



COMMENTARY

GROUP PROFILE

Santova is a non-asset based third party ("3PL") and fourth party ("4PL") logistics service provider of innovative global supply chain solutions, operating from offices throughout South Africa and internationally in Australia, Netherlands, United Kingdom and Hong Kong.

Santova is an integrator that assembles the intellectual capital and technology of the Group, together with the logistics resources and capabilities of specialised external logistics providers, to design, develop and execute comprehensive supply chain solutions for customers.

BUSINESS REVIEW

It is pleasing to announce yet another set of commendable results despite the lack of any significant corporate transactions or activities during the period. The period was characterised by senior management being primarily focused on the internal processes and structures within the Group, working with all regions to enhance customer engagement, local management structures, supply chain capabilities and overhead cost structures. The end result was a strong overall performance that was balanced by sound organic growth and cost control in the South African region, and significantly improved performances from a number of the offshore subsidiaries.

The key events during the period that had a material impact on the Group's financial results are as follows:

- The weakening of the South African rand that had an impact on revenue and the translation of foreign operations;
- The inclusion of a full 12 months' results from W.M. Shipping Limited in the United Kingdom, following its acquisition in late November 2012 and the conclusion of the first warranty period on 31 August 2013;
- The centralisation of certain administrative functions across the South African operations leading to significant efficiencies, offset by an increased level of local competition that resulted in pressure on margins and revenue;
- The entrenchment of the new operational team taken on in the Netherlands in the prior period and the investment in new business development capability resulted in a significant improvement in revenues and profitability in that entity;
- A further investment in the Group's supply chain capabilities through the appointment of supply chain specialists has seen the division play a significant role in the fulfilment of the Group's strategy;
- The focus on value add services at source in China and Hong Kong together with enhanced efficiencies reducing operational costs has significantly improved revenue margins, resulting in a meaningful increase in contribution from this region; and
- A maturing of the Santova Financial Services business which saw an increase in revenue accompanied by a realigned cost structure resulting in a strong impact on its contribution to the Group.

PROFITABILITY

On a consolidated basis the Group increased basic earnings attributable to ordinary shareholders by 23,9% from R24,7 million in the prior year, to R30,6 million in the current year.

This was driven primarily by a 22,1% increase in billings to clients coupled with the Group maintaining its turnover to billings margin of 6,7% from the prior year. This led to an almost equivalent increase in actual revenue to the Group of 21,3% from R176,7 million in the prior year to R214,4 million in the current year.

This resulted in an increase of headline earnings per share (HEPS) to 24,77 cents, which is 40,6% up on the previous year's figure of 17,62 cents.

OUTLOOK

In the year ahead the Group will seek to leverage off the challenges and complexities that are accompanying the rapid globalisation of companies across the world. By doing so, whilst not losing sight of our core competencies, we believe that we can continue to deliver sustainable earnings growth and value to our stakeholders.

BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 28 February 2014 have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited for preliminary reports, the information required by IAS 34: Interim Financial Reporting, and the requirements of the South African Companies Act, No 71 of 2008.

The Group values its financial assets and liabilities on the basis of the principles contained in IFRS 13: Fair Value Measurement. The full disclosure as required by IFRS 13 and IFRS 7 is contained in the Annual Financial Statements, a copy of which is available from the registered office of the Company.

ADOPTION OF IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

The Group has adopted IFRS 10: Consolidated Financial Statements for the first time during the current reporting period. As a result, the investment by Santova Logistics (Proprietary) Limited in a cell captive operated by Guardrisk Insurance Company Limited no longer qualifies for consolidation.

IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation with specific criteria that to qualify for consolidation the assets of the investee must be ringfenced in the event of the liquidation of both the investor and investee. Due to the fact that the assets of a cell captive are not legally ringfenced in the event of the liquidation of the investee, cell captives no longer qualify for consolidation.

As a result the fair value of the Group's investment in the cell captive is recognised as a financial asset in the current reporting period, with changes in the fair value being recognised in profit or loss for the year. As required by the provisions of IFRS 10 the prior year amounts have been restated to reflect the effect of the retrospective adoption of this standard. IFRS 10 does not require the presentation of reporting periods other than the annual period immediately preceding the date of initial application of this IFRS.

