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Holdsport Limited

Annual financial statements

for the year ended 29 February 2012

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 29 February 2012 were published on 11 June 2012.

Holdsport Limited
(Reg No. 2006/022562/06)
Annual financial statements
for the year ended 29 February 2012

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Holdsport Limited
Directors' responsibility for the annual financial statements
for the year ended 29 February 2012

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Holdsport Limited comprising the statements of financial position at 29 February 2012, and the statements of comprehensive income, changes in equity and cash flows for year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, the AC500 series issued by the Accounting Practices Board, the JSE listing requirements and the requirements of the Companies Act 71 of 2008.

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 Group and company's ability to continue as a going concern and there is no reason to believe 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 the consolidated and separate financial statements

The consolidated and separate financial statements of Holdsport Limited as identified in the first paragraph, were approved by the board of directors on 18 May 2012 and signed on their behalf by

KG Hodgson

JP Loubser

KPMG

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1 Mediterranean Street, Foreshore, 8001
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Independent Auditor's Report

To the members of Holdsport Limited

We have audited the consolidated and separate financial statements of Holdsport Limited, which comprise the statements of financial position at 29 February 2012, 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, and the directors' report set out on pages 5 to 44.

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 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 29 February 2012, 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.

KPMG Inc.

Per Henry du Plessis
Chartered Accountant (SA)
Registered Auditor
Director
18 May 2012

Holdsport Limited
Directors' report
for the year ended 29 February 2012

The directors have pleasure in presenting their report for the year ended 29 February 2012.

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.

First Ascent SA (Pty) Ltd changed its name to Performance Brands (Pty) Ltd during the current year, and the Group increased its interest in the entity from 95.2% to 100%. Moresport Namibia (Pty) Ltd, a wholly owned subsidiary of Moresport (Pty) Ltd registered in Namibia, acquired the entire business of Moresport Namibia, a branch of Moresport (Pty) Ltd, as a going concern effective 1 March 2011. Refer to note 3 for further details regarding changes to the group structure.

Financial results

Full details of the financial results are set out on pages 10 to 44 in the financial statements.

Share capital

All alterations to share capital have been disclosed in note 8.

Dividends

Interim

The company declared an interim dividend of 47.0 cents per share on 11 November 2011, which was paid to shareholders on 14 November 2011. No dividend was declared during the previous year.

Final

The directors declared a final gross dividend of 115.0 cents per share payable on 25 June 2012 to ordinary shareholders recorded in the books of the company at the close of business on 15 June 2012.

Events after reporting date

Performance Brands (Pty) Ltd acquired the Capestorm brand on 1 March 2012.

Directors

Executive directors

EA Haarburger
KG Hodgson
JP Loubser

Non-executive directors

SA Muller *	(Appointed: 16 May 2011 to Holdsport Limited)
AN Chuphi **	(Resigned: 23 January 2012)
MC Jensen	(Resigned: 6 June 2011)
BD Hopkins	(Appointed: 6 June 2011)
CF Sonn	(Appointed: 6 June 2011)
M Vilakazi	(Appointed: 6 June 2011)

* SA Muller has been an independent non-executive director and the chairman of Moresport (Pty) Ltd, a wholly owned subsidiary of Holdsport, since May 2006.

** Kenyan

Holdsport Limited
Directors' report (continued)
for the year ended 29 February 2012

Company secretary

JP Loubser (Resigned: 15 September 2011)
AE van Zyl (Appointed: 15 September 2011)

JP Loubser, Financial Director, resigned as company secretary during the current year in order to comply with the JSE listing requirements.

Business address	**Postal address**
The Mill House	P O Box 2721
1 Canterbury Street	Cape Town
Cape Town 8001	8000

Auditors

KPMG Inc.

Investment in subsidiaries

The attributable interest of the holding company in aggregate profit after taxation of its subsidiaries is R134.8m (2011: R69.7million).

Listing

Holdsport was listed on the JSE on 18 July 2011. Shareholder loans were capitalised before the listing, and the authorised and issued share capital was adjusted. Refer to notes 8 and 10.

Company secretary's certificate

In my capacity as Company Secretary, I hereby certify that for the year ended 29 February 2012, 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
18 May 2012

Holdsport Limited
Audit committee report
for the year ended 29 February 2012

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 comprises three independent non-executive directors who are all suitably skilled directors, with all three members having recent and relevant financial experience. The committee will be elected by shareholders at the annual general meeting (AGM) in August 2012.

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 2012 and the proposed fees for 2013 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.

The finance function is responsible for performing the following duties:

- 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.

The committee has assessed the effectiveness of the internal control system based on information and explanations given by management 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 statements.

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 R927 500 (2011: R9 000) for non-audit services. These services related to services as independent reporting accountant on the listing documents and conducting a risk workshop. The fees were approved by the committee.

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.

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; and
- Reviewed and recommended to the board for approval the Integrated Annual Report and annual financial statements for the year ended 29 February 2012.

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, continuing professional education 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 2012 financial year and that its report to shareholders has been approved by the board.

