Santova Logistics Ltd

AUDITED ABRIDGED GROUP RESULTS

for the year ended 28 February 2010

STATEMENT OF COMPREHENSIVE INCOME

		2010 R'000	2009 R'000
Turnover		98 038	118 229
Gross billings		1 493 371	1 885 240
Cost of billings		(1 395 333)	(1 767 011)
Other income		1 924	3 582
Depreciation and amortisation		(2 669)	(1 963)
Administrative expenses		(84 875)	(93 573)
Operating income		12 418	26 275
Interest received		3 648	3 397
Finance costs		(9 213)	(18 585)
Profit before taxation		6 853	11 087
Income tax expense		(2 666)	(3 227)
Profit for the year		4 187	7 860
Attributable to:			
Equity holders of the parent		3 748	7 794
Minority interest		439	66
Other comprehensive income			
Exchange differences arising from translation of foreign operations		619	488
Total comprehensive income		4 806	8 348
Attributable to:			
Equity holders of the parent		4 367	8 282
Minority interest		439	66
Basic earnings per share	(cents)	0,30	0,63
Diluted earnings per share	(cents)	0,29	0,62
SUPPLEMENTARY INFORMATION			
Reconciliation between earnings and headline earnings:			
Profit attributable to equity holders of the parent		3 748	7 794
Loss on disposals of plant and equipment		67	232
Variation of restraint of trade agreement		–	(4 323)
Cost of variation of restraint of trade agreement		–	4 323
Taxation effects		(19)	343
Headline earnings		3 796	8 369
Shares in issue	(000's)	1 256 049	1 297 356
Weighted average number of shares	(000's)	1 231 457	1 235 843
Diluted number of shares	(000's)	1 291 038	1 257 873
Shares for net asset value calculation	(000's)	1 216 328	1 200 856
Performance per ordinary share			
Basic headline earnings per share	(cents)	0,31	0,68
Diluted headline earnings per share	(cents)	0,29	0,67
Net asset value per share	(cents)	6,60	6,19
Tangible net asset value per share	(cents)	3,35	4,03

CONDENSED STATEMENT OF CASH FLOWS

	2010 R'000	2009 R'000
Cash generated from operations before working capital changes	14 605	28 431
Changes in working capital	31 096	35 095
Cash generated from operating activities	45 701	63 526
Interest received	3 634	3 397
Finance costs	(8 430)	(18 585)
Taxation paid	(1 423)	(3 380)
Net cash flows from operating activities	39 482	44 958
Cash flows from other investing activities	(2 548)	(3 321)
Cash outflows from acquisition of subsidiaries	(8 428)	–
Cash inflow from sale of investment	2 975	–
Net cash flows from investing activities	(8 001)	(3 321)
Net cash flows from financing activities	(34 121)	(41 453)
Net (decrease)/increase in cash and cash equivalents	(2 640)	184
Effects of exchange rate changes on cash and cash equivalents	380	488
Cash and cash equivalents at beginning of year	6 582	5 910
Cash and cash equivalents at end of year	4 322	6 582

STATEMENT OF FINANCIAL POSITION

	2010 R'000	2009 R'000
ASSETS		
Non-current assets	52 297	38 876
Plant and equipment	8 942	8 710
Intangible assets	39 527	25 948
Financial asset	579	164
Deferred taxation	3 249	4 054
Current assets	188 465	219 717
Trade receivables	176 576	203 158
Other receivables	6 911	4 959
Current tax receivable	622	605
Amounts owing from related parties	34	4 413
Cash and cash equivalents	4 322	6 582
Total assets	240 762	258 593
EQUITY AND LIABILITIES		
Capital and reserves	80 277	74 366
Share capital and premium	145 579	145 112
Other reserves	132	–
Foreign currency translation reserve	1 148	529
Accumulated loss	(67 633)	(71 275)
Attributable to equity holders of the parent	79 226	74 366
Minority interest	1 051	–
Non-current liabilities	6 772	5 361
Interest-bearing borrowings	416	79
Long-term provision	2 136	2 252
Financial liabilities	4 206	3 030
Deferred taxation	14	–
Current liabilities	153 713	178 866
Trade and other payables	84 458	78 294
Current tax payable	796	471
Amounts owing to related parties	97	156
Current portion of interest-bearing borrowings	321	379
Financial liabilities	3 485	1 092
Short-term borrowings and overdraft	62 591	95 488
Short-term provisions	1 965	2 986
Total equity and liabilities	240 762	258 593