The Board do not consider the impact of this restatement on the Group's Annual Financial Statements to be material as there is no effect on profit for the year or total capital and reserves in the current or prior reporting periods.

Due to the Board's assessment of the immateriality of the restatement and the fact that the transitional provisions of IFRS 10 do not require the presentation of reporting periods, other than the annual period immediately preceding the date of initial application of this IFRS, a third statement of financial position has not been included in terms of IAS 1:40A.

The impact of this restatement on the 2013 financial results can be summarised as follows:

| | As previously reported R'000 | Adjustment R'000 | Restated R'000 |
|----------------------|---------------------------------|---------------------|-------------------|
| Profit for the year | 25 097 | - | 25 097 |
| Total assets | 558 616 | (531) | 558 085 |
| Total liabilities | 410 653 | (531) | 410 122 |
| Capital and reserves | 147 963 | - | 147 963 |

AUDIT OPINION

These summarised consolidated financial statements have been derived from the Group financial statements and the auditors, Deloitte & Touche, expressed an unmodified opinion thereon. A copy of their audit report on the Group's financial statements and summarised consolidated financial statements is available for inspection at the Company's registered office. The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company or the Company's website.

DIRECTORATE

The following changes took place in the composition of the Board during the current reporting period:

- Stanley Donner resigned as a non-executive director on 1 July 2013; and
- Ernest Ngubo was appointed as an independent non-executive director on 19 February 2014.

APPRECIATION

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 **DC Edley**
Chief Executive Officer Group Financial Director

15 May 2014

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross dividend of 3,25 cents per ordinary share, payable out of income for the year ended 28 February 2014.

In terms of South African Dividends Tax, the following additional information is disclosed:

| | |
|--|---------------------------------|
| Local dividend withholding tax rate | 15% |
| STC credits available for set-off | Nil |
| Net local dividend payable to shareholders who are not exempt from dividends tax | 2,7625 cents per ordinary share |
| Total number of ordinary shares in issue | 136 459 408 |
| Company income tax reference number | 9077/274/84/4P |

The following salient dates will apply to the dividend payment:

| | |
|-------------------------------------|----------------------|
| Last day to trade cum-dividend | Friday, 18 July 2014 |
| Shares commence trading ex-dividend | Monday, 21 July 2014 |
| Record date | Friday, 25 July 2014 |
| Dividend payment date | Monday, 28 July 2014 |

Share certificates may not be dematerialised or rematerialised between Friday, 18 July 2014 and Friday, 25 July 2014, both dates inclusive.

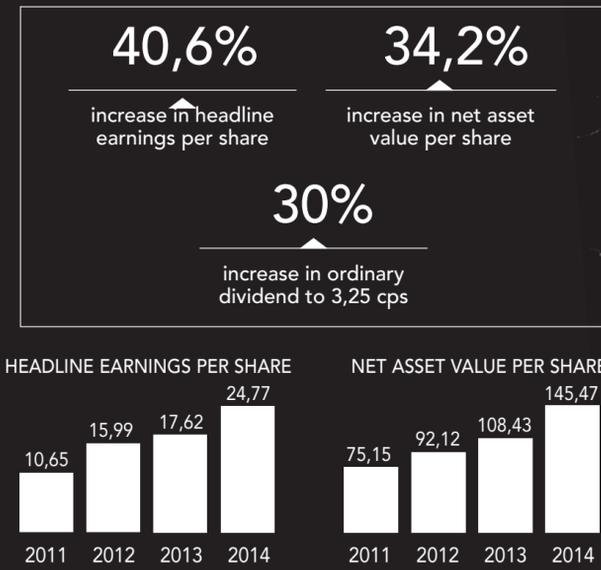
By order of the Board

J Lupton
Company Secretary

15 May 2014

Shareholders are further advised that the presentation to investment analysts is available on the Company's website

