 February 2013						
Opening carrying amount	5 380	39 451	7 072	-	-	51 903
Additions	2 874	33 118	4 666	10 320	21 511	72 489
Disposals	(988)	-	(12)	-	-	(1 000)
Depreciation	(1 959)	(19 449)	(3 457)	(245)	-	(25 110)
Closing carrying amount	5 307	53 120	8 269	10 075	21 511	98 282
At 28 February 2013						
Cost	10 328	186 115	28 126	10 320	21 511	256 400
Accumulated depreciation	(5 021)	(132 995)	(19 857)	(245)	-	(158 118)
Carrying amount	5 307	53 120	8 269	10 075	21 511	98 282

* *Assets under construction related to the construction of two distribution centres which commenced in the previous year and were completed in the current year. Accordingly, the balance of assets under construction has been transferred to land and buildings.*

KTR Sport (Pty) Ltd

KTR Sport, a wholly owned subsidiary of Holdsport, acquired 31,544m^2 of land in Philippi, Cape Town during the 2013 financial year in a 50-50 joint venture with Redefine Properties to construct a new distribution centre. Each of the joint venture partners registered an undivided half share in the property (ERF136). The distribution centre was completed in July 2013 and is being leased to Moresport (Pty) Ltd.

2. Property, plant and equipment (continued)

Performance Brands, a wholly owned subsidiary in the group, acquired vacant land ERF 63 and ERF 65 with buildings thereon in Capricorn Park, Muizenberg, in May 2012 for R12.0m. The company completed the construction of a new warehouse on ERF 63 during the 2014 financial year.

Refer to note 11 for detail on encumbrances on plant and equipment.

3. Interest in subsidiaries

Interest in subsidiaries as at 28 February 2014

Company

	Nature of business	Percentage holding	Issued share capital R	Shares at cost R	Loan advanced R	Net investment R
Moresport (Pty) Ltd	Retail	100%	10	**83 160 000**	**142 068 303**	**225 228 303**
KTR Sport (Pty) Ltd	Ware-housing	100%	104	**104**	**2 000**	**2 104**
Subsidiaries of Moresport						
Moresport (Pty) Ltd, Namibian branch	Retail	100%	-	-	-	-
Moresport Namibia (Pty) Ltd	Retail	100%	100	-	-	-
Performance Brands (Pty) Ltd	Whole-sale	100%	10 500	-	-	-
Net investment				**83 160 104**	**142 070 303**	**225 230 407**

Interest in subsidiaries as at 28 February 2013

	Nature of business	Percentage holding	Issued share capital R	Shares at cost R	Loan advanced R	Net investment R
Company						
Moresport (Pty) Ltd	Retail	100%	10	83 160 000	143 289 770	226 449 770
KTR Sport (Pty) Ltd	Ware-housing	100%	104	104	2 000	2 104
Subsidiaries of Moresport						
Moresport (Pty) Ltd, Namibian branch	Retail	100%	-	-	-	-
Moresport Namibia (Pty) Ltd	Retail	100%	100	-	-	-
Performance Brands (Pty) Ltd	Whole-sale	100%	10 500	-	-	-
Net investment				83 160 104	143 291 770	226 451 874

4. Goodwill and other intangibles

4.1 Goodwill

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Opening carrying amount	**397 736**	397 736	-	-
Closing carrying amount	**397 736**	397 736	-	-
The goodwill is allocated to the following cash generating units ("CGU") for purposes of impairment testing:				
Sportsmans Warehouse	**300 299**	300 299	-	-
Outdoor Warehouse	**89 944**	89 944	-	-
Performance Brands	**7 493**	7 493	-	-
	397 736	397 736	-	-

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on budgets approved by the board for the following year. Growth in cash flows for periods beyond the approved budget period are based on at least the CPI rate of inflation at year end. The key assumptions used in the calculations are:

	Discount rate
Sportsmans Warehouse	15.71%
Outdoor Warehouse	16.21%
Performance Brands	15.66%

The discount rate used is the pre-tax discount rate and reflects the specific risk relating to each CGU, and is consistent with the rate used at the initial recognition of the intangibles. The profit margins are based on past performance of the CGU, pre interest and tax.