CONDENSED SEGMENTAL ANALYSIS

GEOGRAPHICAL SEGMENTS	South Africa R'000	Hong Kong R'000	Australia R'000	Europe R'000	Group R'000
2010					
Turnover (external)	89 458	2 752	2 903	2 925	98 038
Operating income/(loss)	10 330	641	2 673	(1 226)	12 418
Interest received	3 593	22	33	–	3 648
Finance costs	(8 718)	–	(338)	(157)	(9 213)
Income tax (expense)/credit	(1 964)	(101)	(673)	72	(2 666)
Profit/(loss) for the year	3 241	562	1 695	(1 311)	4 187
Segment assets	180 174	4 135	12 761	916	197 986
Intangible assets	38 731	–	790	6	39 527
Deferred taxation	2 981	–	268	–	3 249
Total assets	221 886	4 135	13 819	922	240 762
Total liabilities	146 062	2 193	9 238	2 992	160 485
Depreciation and amortisation	2 142	18	453	56	2 669
Capital expenditure	2 054	–	2 311	130	4 495
2009					
Turnover (external)	109 651	2 378	–	6 200	118 229
Operating income/(loss)	26 733	616	–	(1 074)	26 275
Interest received	3 367	30	–	–	3 397
Finance costs	(18 423)	(42)	–	(120)	(18 585)
Income tax (expense)/credit	(2 675)	(98)	–	(454)	(3 227)
Profit/(loss) for the year	9 002	506	–	(1 648)	7 860
Segment assets	224 111	3 560	–	920	228 591
Intangible assets	25 293	–	–	655	25 948
Deferred taxation	4 054	–	–	–	4 054
Total assets	253 458	3 560	–	1 575	258 593
Total liabilities	180 364	1 767	–	2 096	184 227
Depreciation and amortisation	1 874	20	–	69	1 963
Capital expenditure	2 831	20	–	8	2 859

BUSINESS SEGMENTS	Freight forwarding and clearing R'000	Insurance R'000	Group R'000
2010			
Profit for the year	3 939	248	4 187
Total assets	237 204	3 558	240 762
Total liabilities	158 490	1 995	160 485
2009			
Profit for the year	7 220	640	7 860
Total assets	256 678	1 915	258 593
Total liabilities	183 627	600	184 227

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Share capital R'000	Share premium R'000	Treasury share capital R'000	Treasury share premium R'000	Share commitments R'000	Other reserves R'000	Foreign currency translation reserve R'000	Accumulated loss R'000	Total R'000	Minority interest R'000	Total equity R'000
Balances at 29 February 2008	1 367	158 285	(45)	(4 491)	1 285	–	41	(79 043)	77 399	39	77 438
Total comprehensive income	–	–	–	–	–	–	488	7 794	8 282	66	8 348
Issue of share capital	8	1 277	–	–	(1 285)	–	–	–	–	–	–
Equity recognised on share commitments	–	–	–	–	(13 831)	–	–	–	(13 831)	–	(13 831)
Shares returned in terms of variation of restraint of trade agreement	(47)	(4 620)	–	–	–	–	–	–	(4 667)	–	(4 667)
Repurchase of shares in terms of share commitments	(31)	(3 102)	–	–	3 133	–	–	–	–	–	–
Share commitments lapsed	–	–	–	–	7 224	–	–	–	7 224	–	7 224
Purchase of remaining interest in subsidiary	–	–	–	–	–	–	–	–	–	(131)	(131)
Shares returned in terms of employee share scheme	–	–	–	(15)	–	–	–	–	(15)	–	(15)
Minority interest allocated against equity of the parent	–	–	–	–	–	–	–	(26)	(26)	26	–
Balances at 28 February 2009	1 297	151 840	(45)	(4 506)	(3 474)	–	529	(71 275)	74 366	–	74 366
Total comprehensive income	–	–	–	–	–	–	619	3 748	4 367	439	4 806
Transfers of contingency reserve	–	–	–	–	–	132	–	(132)	–	–	–
Issue of share capital	61	4 835	–	–	–	–	–	–	4 896	–	4 896
Repurchase of shares in terms of share commitments	(11)	(1 106)	–	–	1 117	–	–	–	–	–	–
Repurchase of unallocated shares in Share Trust	(45)	(4 506)	45	4 506	–	–	–	–	–	–	–
Repurchase of shares previously allocated to beneficiaries in Share Trust	(46)	(4 383)	–	–	–	–	–	–	(4 429)	–	(4 429)
Minority interest arising on 25% sale of subsidiary	–	–	–	–	–	–	–	–	–	638	638
Reversal of minority interest allocated against parent	–	–	–	–	–	–	–	26	26	(26)	–
Balances at 28 February 2010	1 256	146 680	–	–	(2 357)	132	1 148	(67 633)	79 226	1 051	80 277

