SNV 201411030011A
GROUP INTERIM RESULTS for the six months ended 31 August 2014

SANTOVA LIMITED
Registration number 1998/018118/06
Share code SNV
ISIN ZAE000159711

GROUP INTERIM RESULTS
for the six months ended 31 August 2014

HIGHLIGHTS

INCREASE IN
GROSS BILLINGS
12,8%

INCREASE IN
REVENUE
13,9%

INCREASE IN
PROFIT FOR THE PERIOD
25,3%

INCREASE IN
BILLINGS MARGIN TO
7,1%

INCREASE IN
OPERATING MARGIN TO
23,6%

INCREASE IN
INTEREST COVER TO
5,5 times

INCREASE IN BASIC
EARNINGS PER SHARE
24,4%

INCREASE IN HEADLINE
EARNINGS PER SHARE
23,8%

INCREASE IN NET
ASSET VALUE PER SHARE
22,6%

INCREASE IN TANGIBLE NET
ASSET VALUE PER SHARE
66,4%

		2014 August	2013 August	% movement
Gross billings	(R'000)	1 650 849	1 463 155	12,8
Revenue	(R'000)	116 486	102 304	13,9
Profit for the period	(R'000)	17 475	13 945	25,3
Billings margin	(%)	7,1	7,0	1,4
Operating margin	(%)	23,6	22,8	3,5
Interest cover	(times)	5,5	4,1	34,1
Basic earnings per share	(cents)	12,65	10,17	24,4

Headline earnings per share	(cents)	15,47	12,50	23,8
Net asset value per share	(cents)	154,31	125,85	22,6
Tangible net asset value per share	(cents)	67,09	40,33	66,4

COMMENTARY

OVERVIEW

The Group has achieved a 25,3% increase in profit for the period to R17,5 million (2013: R13,9 million), which in turn has translated into a 23,8% increase in headline earnings per share for the period to 15,47 cents (2013: 12,50 cents).

This growth was achieved despite a noticeable downturn in trading volumes, seen particularly in the third quarter of 2014, as consumers and importers reacted to the current weak economic climate and outlook in South Africa. The growth was achieved through a number of key factors, in particular:

- The continued weakening of the rand which has a positive effect on the underlying 'US dollar-based' calculation of revenue in South Africa and on the translation of profits from the Group's offshore investments;
- Strong growth in revenue from project shipments primarily into Africa; and
- The continued growth in the contribution of profit from the Group's offshore investments, particularly from the Netherlands operation which has matured over the past financial periods into a meaningful contributor to the Group's earnings.

OPERATIONAL PERFORMANCE

South African operations

Santova Logistics (South Africa), which continues to be the core contributor to Group revenue contributing 58% (2013: 60%), achieved a 9,7% increase in revenue and a 33,1% increase in profit for the period. The growth in revenue was driven primarily by a 454% growth in project revenue for the period as a result of a significant increase in the number of projects awarded to the Group. These projects related mainly to the shipment of agricultural products, wood and concrete into Africa and are a strategic initiative of the Group which it expects to develop further in the coming periods.

Revenue from ongoing operations increased by 1,24% as a result of the downturn in shipping volumes related to the state of the South African economy. This was evidenced in the decrease of internal file volumes which was in turn supported by official port statistics showing import volumes being down approximately 7% to 8% for the year to date. However, the decrease in volumes was counteracted by the further weakening of the rand which resulted in a 10,6% increase in the average rand dollar exchange rate over the period, positively impacting the underlying calculation of the shipping revenues.

Foreign operations

The expansion of the Group's international footprint continues to be another of its key strategic initiatives, the result being the increase in revenue contribution from the offshore subsidiaries from 36% to 38% in the current period.

The primary driver of this increased contribution was the Netherlands operation which saw revenue increase 43,2% and profit for the period increase 78,9%. There was also another strong contribution from Hong Kong and signs of a turnaround in Australia which saw a growth in profit following a long period of weakness in the local economy. Trading conditions in the United Kingdom, however, remain challenging and this resulted in a decrease in the profit contribution from both subsidiaries within the region.