4.2 Trademarks

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Opening carrying amount	**235 563**	240 347	-	-
Acquisition of trademark	**-**	8 179	-	-
Amortisation	**(12 963)**	(12 963)	-	-
Closing carrying amount	**222 600**	235 563	-	-
Cost	**316 860**	316 860	-	-
Accumulated amortisation	**(94 260)**	(81 297)	-	-
Carrying amount	**222 600**	235 563	-	-
Total goodwill and trademarks	**620 336**	633 299	-	-

Performance Brands (Pty) Ltd acquired the Capestorm trademark effective 1 March 2012 for R8.179m.

Holdsport Limited
Notes to the annual financial statements (continued)
for the year ended 28 February 2014

	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
5. Inventories				
Finished goods	**368 413**	357 959	-	-
Raw materials	**8 643**	8 158	-	-
Work-in-progress	**1 183**	2 247	-	-
Allowance for slow moving inventory	**(23 803)**	(22 310)	-	-
	354 436	346 054	-	-

Refer to note 11 for encumbrances over inventory.

6. Trade and other receivables

Trade receivables	**3 013**	3 457	-	-
Impairment	**(659)**	(659)	-	-
Net trade receivables	**2 354**	2 798	-	-
Prepayments and other receivables	**22 428**	19 548	-	-
	24 782	22 346	-	-

7. Derivative instruments

The Group has taken out foreign exchange forward purchase contracts (FEC's) maturing after year-end related to inventory imports. These instruments are measured at fair value.

Foreign exchange contract (liability)/asset	**(84)**	402	-	-

8. Cash and cash equivalents

Bank balances	**57 577**	36 284	**4**	3

The Group's exposure to interest rate risk is disclosed in note 27.2.

	Group		Company	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
9. Share capital				
9.1 Authorised and issued share capital				
Authorised				
130 000 000 ordinary shares of no par value	**Nil**	Nil	**Nil**	Nil
Issued				
43 150 220 ordinary shares of no par value	**229 312**	229 312	**229 312**	229 312

9.2 Dividends

Interim

The company declared an interim dividend of 75.0 cents per share on 11 October 2013, which was paid to shareholders on 9 December 2013. An interim dividend of 70.0 cents per share was declared in the previous year.

Final

The directors declared a final dividend of 145.0 cents per share payable on 9 June 2014 to ordinary shareholders recorded in the books of the company at the close of business on 30 May 2014. A final dividend of 130.0 cents per share was declared in the previous year.

9.3 Directors' interest

	2014		2013	
	Indirect beneficial shares	**Holdsport forfeitable share plan**	Indirect beneficial shares	Holdsport forfeitable share plan
KG Hodgson	**4 940 913**	**80 445**	5 220 913	80 445
EA Haarburger (Resigned 30 August 2013)	**-**	**-**	3 076 361	48 267
B Moritz (Appointed 30 August 2013)	**651 884**	**108 228**		
JP Loubser	**490 000**	**108 225**	490 000	97 439
	6 082 797	**296 898**	8 787 274	226 151

Non-executive directors do not own any shares in the company. There have been no changes in directors' interest in share capital from year-end to the date of approval of the annual financial statements.

9. Share capital (continued)

9.4 Unissued share capital

Unissued shares are under the directors' control until the next annual general meeting.

9.5 Shareholder spread

	Class of listed shares	**2014** Public share-holders	**2014** Non-public share-holders	2013 Public share-holders	2013 Non-public share-holders
Number of shareholders	Ordinary shares	**1 523**	**50**	1 478	50
Percentage of total issued shares (%)	Ordinary shares	**73.9**	**26.1**	72.8	27.2

Analysis of non-public shareholders	Class of listed shares	**2014** Number of shares	**2014** Percentage of total issued shares (%)	2013 Number of shares	2013 Percentage of total issued shares (%)
Directors of the company	Ordinary shares	**6 379 695**	**14.8**	9 013 425	20.9
Employees	Ordinary shares	**4 878 146**	**11.3**	2 702 171	6.3

9.6 Major shareholders

Shareholders at year end who hold a direct or indirect beneficial interest of 5% or more of ordinary shares:

	2014 Number of shares held	**2014** Percentage holding (%)	2013 Number of shares held	2013 Percentage holding (%)
The Moresport Investment Trust	-	-	9 721 042	22.5
Government Employees Pension Fund	**2 008 365**	**4.7**	2 455 117	5.7
KG Hodgson	**5 021 358**	**11.6**	-	-
EA Haarburger	**3 172 895**	**7.4**	-	-

	Group	
	2014	2013
	R'000	R'000
10. Other reserves		
Holdsport forfeitable share plan		
Opening balance	**(20 521)**	(13 370)
Awards granted	**(7 393)**	(13 738)
Proceeds on sale of shares	**2 447**	1 689
IFRS 2 expense	**7 541**	4 898
Closing balance	**(17 926)**	(20 521)

The Holdsport forfeitable share plan was first introduced during 2011. Participants are not required to pay for the grant of the shares awarded to them and are not required to make a payment for the award to vest. The forfeitable shares are purchased on the open market by the Group on behalf of each participant and held during the vesting period for the absolute benefit of each participant. The participant enjoys all shareholder rights in respect of the shares, except the right to dispose thereof.