Mary Vilakazi
Chairperson: Audit and Risk Committee
Cape Town
18 May 2012

Holdsport Limited

Statements of financial position

at 29 February 2012

		Group		Company	
	Note	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
Assets					
Non-current assets					
Plant and equipment	*2*	**51 903**	42 759	**-**	-
Interest in subsidiaries	*3*	**-**	-	**307 513**	249 743
Goodwill and other intangibles	*4*	**638 083**	650 637	**-**	-
Total non-current assets		**689 986**	693 396	**307 513**	249 743
Current assets					
Inventories	*5*	**296 723**	232 762	**-**	-
Trade and other receivables	*6*	**19 389**	15 558	**-**	-
Cash and cash equivalents	*7*	**77 374**	67 919	**-**	-
Total current assets		**393 486**	316 239	**-**	-
Total assets		**1 083 472**	1 009 635	**307 513**	249 743
Equity and liabilities					
Capital and reserves					
Share capital	*8*	**229 312**	19	**229 312**	19
Other reserves	*9*	**(13 370)**	-	**-**	-
Retained earnings		**515 603**	384 244	**78 201**	79 598
Equity attributable to owners of the company		**731 545**	384 263	**307 513**	79 617
Non-controlling interest		**-**	1 027	**-**	-
Total equity		**731 545**	385 290	**307 513**	79 617
Non-current liabilities					
Loans	*10*	**124 841**	379 935	**-**	149 796
Deferred taxation	*11*	**55 595**	59 738	**-**	-
Straight-lining lease liability		**21 972**	19 160	**-**	-
Total non-current liabilities		**202 408**	458 833	**-**	149 796
Current liabilities					
Trade and other payables	*13*	**120 562**	100 132	**-**	-
Derivative instruments	*12*	**1 095**	6 563	**-**	-
Short term portion of loans	*10*	**25 693**	54 174	**-**	20 330
Taxation		**2 169**	4 643	**-**	-
Total current liabilities		**149 519**	165 512	**-**	20 330
Total liabilities		**351 927**	624 345	**-**	170 126
Total equity and liabilities		**1 083 472**	1 009 635	**307 513**	249 743

Holdsport Limited
Statements of comprehensive income
for the year ended 29 February 2012

		Group		Company	
		2012	2011	**2012**	2011
	Note	**R'000**	R'000	**R'000**	R'000
Sales		**1 243 539**	1 132 482	**-**	-
Cost of sales		**(638 807)**	(581 640)	**-**	-
Gross profit		**604 732**	550 842	**-**	-
Dividend received		**-**	-	**22 309**	-
Other income		**5 094**	3 389	**-**	-
Trading expenses		**(383 395)**	(358 624)	**(1 397)**	-
Operating profit	*14*	**226 431**	195 607	**20 912**	-
Finance income	*15*	**3 773**	4 038	**-**	53 318
Finance cost	*16*	**(12 945)**	(100 644)	**-**	(54 509)
Profit/(loss) before taxation		**217 259**	99 001	**20 912**	(1 191)
Taxation	*17*	**(63 564)**	(29 708)	**(2 028)**	333
Profit/(loss) for the year		**153 695**	69 293	**18 884**	(858)
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income/(loss) for the year		**153 695**	69 293	**18 884**	(858)
Attributable to:					
Equity holders of the company		**153 695**	68 866	**18 884**	(858)
Non-controlling interest		**-**	427	**-**	-
Profit/(loss) and total comprehensive income/(loss) for the year		**153 695**	69 293	**18 884**	(858)
Basic and diluted earnings per share (cents)	*24*	**356.1**	189.6		

Holdsport Limited
Statements of changes in equity
for the year ended 29 February 2012

Group	Note	Share capital R'000	Other reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total R'000
		Attributable to equity holders of the company					
Balance at 1 March 2010		19	110 141	216 558	326 718	2 380	329 098
Acquisition of non-controlling interest without a change in control		-	-	(11 321)	(11 321)	(1 780)	(13 101)
Reclassification of other reserves to retained earnings	*9*	-	(110 141)	110 141	-	-	-
Total comprehensive income for the year		-	-	68 866	68 866	427	69 293
Balance at 28 February 2011		19	-	384 244	384 263	1 027	385 290
Balance at 1 March 2011		**19**	**-**	**384 244**	**384 263**	**1 027**	**385 290**
Acquisition of non-controlling interest without a change in control		**-**	**-**	**(2 055)**	**(2 055)**	**(1 027)**	**(3 082)**
Capitalisation of shareholder loans	*8*	**229 293**	**-**	**-**	**229 293**	**-**	**229 293**
Share based payment reserve: Initial award	*9*	**-**	**(15 500)**	**-**	**(15 500)**	**-**	**(15 500)**
Share based payment expense	*9*	**-**	**2 130**	**-**	**2 130**	**-**	**2 130**
Dividends paid		**-**	**-**	**(20 281)**	**(20 281)**	**-**	**(20 281)**
Total comprehensive income for the year		**-**	**-**	**153 695**	**153 695**	**-**	**153 695**
Balance at 29 February 2012		**229 312**	**(13 370)**	**515 603**	**731 545**	**-**	**731 545**

Company	*Note*	**Share capital R'000**	**Other reserves R'000**	**Retained earnings R'000**	**Total equity R'000**
Balance at 1 March 2010		19	74 308	6 148	80 475
Reclassification of other reserves to retained earnings	*9*	-	(74 308)	74 308	-
Total comprehensive loss for the year		-	-	(858)	(858)
Balance at 28 February 2011		19	-	79 598	79 617
Balance at 1 March 2011		**19**	**-**	**79 598**	**79 617**
Capitalisation of shareholder loans	*8*	**229 293**	**-**	**-**	**229 293**
Dividends paid		**-**	**-**	**(20 281)**	**(20 281)**
Total comprehensive income for the year		**-**	**-**	**18 884**	**18 884**
Balance at 29 February 2012		**229 312**	**-**	**78 201**	**307 513**