Other comprehensive income

Other comprehensive income decreased significantly from a profit in the prior period of R13,0 million to a loss of R1,4 million in the current period, primarily due to two factors:

- A strengthening of the closing South African rand to British pound exchange rate in the current period by R0,36 versus a weakening in the prior period of R2,59; and
- The fact that the British pound denominated investment in W.M. Shipping (UK) is the Group's largest offshore exposure.

FINANCIAL POSITION

The Group's balance sheet structure remains consistent with prior periods, with the exception of two material line item movements, being a 34,1% decrease in trade and other payables versus the closing balance at February 2014 and a corresponding 23,9% increase in short-term borrowings and overdraft. These changes are directly associated and attributable to a restructuring and change of payment date of the Group's deferment facilities with the South Africa Revenue Services ('SARS') which took place in August 2014. This restructuring resulted in a double payment to SARS in August, hence the corresponding reduction in the creditor balances and an increase in the borrowings required to fund the payments. The restructuring was a decision taken by the Group and it will have significant long term benefits in respect of cash flow and funding costs.

The Group's core asset, being its debtors book, increased 11,8% or R47,9 million versus the prior period to R454,6 million at the end of August 2014. This increase is entirely consistent with the 12,8% increase in gross billings in the current period and the management of the debtors book remains one of the Group's core competencies. The result being that, together with the credit underwriting of the book that insures the Group against default by clients, the credit ratios and ageing on the book remain sound.

Overall, debtor days have decreased from 50,6 days in August 2013 to 50,1 at August 2014 and total bad debt write offs during the six months to August 2014 decreased to R0,7 million (2013: R2,1 million). Total provisions for impairment of receivables have increased by R3,1 million from February 2014 to R9 million as at August 2014 (February 2014: R5,9 million) due to the abovementioned increase in the debtors book coupled with the current economic uncertainty, but they remain at a very acceptable level of 2% of the total book (February 2014: 1,2%). In addition, the net interest margin generated on this debtors book as a result of the Group providing finance facilities to its clients for recoverable logistics disbursements has increased 45% to R8,4 million during the current period (2013: R5,8 million), due to the overall growth in the book.

CASH FLOW AND FUNDING

Net cash generated from operating activities remains positive for the period at R9,5 million and although it is lower than the R13,5 million generated in the prior period, the reduction is simply due to the amount and timing of taxation payments across the Group's various subsidiaries.

In addition the Group remains well funded with excess facilities available for future growth having recently renegotiated its banking facilities with its primary bankers in South Africa, which resulted in an increase in overall South African facilities from R300 million to R350 million.

OUTLOOK

As a result of the weakening in trade volumes which the Group has experienced in the third quarter of 2014 due to the current poor economic climate in South Africa, some uncertainty has been created on the outlook for the second half of the current financial year. However the impact of this will be mitigated by the internal efficiencies the Group continues to drive in South Africa to maintain margins and remain cost effective, plus the diversified earnings from the Group's offshore subsidiaries and the fact that the second half of the financial year is cyclically the Group's peak trading period.

In addition, the Group remains committed to expanding its footprint internationally through acquisitions and as a result the Board believes that it can continue to deliver sustainable earnings growth and create long term value for shareholders.

For and on behalf of the Board

GH Gerber — Chief Executive Officer
DC Edley — Group Financial Director

31 October 2014

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months to 31 August 2014 R'000	Unaudited* Six months to 31 August 2013 R'000	Audited 12 months to 28 February 2014 R'000
Gross billings	1 650 849	1 463 155	3 221 519
Revenue	116 486	102 304	214 357
Other income	10 927	9 309	15 118
Depreciation and amortisation	(1 675)	(1 554)	(3 476)
Administrative expenses	(98 243)	(86 772)	(174 228)
Operating profit	27 495	23 287	51 771