The shares generally have a vesting period of three, four and five years from the grant date in three equal tranches, and are subject to certain performance conditions being met as well as continued employment within the Group up to and including the vesting date. The performance conditions are based on the return on net assets achieved.

Number of shares awarded to and held by participants	**2014**	2013
Balance at beginning of year	**764 256**	498 750
Awards granted	**159 069**	308 568
Awards forfeited	**(53 308)**	(43 062)
Balance at end of year	**870 017**	764 256
Market value at end of year	**39.30**	43.99
Average cost of shares awarded in the year	**46.50**	45.33

10. Other reserves (Continued)

The following shares have been granted to directors through the forfeitable share plan:

Director	Date of award	Number of shares awarded	Total shares awarded	Vesting date
B Moritz	18 July 2011	64 354		2014; 2015; 2016
	14 August 2012	33 088		2015; 2016; 2017
	21 August 2013	10 786	**108 228**	2016; 2017; 2018
JP Loubser	18 July 2011	64 353		2014; 2015; 2016
	14 August 2012	33 086		2015; 2016; 2017
	21 August 2013	10 786	**108 225**	2016; 2017; 2018
KG Hodgson	18 July 2011	80 445	**80 445**	2014; 2015; 2016
Total			**296 898**	

	Group		Company	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
11. Loans				
11.1 Standard Bank Senior Bullet				
Carrying value of the loan	-	110 351	-	-

The loan was repayable on 2 September 2013 and accrued interest quarterly at JIBAR plus 2.95%. A general notarial bond was registered as security in favour of Standard Bank over all movable assets of a subsidiary company.

The loan was repaid on 30 August 2013.

	Group		Company	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
11.2 Standard Bank Senior Facility				
Carrying value of the loan	-	13 931	-	-

The loan was repayable in 10 quarterly instalments in full by 2 September 2013 and accrued interest quarterly at JIBAR plus 2.7%. A general notarial bond was registered as security in favour of Standard Bank over all movable assets of a subsidiary company.

The loan was repaid on 30 August 2013.

Holdsport Limited
Notes to the annual financial statements (continued)
for the year ended 28 February 2014

		Group		Company	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
11.	**Loans (continued)**				
11.3	**FirstRand Bank Senior Bullet**				
	Carrying value of the loan	**130 000**	-	-	-
	The loan is repayable on 30 August 2016 and bears interest quarterly at JIBAR plus 1.85% in the first year, increasing to JIBAR plus 2.0% in the second year and JIBAR plus 2.25% in the third year. A general notarial bond was registered as security in favour of FirstRand Bank over all movable assets of a subsidiary company.				
11.4	**Total carrying value of loans**	**130 000**	124 282	-	-
	Less short term portion	-	(124 282)	-	-
	Standard Bank Senior Bullet	-	(110 351)	-	-
	Standard Bank Senior Facility	-	(13 931)	-	-
	Long term portion of loans	**130 000**	-	-	-
12.	**Deferred taxation**				
	Deferred income taxes are calculated on all temporary differences using the statutory tax rate of 28%.				
	The movement on the deferred tax account is as follows:				
	Opening balance	**(49 623)**	(55 595)	-	-
	Deferred tax charge to profit or loss	**6 817**	5 972	-	-
	Closing balance	**(42 806)**	(49 623)	-	-
	Deferred tax assets and liabilities are attributable to the following items:				
	Deferred tax liabilities				
	Trademarks	**(60 038)**	(63 668)	-	-
	Prepaid expenses	**(3 056)**	(2 382)	-	-
	Accelerated depreciation on plant and equipment	**(321)**	(301)	-	-
		(63 415)	(66 351)	-	-