Holdsport Limited
Statements of cash flows
for the year ended 29 February 2012

	Note	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Cash flows from operating activities					
Cash generated from operations	*18*	**219 514**	210 713	**20 912**	-
Finance income	*15*	**3 773**	4 038	-	-
Finance costs	*16*	**(19 005)**	(23 042)	-	-
Dividends paid		**(20 281)**	-	**(20 281)**	-
Taxation paid	*19*	**(70 181)**	(52 639)	**(2 028)**	-
Net cash inflows/(outflows) from operating activities		**113 820**	139 070	**(1 397)**	-
Cash flows from investing activities					
Additions to plant and equipment	*2*	**(32 214)**	(20 940)	-	-
Proceeds on sale of plant and equipment		**601**	1 072	-	-
Net cash outflows from investing activities		**(31 613)**	(19 868)	-	-
Cash flows from financing activities					
Loans repaid by subsidiary		-	-	**20 330**	74 547
Repayment of loans		**(54 170)**	(140 660)	**(20 330)**	(74 547)
Forfeitable share plan		**(15 500)**	-	-	-
Acquisition of non-controlling interest		**(3 082)**	(13 101)	-	-
Loans from subsidiaries		-	-	**1 397**	
Net cash (outflows)/inflows from financing activities		**(72 752)**	(153 761)	**1 397**	-
Net increase/(decrease) in cash and cash equivalents		**9 455**	(34 559)	-	-
Cash and cash equivalents at the beginning of the year		**67 919**	102 478	-	-
Cash and cash equivalents at the end of the year		**77 374**	67 919	-	-

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1. Accounting policies

Holdsport Limited (the "company") is a company domiciled in South Africa. The consolidated financial statements at 29 February 2012 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.

1.1 Basis of preparation

The separate and consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC 500 series issued by the Accounting Practices Board, the JSE listing requirements and the requirements of the South African Companies Act of 2008 (as amended) and Companies Regulations, 2011.

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 and 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. Control exists when the company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that 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 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group 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"). The Group's consolidated financial statements are presented in Rands, which is the company's functional and the Group's presentation currency.

1.5 Financial instruments

Non-derivative financial instruments

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.

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.

1. Accounting policies (continued)

1.5 Financial instruments (continued)

Non-derivative financial instruments (continued)

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

Loans are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition these financial instruments 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 taken 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

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk 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.

The fair value of forward exchange contracts is their quoted market price at the reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date.

1. Accounting policies (continued)

1.5 Financial instruments (continued)

Derivative financial instruments (continued)

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 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.

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.

1.6 Plant and equipment

Recognition and measurement

Items of 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 plant and equipment, are also included in cost.

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

Gains or losses on the disposal of 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.

1. Accounting policies (continued)

1.6 Plant and equipment (continued)

Subsequent costs

Expenditure incurred to replace a part of an item of 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 plant and equipment are:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.7 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 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.

1.8 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 liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

1. Accounting policies (continued)

1.8 Goodwill (continued)

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.

1.9 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 carried 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.

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

1.10 Inventories

Inventory comprises merchandise held for sale and are stated at the lower of cost and net realisable value. The cost of inventories is calculated on the weighted average cost basis, 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. **Accounting policies (continued)**

1.11 **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.

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.

1. **Accounting policies (continued)**

1.11 **Impairment of assets (continued)**

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.

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.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

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.

1.12 **Share capital**

Ordinary share capital

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

1.13 **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.

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. Accounting policies (continued)

1.14 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

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.

1.15 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. 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.

1.16 Finance income

Finance income comprises interest income. 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.

1.17 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. Accounting policies (continued)

1.18 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 substantially 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.

Secondary Tax on Companies

Secondary Tax on Companies ("STC") arising on net dividends paid is recognised as a tax charge in the same year as the liability to pay the related dividend.

1.19 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.

1.20 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 board of directors (who 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. **Accounting policies (continued)**

1.21 **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:

IFRS 9: Financial Instruments

The standard released to date is Phase One of a larger project to replace IAS 39: Financial Instruments- Recognition and Measurement. The second and third Phases of the project will deal with impairment of financial instruments and hedge accounting respectively. Phase One of IFRS 9 becomes effective for annual periods beginning on or after 1 January 2015. The impact on the financial statements for Holdsport Limited cannot be reasonably estimated as at year end.

IFRS 10: Consolidated Financial Statements

The new standard establishes control as the only basis for consolidation of all entities, regardless of the nature of the investee. It amends the definition of control to include three elements, namely power over the investee, exposure or rights to variable returns of the investee and the ability to use the power over the investee to affect the investee's returns. The new standard will replace IAS 27: Consolidated and Separate Financial Statements and SIC 12: Consolidation- Special Purpose Entities, and becomes effective for annual periods beginning on or after 1 January 2013. The Group is still determining the expected impact of IFRS 10.