PRELIMINARY GROUP RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2014



SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Audited 28 February 2014 R'000 | Audited 28 February 2013* R'000 |
|---|---|--|
| Gross billings | 3 221 519 | 2 637 920 |
| Revenue | 214 357 | 176 651 |
| Other income | 15 118 | 9 296 |
| Depreciation and amortisation | (3 476) | (3 070) |
| Administrative expenses | (174 228) | (142 067) |
| Operating profit | 51 771 | 40 810 |
| Interest received | 4 559 | 1 899 |
| Finance costs | (16 316) | (9 239) |
| Profit before taxation | 40 014 | 33 470 |
| Income tax expense | (9 228) | (8 373) |
| Profit for the year | 30 786 | 25 097 |
| Attributable to: | | |
| Equity holders of the parent | 30 587 | 24 688 |
| Minority interest | 199 | 409 |
| Other comprehensive income | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| - Exchange differences arising from translation of foreign operations | 22 743 | (945) |
| Items that may be reclassified subsequently to profit or loss | - | - |
| Total comprehensive income | 53 529 | 24 152 |
| Attributable to: | | |
| Equity holders of the parent | 53 122 | 23 473 |
| Minority interest | 407 | 679 |
| Basic earnings per share (cents) | 22,42 | 18,06 |
| Diluted basic earnings per share (cents) | 22,12 | 18,00 |
| Dividends per share (cents) | 3,25 | 2,50 |

SUPPLEMENTARY INFORMATION

| | Audited 28 February 2014 R'000 | Audited 28 February 2013 R'000 |
|--|---|---|
| Reconciliation between earnings and headline earnings | | |
| Profit attributable to equity holders of the parent | 30 587 | 24 688 |
| Net loss on disposals of plant and equipment | 94 | 171 |
| Loss on fair value remeasurement of goodwill | 3 131 | - |
| Derecognition of financial liability | - | (713) |
| Taxation effects | (18) | (49) |
| Minority interest | 9 | (1) |
| Headline earnings | 33 803 | 24 096 |
| Shares in issue (000's) | 136 459 | 136 459 |
| Weighted average number of shares (000's) | 136 459 | 136 725 |
| Diluted weighted average number of shares (000's) | 138 285 | 137 165 |
| Shares for net asset value calculation (000's) | 136 459 | 136 459 |
| Performance per ordinary share | | |
| Headline earnings per share (cents) | 24,77 | 17,62 |
| Diluted headline earnings per share (cents) | 24,45 | 17,57 |
| Net asset value per share (cents) | 145,47 | 108,43 |
| Tangible net asset value per share (cents) | 54,66 | 27,91 |

SUMMARISED STATEMENT OF FINANCIAL POSITION

| | Audited 28 February 2014 R'000 | Audited 28 February 2013* R'000 |
|--|---|--|
| ASSETS | | |
| Non-current assets | 141 418 | 123 183 |
| Plant and equipment | 8 940 | 8 308 |
| Intangible assets | 123 927 | 109 883 |
| Financial assets | 3 175 | 1 458 |
| Deferred taxation | 5 376 | 3 534 |
| Current assets | 555 123 | 434 902 |
| Trade receivables | 480 738 | 368 931 |
| Other receivables | 36 627 | 36 758 |
| Current tax receivable | 915 | 1 129 |
| Cash and cash equivalents | 36 843 | 28 084 |
| Total assets | 696 541 | 558 085 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 198 510 | 147 963 |
| Non-current liabilities | 30 080 | 49 516 |
| Interest-bearing borrowings | 27 967 | 37 402 |
| Long-term provision | 1 777 | 1 966 |
| Financial liabilities | 336 | 10 148 |
| Current liabilities | 467 951 | 360 606 |
| Trade and other payables | 220 750 | 199 357 |
| Current tax payable | 4 180 | 3 426 |
| Current portion of interest-bearing borrowings | 7 947 | 3 430 |
| Amounts owing to related parties | 204 | 167 |
| Financial liabilities | 9 709 | 5 293 |
| Short-term borrowings and overdraft | 208 321 | 137 829 |
| Short-term provisions | 16 840 | 11 104 |
| Total equity and liabilities | 696 541 | 558 085 |