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
12. Deferred taxation (continued)				
Deferred tax assets				
Straight-lining lease liability	**6 901**	6 864	-	-
Inventory impairment	**5 807**	5 518	-	-
Forfeitable Share plan	**4 079**	1 967	-	
Leave pay accrual	**1 233**	1 154	-	-
Other deductible temporary differences	**2 589**	1 225	-	-
	20 609	16 728	-	-
	(42 806)	(49 623)	-	-

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
13. Trade and other payables				
Trade payables	**(61 487)**	(71 357)	-	-
Accrued expenses and other payables	**(44 866)**	(50 705)	**(7)**	(7)
Value Added Tax	**(3 490)**	(3 023)	-	-
	(109 843)	(125 085)	**(7)**	(7)

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
14. Operating profit/(loss)				
Operating profit/(loss) has been arrived at after taking account of:				
Operating lease rentals	**103 383**	97 493	-	-
Amortisation of intangibles	**12 963**	12 963	-	-
Depreciation on property, plant and equipment	**29 762**	25 110	-	-
Profit on sale of property, plant and equipment	**(657)**	(357)	-	-
Foreign exchange gains	**(862)**	(461)	-	-
Staff costs including directors remuneration	**167 711**	159 888	-	-
Salaries and wages	**152 584**	146 011	-	-
Pension and medical aid contributions	**15 127**	13 877	-	-

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
15. Finance income				
Bank interest	**2 441**	3 104	-	-

	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
16. Finance cost				
Interest paid on loans	**10 000**	11 652	-	-
17. Taxation				
South African normal tax				
– current	**72 714**	70 313	-	-
– prior year over provision	-	(301)	-	-
Foreign income tax	**2 843**	2 186	-	-
Current year	**75 557**	72 198	-	-
Deferred tax – current year	**(6 817)**	(5 972)	-	-
	68 740	66 226	-	-

Profit before taxation differs from the standard amount that would arise using the basic tax rate of South Africa as follows:

Tax rate reconciliation

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Profit/(loss) before taxation	**242 450**	234 742	**87 236**	(1 237)
Tax at standard rate of 28%	**67 886**	65 728	**(342)**	(346)
Prior year tax over provision	-	(301)	-	-
Non-deductible expense	**424**	422	**342**	346
Foreign tax rate differences	**430**	377	-	-
	68 740	66 226	-	-

	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
18. Cash generated from/(utilised by) operations				
Operating profit/(loss)	**250 009**	243 290	**87 236**	(1 237)
Adjustments for:				
Depreciation	**29 762**	25 110	-	-
Amortisation of intangibles	**12 963**	12 963	-	-
Profit on sale of property, plant and equipment	**(657)**	(357)	-	-
Fair value loss/(gain) on derivative instruments	**486**	(1 497)	-	-
Straight-lining lease liability	**138**	2 480	-	-
Forfeitable share plan expense	**7 541**	4 898	-	-
Changes in working capital:				
Increase in trade and other receivables	**(2 436)**	(2 957)	-	-
Increase in inventories	**(8 382)**	(49 331)	-	-
(Decrease)/Increase in trade and other payables	**(15 242)**	4 523	-	7
Cash generated from/(utilised by) operations	**274 182**	239 122	**87 236**	(1 230)

19. Taxation paid				
Opening balance payable	**143**	2 169	-	-
Income tax charge to profit or loss	**75 557**	72 198	-	-
Taxation receivable/(payable) at the end of the year	**857**	(143)	-	-
	76 557	74 224	-	-

20. Capital commitments

Capital expenditure budgeted, but not recognised in these financial statements is as follows:

Property, plant and equipment				
- contracted for	-	45 000	-	-
- not contracted for	**45 000**	45 000	-	-
	45 000	90 000	-	-

Capital commitments will be funded through working capital.

	Group		Company	
21. Operating lease commitments	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
The total of future minimum lease payments under non-cancellable operating leases for each of the following periods.				
Not later than 1 year	**85 037**	89 250	**-**	-
Later than 1 year and not later than 5 years	**226 032**	224 477	**-**	-
Later than 5 years	**112 856**	80 785	**-**	-
	423 925	394 512	**-**	-

22. Directors' remuneration for the group

Directors received the following remuneration and benefits for services provided as directors of Group companies. No director received further remuneration or benefits for other services provided to the company or other Group companies.