IFRS 12: Disclosure of Interests in Other Entities

The objective of the new standard is to increase transparency in financial reporting where the reporting entity has in an interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The new standard requires disclosure of information to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 becomes effective for annual periods beginning on or after 1 January 2013, and the Group assesses that standard will not have a material financial impact on its financial statements.

IFRS 13: Fair Value Measurement

The objective of the new standard is to reduce the complexity and improve the consistency of fair value measurements. The new standard consolidates and clarifies the requirements for measuring fair value and includes disclosure enhancements to assist users of financial statements to better assess the valuation techniques and inputs used to measure fair value. IFRS 13 becomes effective for annual periods beginning on or after 1 January 2013. The impact on the financial statements of Holdsport Limited cannot be reasonability estimated at year end.

Holdsport Limited
Notes to the annual financial statements (continued)
for the year ended 29 February 2012

2. Plant and equipment

Group	Motor vehicles R'000	Furniture, fittings and equipment R'000	Computers R'000	Total R'000
Year ended 29 February 2012				
Opening carrying amount	**5 270**	**31 704**	**5 785**	**42 759**
Additions	**2 337**	**25 524**	**4 353**	**32 214**
Disposals	**(445)**	**-**	**(8)**	**(453)**
Depreciation	**(1 782)**	**(17 777)**	**(3 058)**	**(22 617)**
Closing carrying amount	**5 380**	**39 451**	**7 072**	**51 903**
At 29 February 2012				
Cost	**9 957**	**152 996**	**23 722**	**186 675**
Accumulated depreciation	**(4 577)**	**(113 545)**	**(16 650)**	**(134 772)**
Carrying amount	**5 380**	**39 451**	**7 072**	**51 903**
Group				
Year ended 28 February 2011				
Opening carrying amount	5 383	36 801	3 765	45 949
Additions	2 367	13 665	4 908	20 940
Disposals	(819)	-	(60)	(879)
Depreciation	(1 661)	(18 762)	(2 828)	(23 251)
Closing carrying amount	5 270	31 704	5 785	42 759
At 28 February 2011				
Cost	8 754	127 472	19 476	155 702
Accumulated depreciation	(3 484)	(95 768)	(13 691)	(112 943)
Carrying amount	5 270	31 704	5 785	42 759

Refer to note 10 for detail of encumbrances on plant and equipment.

3. Interest in subsidiaries

Interest in subsidiaries as at 29 February 2012

	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**	**224 353 000**	**307 513 00**
KTR Sports (Pty) Ltd	Dormant	100%	**104**	**104**	**-**	**10**
Subsidiaries of Moresport						
Moresport (Pty) Ltd, Namibian branch	Retail	100%	**-**	**-**	**-**	
Moresport Namibia (Pty) Ltd	Retail	100%	**4 000**	**-**	**-**	
Performance Brands (Pty) Ltd	Manu-facture	100%	**10 500**	**-**	**-**	
Net investment				**83 160 104**	**224 353 000**	**307 513 10**

Interest in subsidiaries as at 28 February 2011

	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	166 583 155	249 743 15
KTR Sports (Pty) Ltd	Dormant	100%	104	104	-	10
Golden Bouquet (Pty) Ltd	Dormant	75%	100	100	-	10
Subsidiaries of Moresport						
Moresport (Pty) Ltd, Namibian branch	Retail	100%	-	-	-	
Performance Brands (Pty) Ltd	Manu-facture	95.2%	10 500	-	-	
Net investment				83 160 204	166 583 155	249 743 35

The Group increased its interest in Performance Brands (Pty) Ltd from 95.2% to 100% during the current year. Moresport Namibia (Pty) Ltd, a wholly owned subsidiary of Moresport (Pty) Ltd registered in Namibia, acquired the entire business of Moresport Namibia, a branch of Moresport (Pty) Ltd, as a going concern effective 1 March 2011. Golden Bouquet (Pty) Ltd was deregistered during the current year.

4. Goodwill and other intangibles

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Goodwill				
Opening carrying amount	**397 736**	397 736	-	-
Accumulated impairment losses	-	-	-	-
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. Cash flows for periods beyond the approved budget period are based on an average growth rate of 6% per year. The key assumptions used in the calculations are:

	Discount rate
Sportmans 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. The profit margins are based on past performance of the CGU, pre interest and tax.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Trademarks				
Opening carrying amount	**252 901**	265 456	-	-
Amortisation	**(12 554)**	(12 555)	-	-
Closing carrying amount	**240 347**	252 901	-	-
Cost	**308 681**	308 681	-	-
Accumulated amortisation	**(68 334)**	(55 780)	-	-
Carrying amount	**240 347**	252 901	-	-
Total goodwill and trademarks	**638 083**	650 637	-	-

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
5. Inventories				
Finished goods	**312 265**	250 745	-	-
Raw materials	**4 009**	2 313	-	-
Work-in-progress	**2 136**	1 127	-	-
Allowance for slow moving stock	**(21 687)**	(21 423)	-	-
	296 723	232 762	-	-

Refer to note 10 for encumbrances over inventory.