COMMENTARY

GROUP PROFILE

Santova Logistics Ltd ("Santova Logistics" or "the Company") and its subsidiary companies ("Santova" or "the Group"), operating out of South Africa, Hong Kong, Australia, the United Kingdom and the Netherlands, provide integrated "end-to-end" logistics solutions for importers/exporters and consumers worldwide.

OPERATIONAL REVIEW

Santova was not immune to the global economic downturn, which significantly affected all the world's economies, particularly South Africa. In the first six months of calendar 2009, South Africa's gross domestic product showed negative growth of 6,4% for the first quarter and negative 3,0% for the second quarter. Consequently, even the moderate economic recovery experienced in the fourth quarter of the year was not sufficient to ensure sustainable year-on-year growth.

Group consolidated turnover was R98,0 million and profit after tax R4,2 million. Compared to the same period last year, this amounted to a decrease of 17,1% and 46,7% respectively, attributable in the main to the global economic downturn, which resulted in reduced trade volumes and significantly diminished margins. Whilst decisive actions were taken to realign the business with falling activity levels, the cost reduction exercise implemented in July resulted in a 15,2% or R14,6 million saving in administrative expenses. It is important to point out, however, that the full effect or benefit of this exercise was only apparent in the final six months of the financial year.

Whilst Santova's results were to a large extent affected by reduced trade volumes and freight buy and sell rates, currency fluctuation also had a significant impact on earnings.

Freight buy and sell rates (profit margin): In response to diminishing ocean volumes, ocean carriers removed significant capacity from the market and introduced price increases in the latter quarter of calendar 2009. This resulted in previously favourable buying opportunities for the Group being limited to a large extent and margins associated with buying and selling of space on vessels to clients being significantly eroded. These price increases were to a great extent absorbed by the Group and margins will be recovered going forward as the pricing structure in the industry stabilises.

Currency fluctuations: A predominant portion of the Group's revenue is derived from fees based on the weighted Rand value of goods, which is adversely affected by a strong Rand against the US Dollar. This effect is compounded even further as the differential between the buy and sell rate (profit margin) is also accounted for in US Dollars. As can be noted, this situation prevailed for most of financial 2010 and is still in play at present.

Despite these unprecedented trading conditions, the Group displayed resilience and continued to build on its sound business model and operational capability. This view was reinforced by the fact that whilst net earnings attributable to shareholders in the first six months of this financial year were 88,2% down compared to the same period in the 2009 financial year, earnings attributable to shareholders for the full year ending February 2010 were only 51,9% down on the previous year.

South Africa

Impson Logistics (Pty) Ltd ("Impson")

In spite of difficult trading conditions, our South African logistics business benefited from the mid-year cost reduction exercise and went on to produce much improved results during the second half of the financial year. This business has evolved into a meaningful player in the logistics industry whose capability, particularly through improved intelligent information technological solutions, has delivered truly effective supply chain management solutions for clients.

The focus of South African companies is more than ever on being more competitive in what is still a flat to moderate economic climate. According to the 2010 edition of *supplychainforesight*, issues coming to the fore are strategic alignment of the supply chain with business strategy, lead time reduction and technology deployment; all of which will promote the opportunity for our logistics business to assist clients in their recovery from the recession. In fact, this is supported by the number of new clients that have been contracted in over the last year and whose supply chains have been analysed and improved upon by subjecting them to detailed analysis of every conceivable aspect of the supply chain, whilst also clearly defining roles, structures, systems, work flow processes and standards of delivery.

The South African operation still continues to provide the "hub" of development and support for the Group's business worldwide.

Leading Edge Insurance Brokers (Pty) Ltd ("Leading Edge")

The insurance arm of the Group did not escape the effects of the recession. Whilst this business managed to acquire a significant number of quality new clients during the course of the year, this progress was offset by restructures (down-sizing) and cancellations (due to affordability) of clients trying to survive the times. Furthermore, closely aligned to the Group's shipping activities, the revenue of this business derived from marine insurance was adversely affected by the reduced volumes shipped.