	Salaries (R'000)	Directors fees (R'000)	Performance bonus (R'000)	Travel allowance (R'000)	Pension fund contributions (R'000)	Medical aid contributions (R'000)	Total (R'000)
2014							
Non-executive							
BD Hopkins	-	**264**	-	-	-	-	**264**
CF Sonn	-	**224**	-	-	-	-	**224**
M Vilakazi	-	**235**	-	-	-	-	**235**
SA Muller #	-	**673**	-	-	-	-	**673**
Total	-	**1 396**	-	-	-	-	**1 396**
Executive							
EA Haarburger ^	**843**	-	-	**42**	**58**	**6**	**949**
B Moritz ^	**783**	-	**225**	**30**	-	**7**	**1 045**
JP Loubser	**1 442**	-	**225**	**72**	**91**	**13**	**1 843**
KG Hodgson	**2 503**	-	**225**	**150**	-	**13**	**2 891**
Total	**5 571**	-	**675**	**294**	**149**	**39**	**6 728**
Total remuneration	**5 571**	**1 396**	**675**	**294**	**149**	**39**	**8 124**

 # Chairman of the board of directors

^ EA Haarburger was a director for the first six months of the year and B Moritz for the second half of the year.

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22. Directors' remuneration for the group (continued)

	Salaries (R'000)	Directors fees (R'000)	Performance bonus (R'000)	Travel allowance (R'000)	Pension fund contributions (R'000)	Medical aid contributions (R'000)	Total (R'000)
2013							
Non-executive							
BD Hopkins	-	246	-	-	-	-	246
CF Sonn	-	209	-	-	-	-	209
M Vilakazi	-	219	-	-	-	-	219
SA Muller	-	628	-	-	-	-	628
Total	-	1 302	-	-	-	-	1 302
Executive							
EA Haarburger	1 627	-	800	84	109	12	2 632
JP Loubser	1 127	-	600	72	76	12	1 887
KG Hodgson	2 327	-	1 100	150	-	12	3 589
Total	5 081	-	2 500	306	185	36	8 108
Total remuneration	5 081	1 302	2 500	306	185	36	9 410

Details of the shares awarded to directors under the Holdsport Forfeitable Share Plan are disclosed in note 10. The portion of the annual IFRS 2 share based payment expense related to each director is as follows:

	2014 R'000	2013 R'000
EA Haarburger	**392**	353
B Moritz	**928**	631
JP Loubser	**920**	628
KG Hodgson	**653**	587
Total	**2 893**	2 199

23. Related party transactions

Shareholders

An analysis of the principal shareholders of the company, as well as disclosure of directors' interest in share capital is provided in note 9.

Subsidiaries

During the year, in the ordinary course of business, certain companies within the Group entered into arm's length transactions. These intra-group transactions have been eliminated on consolidation.

Details of loans to and investments in subsidiaries are set out in note 3.

Sales to other group segments are disclosed as internal sales in the segmental report in note 25.

Directors' remuneration

Details relating to executive and non-executive director's remuneration are disclosed in note 22.

Interest of directors in contracts

No directors have any interests in contracts with the Group. Executive directors are bound by service contracts.

Loans to directors

No loans have been made to directors in the current or prior year.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director. Executive directors and certain executives of all subsidiary companies and Holdsport Limited have been classified as key management personnel.

Remuneration to key management personnel is as follows:	**2014** **R'000**	2013 R'000
Salaries	**12 273**	10 279
Performance bonus	**1 028**	3 790
Travel allowance	**528**	468
Pension fund contributions	**434**	331
Medical aid contributions	**90**	73
Total remuneration	**14 353**	14 941

	Group 2014	Group 2013
24. Earnings per share and net asset value per share		
Earnings per ordinary share (cents)		
- Basic and diluted	**402.6**	390.5
- Headline	**401.5**	389.9
- Core headline	**423.3**	415.7
- Core headline before foreign exchange effect	**424.0**	418.7
Ordinary shares in issue ('000)	**43 150**	43 150
Weighted average ordinary shares in issue ('000)	**43 150**	43 150
Net asset value per ordinary share (cents)	**2 087.9**	1 884.3
Net tangible asset value per ordinary share (cents)	**789.6**	564.2

24.1 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares issued during the year.