	Group		Company	
	2012	2011	**2012**	2011
6. Trade and other receivables				
Trade receivables	**4 744**	3 580	-	-
Impairment	**(731)**	(677)	-	-
Net trade receivables	**4 013**	2 903	-	-
Prepayments and other receivables	**15 376**	12 655	-	-
	19 389	15 558	-	-
7. Cash and cash equivalents				
Bank balances	**77 374**	67 919	-	-

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

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
8. Share capital				
Authorised and issued share capital				
Authorised				
2012: 130 000 000 ordinary shares of no par value	Nil		Nil	
2011: 20 000 000 ordinary par value shares of R0.001 each		20		20
Issued				
2012: 43 150 220 ordinary shares of no par value	229 312		229 312	
2011: 19 400 000 ordinary par value shares of R0.001 each		19		19

Dividends

Interim

The company declared an interim dividend of 47.0 cents per share on 11 November 2011, which was paid to shareholders on 14 November 2011. No dividend was declared during the previous year.

Final

The directors declared a final dividend of 115.0 cents per share payable on 25 June 2012 to ordinary shareholders recorded in the books of the company at the close of business on 15 June 2012.

Unissued share capital

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

Alterations to share capital during the year

All of the company's authorised and issued ordinary shares were converted into ordinary shares of no par value during the year. The authorised and issued ordinary shares were then subdivided, so that the authorised share capital of the company consisted of 37 428 777 ordinary shares and the issued share capital of the company consisted of 36 305 914 ordinary shares. The company's authorised share capital was then increased to 130 000 000 ordinary shares, and the loan conversions were implemented, whereafter the company's issued share capital comprised of 43 150 220 shares.

8. Share capital (continued)

Directors' interest

At 29 February 2012, the directors had the following interests in the company's issued shares:

	Indirect beneficial shares	Holdsport forfeitable share plan	Total
Executive			
KG Hodgson	5 445 913	80 445	5 526 358
EA Haarburger	3 301 361	48 267	3 349 628
JP Loubser	490 000	64 353	554 353
Total executive	9 237 274	193 065	9 430 339
Non-executive			
AN Chuphi	-	-	-
BD Hopkins	-	-	-
MC Jensen	-	-	-
SA Muller	-	-	-
CF Sonn	-	-	-
M Vilakazi	-	-	-
Total non-executive	-	-	-

There have been no changes in directors' interest in share capital from year-end to the date of approval of the annual financial statements.

Shareholder spread

<u>2012:</u>	Class of listed shares	Public shareholders	Non-public shareholders
Number of shareholders	Ordinary shares	853	40
Percentage of total issued shares (%)	Ordinary shares	72.2	27.8

Analysis of non-public shareholders

<u>2012:</u>	Class of listed shares	Number of shares	Percentage of total issued shares (%)
Directors of the company	Ordinary shares	9 430 339	21.9
Employees	Ordinary shares	2 564 467	5.9

8. Share capital (continued)

Major shareholders

Shareholders who hold a direct or indirect beneficial interest of 5% or more of ordinary shares as at 29 February 2012.

	Number of shares held	Percentage holding (%)
The Moresport Investment Trust	10 171 042	23.6
Ethos	5 345 260	12.4
Ethos Capital V (GP) (Jersey) Ltd	3 867 530	9.0
Ethos Capital Fund V (GP) (SA) Pty Ltd	1 410 697	3.3
Ethos Fund V Co-Investment Trust	67 033	0.1
Government Employees Pension Fund	3 160 147	7.3

9. Other reserves

Fair value reserve

In previous years, other reserves comprised the difference between the proceeds and the fair value of the loans, net of deferred tax, when the interest free shareholders' loans were fair valued at the initial recognition date. This amount was reclassified to retained earnings in the prior year in anticipation of the settlement of the loans.

Share based payment reserve

	2012 R'000	2011 R'000
Holdsport forfeitable share plan: Initial award	(15 500)	-
Holdsport forfeitable share plan: Current year IFRS 2 expense	2 130	-
	(13 370)	-

The Holdsport forfeitable share plan was introduced during the current year, whereby certain Group employee: were awarded shares in the company. Participants were not required to pay for the grant of the award and are no required to make a payment for the award to vest. The forfeitable shares are held by an agent during the vestin; period for the absolute benefit of each participant and the participant shall have all shareholder rights in respec of the shares from the grant date, except the right to dispose thereof.

The forfeitable shares have a vesting period of three, four and five years from the grant date in three equa tranches, and are subject to certain performance conditions being met as well as continued employment withi the Group up to and including the vesting date. The performance conditions are based on targets in th compounded annual growth in normalised headline earnings per share, and the return on net assets.

A total of 498 750 shares were granted during the current year, and none were forfeited by employees.

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

Director	Date of award	Number of shares awarded	Vesting date
KG Hodgson	18 July 2011	80 445	2014; 2015; 2016
JP Loubser	18 July 2011	64 353	2014; 2015; 2016
EA Haarburger	18 July 2011	48 267	2014; 2015; 2016
Total		193 065	

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
10. Loans				
10.1 Standard Bank Senior Bullet				
Face value of the loan	**110 351**	110 351	-	-
Raising costs capitalised	-	(180)	-	-
	110 351	110 171	-	-

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

	Group		Company	
10.2 Standard Bank Senior Facility				
Face value of the loan	**40 183**	64 354	-	-
Raising costs capitalised	-	291	-	-
	40 183	64 645	-	-

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

	Group		Company	
10.3 Junior 'A' Loan (Ethos Equity Funds)				
Face value of the loan	-	89 167	-	-
	-	89 167	-	-

The loan was extinguished during the current year by converting the debt to equity through subscribing for shares at the listing price per share prior to the listing.