During the year Leading Edge acquired the business of Standard Insurance Consultants. This is a Durban based short-term insurance business which was acquired as a going concern. This business was only fully incorporated into Leading Edge in the month of September and will serve to bulk-up the current book of Leading Edge, which will benefit from economies of scale.

Looking ahead, the Group expects a relatively quick recovery and the restoration of good earnings from our insurance arm.

Hong Kong

The effect of the world recession on Hong Kong was not as severe as that in South Africa. The earnings for this business are modestly up on last year (11,2%) and the acquisition of new clients, predominantly sourced by our offices globally, continued at an impressive rate. As mentioned previously, the ability of the Group to facilitate, control and manage end-to-end comprehensive supply chain logistics at source for clients is of great strategic value. This is becoming more and more apparent as the Group expands internationally.

Australia

The disclosures in terms of IFRS 3 on the acquisition of McGregor Sea and Air Services Pty Ltd were disclosed in our 31 August 2009 Group interim results announcement, dated 30 October 2009. Considering the circumstances in which the Australian operation has had to perform, the performance of this office during the first year under the Santova umbrella is pleasing. This observation is even more relevant when one takes cognisance of the additional expenditure incurred during this first year as a direct result of its integration into the Santova Group. Additional systems, procedures, controls and the upgrade of infrastructure and resources were introduced to ensure that the business was aligned to meet the standards and controls that are expected of a listed company. To this end, this business is now well placed to progress to its next level of development. The recent acquisition of Freight Matters, a small clearing business, by the Australian entity will further enhance its earnings in the year ahead.

Europe

United Kingdom

Whilst initiatives to realign the business to significantly reduced volumes were introduced, the task has proved a lot more challenging than expected. Whilst operationally the business has improved, the strengthening of the Rand against the British Pound has resulted in a foreign exchange loss being accounted for in the statement of comprehensive income. This relates specifically to the Santova Logistics (South Africa) loan to Santova Logistics Limited (United Kingdom) and impacts significantly on the extent of the loss to date.

In regard to the business going forward, this office plays a significant role in so far as end-to-end supply chain management of Santova's clients worldwide are concerned. Furthermore, additional initiatives are in process which, if successful, will result in this business returning to profitability. It is important to note that operationally, this office made a profit in the first month of the new financial year, which is encouraging when considering it is one of the quieter months of the financial year.

Netherlands

A significant milestone for the Group was the acquisition of a small operation (Santova Logistics B.V., previously Maxxs B.V.) in Rotterdam, the Netherlands. The rationale for such an acquisition is based on the premise that the Group would have a strategic advantage by having its own office in one of the busiest ports in the world – a gateway to Europe. Santova Logistics B.V. constitutes a start-up business, which has been in operation since 1 October 2009. The previous shareholders, now directors of the business, have extensive experience in the logistics industry, which bodes well for the future development of the business.

This office not only benefits from existing shipments from Santova's offices worldwide to Europe, but they will also benefit from new business currently being negotiated with large multinational companies. Furthermore, insofar as our alliances in China are concerned, this office will also receive third party shipments from that region, which could result in a meaningful contribution to the earnings of the business and Group. More importantly, Santova's current clients in the European zone will now be maintained and managed by Santova Logistics B.V. in Rotterdam.

OUTLOOK FOR FISCAL 2011

Since the last quarter of calendar 2009, there have been numerous signs that the worst of the economic recession is over. The South African Reserve Bank's March 2010 quarterly Bulletin shows that South Africa's economy is recovering. Interestingly enough, the Country's current account deficit narrowed to 2,8% of gross domestic product ("GDP") in the fourth quarter of last year from 3,1% in the third. This is far better than the current account deficit in 2008 of 7,1% of GDP and 4,0% for last year as a whole. The Bulletin also confirms that the manufacturing (export related) sector which was severely affected during calendar 2008 and the first half of 2009, has posted much improved results since the third quarter of 2009. Closely aligned to this is the mining sector, which is up 4,6% in the fourth quarter from the third. Other indicators include car sales figures, which are now improving on a month-to-month basis; rising business confidence and a turnaround in household consumption expenditure which grew 1,4% in the fourth quarter from the prior quarter of calendar 2009, following the prior quarter's near 2,0% contraction. Easing inflationary pressures and the recent 50 basis point interest rate cut have also provided consumers with some relief as reduced debt servicing costs have resulted in improved levels of disposable income for households.