	2014	2013
Profit attributable to owners of the company (R'000)	**173 710**	168 516
Basic and diluted earnings per share (cents)	**402.6**	390.5

24.2 Reconciliation of headline earnings

	2014	2013
Profit attributable to owners of the company (R'000)	**173 710**	168 516
Adjusted for (net of taxation):	**(473)**	(257)
Profit on disposal of property, plant and equipment	**(657)**	(357)
Taxation on profit	**184**	100
Headline earnings (R'000)	**173 237**	168 259
Headline and diluted headline earnings per share (cents)	**401.5**	389.9

24.3 Reconciliation of 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 amortization of trademarks and the lease straight-lining expense and is presented below:

	2014	2013
Headline earnings (R'000)	**173 237**	168 259
Adjusted for (net of taxation):	**9 433**	11 119
Amortisation of intangibles	**12 963**	12 963
Straight-lining of leases	**138**	2 481
Taxation on amortisation of intangibles and straight-lining of leases	**(3 668)**	(4 325)
Core headline earnings (R'000)	**182 670**	179 378
Adjusted for (net of taxation):	**301**	1 304
Foreign exchange gains	**(862)**	(461)
Foreign exchange adjustments in cost of sales	**1 280**	2 272
Taxation on foreign exchange gains and adjustments	**(117)**	(507)
Core headline earnings before foreign exchange effect (R'000)	**182 971**	180 682
Core headline earnings per share (cents)	**423.3**	415.7
Core headline earnings before foreign exchange effect per share (cents)	**424.0**	418.7

25. Segmental information

	Sportsmans Warehouse R'000	Outdoor Warehouse R'000	Performance Brands R'000	Corporate R'000	Group R'000
Year ended 28 February 2014					
External revenue	**1 042 008**	**323 117**	**52 459**	**-**	**1 417 584**
Internal revenue	**-**	**-**	**58 544**	**-**	**58 544**
External interest received	**-**	**-**	**88**	**2 353**	**2 441**
External interest paid	**-**	**-**	**(3)**	**(9 997)**	**(10 000)**
Depreciation and amortisation	**(19 732)**	**(6 263)**	**(3 407)**	**(13 323)**	**(42 725)**
Group profit/(loss) before taxation	**219 692**	**50 739**	**19 017**	**(46 998)**	**242 450**
Capital expenditure	**28 698**	**9 190**	**14 338**	**30 126**	**82 352**
Segment assets	**301 671**	**105 835**	**115 149**	**685 598**	**1 208 253**
Segment liabilities	**81 601**	**18 629**	**10 790**	**196 303**	**307 323**
Year ended 28 February 2013					
External revenue	999 042	322 251	53 238	-	1 374 531
Internal revenue	-	-	46 110	-	46 110
External interest received	-	-	258	2 846	3 104
External interest paid	-	-	(4)	(11 648)	(11 652)
Depreciation and amortisation	(16 856)	(5 691)	(2 954)	(12 572)	(38 073)
Group profit/(loss) before taxation	201 540	54 300	23 393	(44 491)	234 742
Capital expenditure	29 164	7 891	22 327	21 286	80 668
Segment assets	283 545	100 183	101 925	651 014	1 136 667
Segment liabilities	87 644	24 638	11 117	200 186	323 585

General segment information

The group is organised into four operating segments as follows:

Sportsmans Warehouse

Retailer of sports related footwear, apparel and equipment.

Outdoor Warehouse

Retailer of outdoor related footwear, apparel and equipment.

Performance Brands

Manufacturing, unpacking and wholesale distribution of technical sports and outdoor apparel and accessories.

Corporate

Provision of warehousing, distributions and corporate treasury and support functions.

These trading divisions are separately reported in the Group's management accounts and reviewed by the Chief Operating Decision Maker (the executive management committee) for the purpose of allocating resources and evaluating performance.

Segmental reporting based on geographical regions has not been disclosed due to the sensitivity of the information.

26. Financial risk management

26.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The directors have overall responsibility for the establishment and monitoring of the Group's risk management policies and procedures which have been established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's principal financial liabilities, other than derivatives, comprise trade payables and loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as cash and short term deposits and trade receivables, which arise directly from its operations.

The Group also has derivative transactions such as forward exchange contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is and has been throughout the year under review the Group's policy that no speculative trading in derivatives shall be undertaken.

26.2 *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and short term deposits, as well as trade and other receivables. The Group is not exposed to significant credit risk arising from sales as the vast majority of sales are cash based.

Reputable financial institutions are used for investing and cash handling purposes.

26.3 *Liquidity risk*

Liquidity risk is the risk that the Group will encounter financial difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash on demand to meet its liabilities when due under normal stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Group maintains a R150 million overdraft facility that is unsecured. Interest on this line of credit is payable at the prime lending rate less one percent.