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
10. Loans (continued)				
10.4 Shareholder loan (Ethos)				
Carrying amount of the loan	-	107 027	-	107 027
	-	107 027	-	107 027
10.5 Shareholder loan (Management Incentive Trust)				
Carrying amount of the loan	-	8 898	-	8 898
	-	8 898	-	8 898
10.6 Shareholder loan (Investment Trust)				
Face value of the loan	-	54 201	-	54 201
	-	54 201	-	54 201

The loans in 10.4 to 10.6 were extinguished during the current year by converting the debt to equity through subscribing for shares at the listing price per share prior to the listing.

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
10.7 Total loans at face value	**150 534**	433 998	-	170 126
Total fair value adjustments	-	111	-	-
Total carrying value of loans	**150 534**	434 109	-	170 126
Less short term portion	**(25 693)**	(54 174)	-	(20 330)
Standard Bank Senior Facility	**(25 693)**	(24 174)	-	-
Moresport intercompany loan	-	-	-	-
Junior 'A' loan	-	(9 670)	-	-
Shareholder loan (Ethos)	-	(12 790)	-	(12 790)
Shareholder loan (Management Incentive Trust)	-	(1 063)	-	(1 063)
Shareholder loan (Investment Trust)	-	(6 477)	-	(6 477)
Long term portion of loans	**124 841**	379 935	-	149 796

11. Deferred taxation

Deferred income taxes are calculated on all temporary differences using the statutory tax rate of 28%.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
The movement on the deferred tax account is as follows:				
Opening balance	**(59 738)**	(86 755)	**-**	(333)
Deferred tax charge to profit or loss	**4 143**	27 017	**-**	333
Closing balance	**(55 595)**	(59 738)	**-**	-

Deferred tax assets and liabilities are attributable to the following items:

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Deferred tax liabilities				
Prepaid expenses	**(1 928)**	(1 771)	**-**	-
Accelerated depreciation on plant and equipment	**(291)**	(93)	**-**	-
Fair value adjustments on loans	**-**	31	**-**	-
Trademarks	**(67 297)**	(70 813)	**-**	-
	(69 516)	(72 646)	**-**	-

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Deferred tax assets				
Inventory impairment	**5 032**	4 232	**-**	-
Interest rate swap	**-**	1 666	**-**	-
Straight-lining lease liability	**6 163**	5 365	**-**	-
Leave pay accrual	**1 054**	980	**-**	-
Other deductible temporary differences	**1 672**	665	**-**	-
	13 921	12 908	**-**	-
	(55 595)	(59 738)	**-**	-

12. Derivative instruments

The Group previously entered into an interest rate swap arrangement, which effectively fixed the interest rate on the Standard Bank loans until 1 December 2011. The Group has taken out foreign exchange forward purchase contracts (FEC's) maturing after year-end related to inventory imports. These instruments are carried at fair value.

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Interest rate swap	-	(5 949)	-	-
Foreign exchange contracts	**(1 095)**	(614)	-	-
	(1 095)	(6 563)	-	-

13. Trade and other payables

Trade payables	**(71 623)**	(60 511)	-	-
Accrued expenses and other payables	**(48 424)**	(36 314)	-	-
Value Added Tax	**(515)**	(3 307)	-	-
	(120 562)	(100 132)	-	-

14. Operating profit

Operating profit has been arrived at after taking account of:				
Auditor's remuneration – audit fees	**887**	667	-	-
Operating lease rentals	**89 856**	80 183	-	-
Amortisation of intangibles	**12 554**	12 555	-	-
Depreciation on plant and equipment	**22 617**	23 251	-	-
Profit on sale of plant and equipment	**(148)**	(193)	-	-
Foreign exchange (gains)/losses	**(1 422)**	6 742	-	-
Staff costs including directors remuneration	**145 796**	133 195	-	-
Salaries and wages	**133 400**	121 830	-	-
Pension and medical aid contributions	**12 396**	11 365	-	-
Number of employees	**2 102**	2 023	-	-
Permanent	**1 171**	1 130	-	-
Flexi time employees	**931**	893	-	-

15. Finance income

Bank interest	**3 773**	4 038	-	-
Imputed interest on loans to subsidiaries	-	-	-	53 318
	3 773	4 038	-	53 318

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
16. Finance cost				
Interest paid on loans	**19 005**	23 042	-	-
Interest rate swap	**(5 949)**	-	-	-
Fair value adjustment on loans	**(111)**	45 998	-	36 146
Imputed interest on loans	-	31 604	-	18 363
	12 945	100 644	-	54 509

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
17. Taxation				
South African normal tax				
– current	**63 854**	53 361	-	-
– Secondary Taxation on Companies	**2 028**	-	**2 028**	-
– prior year underprovision	**232**	1 369	-	-
Foreign income tax	**1 593**	1 995	-	-
Current year	**67 707**	56 725	**2 028**	-
Deferred tax – current year	**(4 143)**	(26 579)	-	(333)
– prior year overprovision	-	(438)	-	-
	63 564	29 708	**2 028**	(333)