* Restated due to the adoption of IFRS 10: Consolidated Financial Statements

SUMMARISED STATEMENT OF CHANGES IN EQUITY

| | Audited 28 February 2014 R'000 | Audited 28 February 2013 R'000 |
|---|---|---|
| Capital and reserves | | |
| Balance at beginning of year | 147 963 | 123 699 |
| Total comprehensive income | 53 529 | 24 152 |
| Employee share option scheme | 429 | 115 |
| Share issue expenses directly through equity | - | (3) |
| Dividends paid | (3 411) | - |
| Balance at end of year | 198 510 | 147 963 |
| Comprising: | | |
| Stated capital | 145 757 | 145 307 |
| Foreign currency translation reserve | 24 320 | 1 785 |
| Accumulated profit/(loss) | 25 000 | (2 155) |
| Attributable to equity holders of the parent | 195 077 | 144 937 |
| Minority interest | 3 433 | 3 026 |
| Capital and reserves | 198 510 | 147 963 |

SUMMARISED STATEMENT OF CASH FLOW

| | Audited 28 February 2014 R'000 | Audited 28 February 2013* R'000 |
|---|---|--|
| Profit before taxation | 40 014 | 33 470 |
| Adjustments for non-cash flow items | 17 527 | 10 060 |
| Changes in working capital | (84 547) | (14 434) |
| Interest received | 4 559 | 1 899 |
| Finance costs | (15 959) | (9 086) |
| Taxation paid | (10 102) | (8 515) |
| Net cash flows from operating activities | (48 508) | 13 394 |
| Cash outflows from the acquisition of subsidiaries | (6 277) | (35 738) |
| Cash utilised in other investing activities | (3 912) | (2 332) |
| Net cash flows from investing activities | (10 189) | (38 070) |
| Net cash flows from financing activities | 63 205 | 41 217 |
| Net increase in cash and cash equivalents | 4 508 | 16 541 |
| Effects of exchange rate changes on cash and cash equivalents | 5 257 | 1 012 |
| Cash and cash equivalents at beginning of year | 27 078 | 9 525 |
| Cash and cash equivalents at end of year | 36 843 | 27 078 |
| Cash and cash equivalents is made up as follows: | | |
| Cash and cash equivalents | 36 843 | 28 083 |
| Less: Bank overdrafts | - | (1 005) |
| Cash and cash equivalents at end of year | 36 843 | 27 078 |

SUMMARISED SEGMENTAL ANALYSIS

| GEOGRAPHICAL SEGMENT | South Africa R'000 | Foreign Operations R'000 | Group R'000 |
|-------------------------------|-----------------------|-----------------------------|----------------|
| 28 February 2014 | | | |
| Revenue | 137 401 | 76 956 | 214 357 |
| Operating profit | 33 948 | 17 823 | 51 771 |
| Profit for the year | 17 087 | 13 699 | 30 786 |
| Total assets | 601 331 | 95 210 | 696 541 |
| Total liabilities | 441 801 | 56 230 | 498 031 |
| Depreciation and amortisation | 2 592 | 884 | 3 476 |
| Capital expenditure | 3 947 | 258 | 4 205 |
| 28 February 2013* | | | |
| Revenue | 127 696 | 48 955 | 176 651 |
| Operating profit | 28 654 | 12 156 | 40 810 |
| Profit for the year | 16 329 | 8 768 | 25 097 |
| Total assets | 482 413 | 75 672 | 558 085 |
| Total liabilities | 360 115 | 50 007 | 410 122 |
| Depreciation and amortisation | 2 496 | 574 | 3 070 |
| Capital expenditure | 2 440 | 1 195 | 3 635 |
| BUSINESS SEGMENT | | | |
| 28 February 2014 | | | |
| Profit for the year | 27 522 | 3 264 | 30 786 |
| Total assets | 691 935 | 4 606 | 696 541 |
| Total liabilities | 496 417 | 1 614 | 498 031 |
| 28 February 2013 | | | |
| Profit for the year | 22 626 | 2 471 | 25 097 |
| Total assets | 553 034 | 5 051 | 558 085 |
| Total liabilities | 409 509 | 613 | 410 122 |