26.4 *Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income on the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

26. Financial risk management (continued)

26.4.1 *Currency risk*

The Group is exposed to currency risk on purchases and liabilities denominated in a currency other than the various group entities' functional currency. The Group purchases a large proportion of its stock from overseas suppliers and forward cover is used to economically hedge the foreign exchange risk. Forward cover is taken out in line with the settlement terms and gains and losses on forward exchange contracts are taken to profit or loss.

The Group is also able to adjust the selling prices of its products.

26.4.2 *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

27. Financial instruments

27.1 Liquidity and interest rate risk – financial liabilities

The following are the Group's contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

2014	**Interest rate**	**Carrying amount R'000**	**Contractual cash flows R'000**	**Within 1 year R'000**	**1- 5 years R'000**	**More than 5 years R'000**
Trade and other payables	**Interest free**	**(106 353)**	**(106 353)**	**(106 353)**	**-**	**-**
Secured bank loans	**Floating**	**(130 000)**	**(130 000)**	**-**	**(130 000)**	**-**
Derivative instruments	**Interest free**	**(84)**	**(84)**	**(84)**	**-**	**-**
Outflow		**(236 437)**	**(236 437)**	**(106 437)**	**(130 000)**	**-**
2013						
Trade and other payables	Interest free	(117 955)	(117 955)	(117 955)	-	-
Secured bank loans	Floating	(124 282)	(129 215)	(129 215)	-	-
Derivative Instruments	Floating	-	-	-	-	-
Outflow		(242 237)	(247 170)	(247 170)	-	-

27.2 Credit and interest rate risk – financial assets

The Group's carrying value of financial assets represents its maximum exposure to credit risk. Refer to notes 3, 6 and 7 for further information on financial assets. These instruments do not earn any interest. The only other financial asset relates to bank balances on which the Group earns floating market related interest rates.

The Group's trade receivable balance comprises primarily of the debtors book of Performance Brands (Pty) Ltd. The majority of this balance is not past due at year end. Prepayments consist of rental expenses paid in advance and deposits on imported inventory.

27. Financial instruments (continued)

27.3 Currency risk

Foreign exchange contracts are used to eliminate or reduce the exposure of the Group's foreign currency denominated liabilities, and to hedge future transactions and cash flows. No uncovered positions existed at year end. The Group had contracted to buy the following amounts under forward contracts as at year end; all within 3 months:

	2014 Forex'000	**2014 R'000**	2013 Forex'000	2013 R'000
US Dollar:	**2 657**	**29 237**	2 309	20 412
Pound:	**10**	**172**	8	107
Euro:	**10**	**150**	-	-

	2014	2013
Exchange rates at year end		
Rand: USD	**10.65**	8.84
Rand: GBP	**17.82**	13.37
Rand: Euro	**14.77**	11.57

A 10 percent fluctuation on exchange rates will not have a material impact on profit or loss, since there were no uncovered positions.

27.4 Fair values

At the reporting date the carrying values of financial instruments reported in the financial statements approximate their fair values.

Valuation of financial instruments

The fair value of the financial instruments below are measured using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). They include instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- *Level* 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level* 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level* 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

27. Financial instruments (continued)

27.4 Fair values (continued)

	2014	2013
	R'000	R'000
Bank loans (Level 2)	**(130 000)**	(124 282)
Forward exchange (liability)/asset (Level 2)	**(84)**	402
	(130 084)	(123 880)

27.5 Capital Management

The policy of the directors is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. There were no changes in the company's approach to capital management during the year.

28. Events after reporting date

The directors are not aware of any matter of circumstances arising since the end of the financial year to the date of this report requiring disclosure in the annual financial statements.

29. New accounting standards adopted in current year

a. IFRS 10 *Consolidated Financial Statements (2011)*
b. IFRS 11 *Joint Arrangements*
c. IFRS 12 *Disclosure of Interests in Other Entities*
d. IFRS 13 *Fair Value Measurement*

a) Subsidiaries

As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The adoption of IFRS 10 had no impact on the Group.

b) Joint arrangements

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The adoption of IFRS 11 had no impact on the Group.

c) Disclosure of interests in other entities

As a result of IFRS 12, there is a requirement to expand disclosure about its interests in subsidiaries

The adoption of IFRS 12 had no impact on the Group.

d) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

The adoption of IFRS 13 had no impact on the Group.