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 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Profit/(loss) before taxation	**217 259**	99 001	**20 912**	(1 191)
Tax at standard rate of 28%	**60 833**	27 720	**5 855**	(333)
Prior year tax under provision	**232**	931	-	-
Dividends received	-	-	**(6 246)**	-
Non-deductible expense	**568**	83	**391**	-
Secondary Taxation on Companies	**2 028**	-	**2 028**	-
Foreign tax rate differences	**303**	411	-	-
Other permanent differences	**(400)**	563	-	-
	63 564	29 708	**2 028**	(333)

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
18. Cash generated from operations				
Operating profit	**226 431**	195 607	**20 912**	-
Adjustments for:				
Depreciation	**22 617**	23 251	-	-
Amortisation of intangibles	**12 554**	12 555	-	-
Profit on sale of plant and equipment	**(148)**	(193)	-	-
Fair value loss on derivative instruments	**480**	166	-	-
Straight-lining lease liability	**2 812**	1 945	-	-
Forfeitable share plan expense	**2 130**	-	-	
Changes in working capital:			-	
Increase in trade and other receivables	**(3 831)**	(2 342)	-	-
Increase in inventories	**(63 961)**	(32 592)	-	-
Increase in trade and other payables	**20 430**	12 316	-	-
Cash generated from operations	**219 514**	210 713	**20 912**	-

	Group		Company	
	2012	2011	**2012**	2011
19. Taxation paid				
Opening balance payable	**4 643**	557	-	-
Income tax charge to profit or loss	**63 564**	29 708	**2 028**	(333)
Change in deferred taxation	**4 143**	27 017	-	333
Taxation payable at the end of the year	**(2 169)**	(4 643)	-	-
	70 181	52 639	**2 028**	-

20. Capital commitments

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

	Group		Company	
	2012	2011	**2012**	2011
Plant and equipment				
- not contracted for	**67 159**	12 000	-	-

The capital expenditure will be financed from working capital.

	Group		Company	
21. Operating lease commitments	**2012 R'000**	2011 R'000	**2012 R'000**	2011 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	**78 241**	67 357	-	-
Later than 1 year and not later than 5 years	**207 337**	179 523	-	-
Later than 5 years	**31 866**	39 775	-	-
	317 444	286 655	-	-

22. Directors' remuneration for the group

	Salaries (R000's)	Directors fees (R000's)	Performance bonus (R000's)	Travel allowance (R000's)	Pension fund contributions (R000's)	Medical aid contributions (R000's)	Total (R000's)
Non-executive							
AN Chuphi	-	-	-	-	-	-	-
BD Hopkins	-	157	-	-	-	-	157
MC Jensen	-	-	-	-	-	-	-
SA Muller	-	600	-	-	-	-	600
CF Sonn	-	133	-	-	-	-	133
M Vilakazi	-	140	-	-	-	-	140
Total	-	1 030	-	-	-	-	1 030
Executive							
KG Hodgson	1 971	-	1 250	150	-	11	3 382
JP Loubser	959	-	1 000	72	59	11	2 101
EA Haarburger	1 546	-	1 000	84	95	11	2 736
Total	4 476	-	3 250	306	154	33	8 219
Total remuneration 2012	4 476	1 030	3 250	306	154	33	9 249
Non-executive							
AN Chuphi	-	-	-	-	-	-	-
MC Jensen	-	-	-	-	-	-	-
SA Muller	-	238	-	-	-	-	238
Total	-	238	-	-	-	-	238
Executive							
KG Hodgson	1 534	-	1 500	150	-	11	3 195
JP Loubser	740	-	750	72	46	11	1 619
EA Haarburger	1 318	-	1 500	84	82	11	2 995
Total	3 592	-	3 750	306	128	33	7 809
Total remuneration 2011	3 592	238	3 750	306	128	33	8 047

* SA Muller has been an independent non-executive director and the chairman of Moresport (Pty) Ltd, a wholly owned subsidiary of Holdsport, since May 2006.

23. Related party transactions

Shareholders

An analysis of the principal shareholders of the company, as well as disclosure over directors' interest in share capital is provided in note 8.

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.

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 that are in contravention of the Companies Act. Executive directors are bound by service contracts.

Loans to directors

No loans have been made to directors.

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 associates of all subsidiary companies and Holdsport Limited have been classified as key management personnel.

Remuneration to key management personnel is as follows:	**2012 R'000**	2011 R'000
Salaries	**8 604**	6 368
Performance bonus	**5 550**	5 600
Travel allowance	**468**	468
Pension fund contributions	**282**	238
Medical aid contributions	**68**	63
Total remuneration	**14 972**	12 737

Remuneration paid to the top three highest earners, excluding directors, is as follows:		
Salaries	**2 522**	1 999
Performance bonus	**2 025**	1 675
Travel allowance	**114**	162
Pension fund contributions	**92**	75
Medical aid contributions	**23**	32
Total remuneration	**4 776**	3 943

24. Earnings per share and net asset value 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. The weighted average number of ordinary shares used in the comparative figures has been adjusted to reflect the effect of the share split during the current year.