Indicators clearly support a turnaround in our economy, however, there is still a large amount of caution being exercised. Whilst these economic indicators have in most part showed signs of improvement, they are still well below the long-term average. Retail sales are still slow, impacted by limited credit extension; government consumption expenditure has slowed somewhat; and the strong Rand is limiting the ability of the South African export market to compete on global markets.

Considering the above and the challenges facing Europe, the Greek fiscal situation, and the ability of global stimulation packages remaining intact, it could take some time before the South African and world economies can consider the future without stumbling blocks to economic recovery.

The Group will continue to remain vigilant in its strategic decision making and operational activity. During this difficult period, internal systems, processes and ultimately capabilities were vastly improved upon and this will now enable the Group to take advantage of an improving economy. More than ever before, aligning the supply chain with business strategy and reducing costs for clients is a priority for companies and an opportunity for the Santova Group.

FINANCIAL REVIEW

Overview of fiscal 2010 performance

The effect of the economic downturn has had a significant impact on the Group despite the cost-cutting measures implemented during the year, additional clients signed on, acquisition of new businesses and restructures. Although finance costs decreased by 50,4%, in line with reduced borrowing requirements and the reduced cost of borrowing experienced throughout the year, the decrease in profits attributable to the shareholders of Santova Logistics could only be limited to 51,9%.

Net asset value has increased from 6,19 cents per share in 2009 to 6,60 cents per share as at 28 February 2010, a 6,6% increase. The condensed statements of cash flows for the Group reflects borrowings repaid of R32,9 million.

During the year, the following share movements took place in the issued share capital of the Company:

- 11 171 520 shares were repurchased on 31 August 2009 from the Camilla Coleman Trust;
- 61 200 014 shares were allotted to Coolaroo Holdings Pty Ltd on 31 August 2009 for the purchase of McGregor Sea and Air Services Pty Ltd (previously McGregor Customs Pty Ltd); and
- 91 335 509 shares were repurchased, 45 607 175 on 3 December 2009 and 45 728 334 on 26 February 2010, from the Santova Logistics Share Purchase and Option Scheme Share Trust.

SUBSEQUENT EVENTS

At signature date, Santova Logistics is in the process of acquiring the full share capital of a South African registered company specialising in clearing and forwarding of freight, which if successfully concluded, will be acquired effective 1 March 2010. This acquisition, if successful, will give the Group a stronger presence in Gauteng, South Africa.

We are unable to disclose further information in relation to this acquisition, as required in terms of IFRS 3, due to the timing of the acquisition.

No other events of a material nature have occurred between the financial year end and the date of this report.

BASIS OF PREPARATION

The audited abridged Group results have been prepared using accounting policies that comply with International Financial Reporting Standards. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements for the year ended 28 February 2009 and are applied consistently throughout the Group. The Group has adopted all of the new and revised Standards and Interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and effective as at 1 March 2009.

The abridged Group results comply with International Accounting Standard 34 – Interim Financial Reporting, as well as with Schedule 4 of the South African Companies Act, 1973, as amended, and the JSE Listings Requirements.

AUDITED BY INDEPENDENT AUDITOR

The abridged Group results have been derived from the Group annual financial statements and are consistent in all material respects, with the Group annual financial statements. The Company's independent auditor, Deloitte & Touche, have issued unmodified opinions on the 28 February 2010 Company and Group annual financial statements and on these abridged Group results. These reports are available for inspection at the Company's registered office during office hours.

OTHER MATTERS

The Santova Logistics Ltd 2010 annual report will be issued on or around 28 May 2010, both in electronic and printed form.

DIVIDENDS

In line with the Company's policy, no dividend has been declared for the year.

ACKNOWLEDGEMENTS

The Board would like to express its appreciation to all management and staff for their efforts during the year.

For and on behalf of the Board,

GH Gerber — *Chief Executive Officer*

SJ Chisholm — *Group Financial Director*

10 May 2010

REGISTRATION NUMBER 1998/018118/06 **SHARE CODE** SNV **ISIN** ZAE000090650 **WEBSITE** www.santova.com

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INDEPENDENT NON-EXECUTIVE DIRECTORS ESC Garner *(Chairman)*, WA Lombard, M Tembe *(resigned 29 April 2010)*

EXECUTIVE DIRECTORS GH Gerber *(CEO)*, SJ Chisholm *(GFD)*, S Donner, MF Impson, GM Knight

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COMPANY SECRETARY JA Lupton, FCIS

DESIGNATED ADVISORS River Group

AUDITORS Deloitte & Touche (Registered Auditor – SD Munro)