	Group	
	2012	2011
Basic and diluted earnings per share		
Profit attributable to owners of the company (R'000)	**153 695**	68 866
Weighted average number of ordinary shares in issue ('000)	**43 150**	36 306
Basic and diluted earnings per share (cents)	**356.1**	189.6
Reconciliation of headline earnings		
Profit attributable to owners of the company (R'000)	**153 695**	68 866
Adjusted for:		
- Profit on disposal of plant and equipment	**(148)**	(193)
Headline earnings (R'000)	**153 547**	68 673
Headline and diluted earnings per share (cents)	**355.8**	189.1

The group calculates core headline earnings per share for management purposes as shown below. The fair value adjustments on the interest free shareholder loans totalling R55.8m, net of taxation, were expensed during the prior year. These loans were converted to share capital during the current year. In order to compare the core headline earnings per share over time, earnings are divided by the number of shares in issue at the last reporting date, being 43 150 220 shares at 29 February 2012.

	Group	
	2012	2011
Reconciliation of core headline earnings		
Headline earnings (R'000)	**153 547**	68 673
Adjusted for:		
Fair value adjustment on loans, net of taxation	-	55 878
Amortisation of intangibles net of taxation	**9 039**	9 040
Straight-lining of leases net of taxation	**2 023**	1 400
Non recurring professional fees net of taxation	**2 581**	1 464
Core headline earnings	**167 190**	136 455
Core headline earnings per share (cents)	**387.4**	316.2
Net asset value per share (cents)	**1 695.3**	1 061.2
Net tangible asset value per share (cents)	**372.6**	(535.8)

25. Segmental information

	Sportsmans Warehouse R'000	Outdoor Warehouse R'000	Performance Brands R'000	Corporate R'000	Group R'000
Year ended 29 February 2012					
External revenue	**896 007**	**299 956**	**47 576**	**-**	**1 243 539**
External interest received	**-**	**-**	**246**	**3 527**	**3 773**
External interest paid	**-**	**-**	**(72)**	**(12 873)**	**(12 945)**
Depreciation and amortisation	**(15 372)**	**(4 964)**	**(1 991)**	**(12 844)**	**(35 171)**
Group profit/(loss) before taxation	**188 362**	**55 641**	**20 759**	**(47 503)**	**217 259**
- Segment profit/(loss) before taxation	**188 362**	**55 641**	**20 759**	**(44 693)**	**220 069**
- IFRS Charges	**-**	**-**	**-**	**(2 810)**	**(2 810)**
Capital expenditure	**23 286**	**7 141**	**501**	**1 286**	**32 214**
Segment assets	**230 846**	**94 765**	**69 350**	**688 511**	**1 083 472**
Segment liabilities	**84 639**	**18 550**	**8 643**	**240 095**	**351 927**
Year ended 28 February 2011					
External revenue	820 382	279 500	32 600	-	1 132 482
External interest received	-	-	541	3 497	4 038
External interest paid	-	-	(18)	(23 024)	(23 042)
Depreciation and amortisation	(16 253)	(4 949)	(1 696)	(12 908)	(35 806)
Group profit/(loss) before taxation	161 137	49 445	16 089	(127 670)	99 001
- Segment profit/(loss) before taxation	161 137	49 445	16 089	(48 033)	178 638
- IFRS Charges	-	-	-	(79 637)	(79 637)
Capital expenditure	13 950	3 853	1 587	1 550	20 940
Segment assets	210 017	81 526	53 309	664 783	1 009 635
Segment liabilities	69 752	18 261	8 636	527 696	624 345

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 sports and outdoor related footwear, apparel and equipment.

Performance Brands

Manufacturing, unpacking and wholesale distribution of technical and sports 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 Board) 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, primarily interest rate swaps and forward exchange contracts. The purpose is to manage the interest rate and 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 not be able to meet its financial obligations as they fall due that are settled with cash or other financial assets. 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 the following lines of credit:

- R110 million overdraft facility that is unsecured. Interest would be 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

26.4.1 *Currency risk*

The Group is exposed to currency risk on purchases and liabilities denominated in a currency other than its 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. To manage this, the Group enter into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rates interest amounts calculated by reference to an agreed-upon notional principal amount.

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.

2012	**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**	**(115 795)**	**(115 795)**	**(115 795)**	**-**	**-**
Derivative instruments	**Interest free**	**(1 095)**	**(1 095)**	**(1 095)**	**-**	**-**
Secured bank loans	**Floating**	**(150 534)**	**(167 699)**	**(43 164)**	**(124 535)**	**-**
Shareholder loans	**Interest free**	**-**	**-**	**-**	**-**	**-**
Outflow		**(267 424)**	**(284 589)**	**(160 054)**	**(124 535)**	**-**
2011						
Trade and other payables	Interest free	(92 937)	(92 937)	(92 937)	-	-
Derivative instruments	Floating	(6 563)	(6 563)	(6 563)	-	-
Secured bank loans	Floating	(174 816)	(198 918)	(36 253)	(162 665)	-
Shareholder loans	Interest free	(259 293)	(259 293)	(259 293)	-	-
Outflow		(533 609)	(557 711)	(395 046)	(162 665)	-

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 and 6 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.

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:

	2012 Forex'000	**2012 R'000**	2011 Forex'000	2011 R'000
Euro:	**11**	**109**	4	39
US Dollar:	**1 622**	**12 197**	2 638	18 244

Exchange rates at year end	**2012**	2011
Rand: Euro	**9.93**	9.64
Rand: USD	**7.52**	6.92

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.

	2012 R'000	2011 R'000
Liabilities		
Interest rate swap	-	5 949
Standard Bank loans	**150 534**	174 816
Forward exchange contracts	**1 095**	614
	151 629	181 379