Interest received	3 997	1 514	4 559
Finance costs	(9 019)	(7 207)	(16 316)
Profit before taxation	22 473	17 594	40 014
Income tax expense	(4 998)	(3 649)	(9 228)
Profit for the period/year	17 475	13 945	30 786
Attributable to:			
Equity holders of the parent	17 264	13 879	30 587
Non-controlling interests in subsidiaries	211	66	199
Other comprehensive income			
Exchange differences arising from translation of foreign operations	(1 426)	13 011	22 743
Total comprehensive income	16 049	26 956	53 529
Attributable to:			
Equity holders of the parent	15 739	26 834	53 122
Non-controlling interests in subsidiaries	310	122	407
Basic earnings per share (cents)	12,65	10,17	22,42
Diluted basic earnings per share (cents)	12,48	10,07	22,12
Dividends per share (cents)	n/a	n/a	3,25

* Restated due to adoption of IFRS 10 detailed in note 3.

CONDENSED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2014 R'000	Unaudited* 31 August 2013 R'000	Audited 28 February 2014 R'000
ASSETS			
Non-current assets	136 364	131 393	141 418
Plant and equipment	8 400	9 921	8 940
Intangible assets	119 013	116 694	123 927
Financial assets	2 372	1 874	3 175
Deferred taxation	6 579	2 904	5 376
Current assets	534 944	488 376	555 123
Trade receivables	454 620	406 738	480 738
Other receivables	43 435	39 499	36 627
Current tax receivable	962	1 852	915
Cash and cash equivalents	35 927	40 287	36 843
Total assets	671 308	619 769	696 541
EQUITY AND LIABILITIES			
Capital and reserves	210 565	171 734	198 510
Non-current liabilities	25 790	35 486	30 080
Interest-bearing borrowings	24 013	31 783	27 967
Long-term provision	1 777	1 966	1 777
Financial liabilities	–	1 737	336
Current liabilities	434 953	412 549	467 951
Trade and other payables	145 524	219 133	220 750
Current tax payable	5 015	6 117	4 180
Current portion of interest-bearing borrowings	8 314	7 638	7 947
Amounts owing to related parties	208	195	204
Financial liabilities	2 874	14 591	9 709
Short-term borrowings and overdraft	258 032	154 305	208 321
Short-term provisions	14 986	10 570	16 840
Total equity and liabilities	671 308	619 769	696 541

* Restated due to adoption of IFRS 10 detailed in note 3.

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited 31 August 2014 R'000	Unaudited 31 August 2013 R'000	Audited 28 February 2014 R'000

Capital and reserves			
Balance at beginning of period/year	198 510	147 963	147 963
Total comprehensive income	16 049	26 956	53 529
Employee share option scheme	441	226	429
Dividends paid	(4 435)	(3 411)	(3 411)
Balance at end of period/year	210 565	171 734	198 510
Comprising:			
Stated capital	146 198	145 533	145 757
Foreign currency translation reserve	22 795	14 741	24 320
Accumulated profit	37 829	8 312	25 000
Attributable to equity holders of the parent	206 822	168 586	195 077
Non-controlling interests in subsidiaries	3 743	3 148	3 433
Capital and reserves	210 565	171 734	198 510

CONDENSED STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 August 2014 R'000	Unaudited* Six months to 31 August 2013 R'000	Audited* 12 months to 28 February 2014 R'000
Cash generated from operations	19 845	20 246	45 170
Interest received	3 997	1 514	4 559
Finance costs	(8 921)	(6 975)	(15 959)
Taxation paid	(5 412)	(1 274)	(10 102)
Net cash flows from operating activities	9 509	13 511	23 668
Cash outflows from the acquisition of subsidiaries	–	–	(6 277)
Cash utilised in other investing activities	(1 056)	(3 393)	(3 912)
Net cash flows from investing activities	(1 056)	(3 393)	(10 189)
Net cash flows from financing activities	(8 934)	(1 595)	(8 971)
Net (decrease)/increase in cash and cash equivalents	(481)	8 523	4 508
Effects of exchange rate changes on cash and cash equivalents	(435)	3 224	5 257
Cash and cash equivalents at beginning of period/year	36 843	28 540	27 078
Cash and cash equivalents at end of period/year	35 927	40 287	36 843
Cash and cash equivalents is made up as follows:			
Cash and cash equivalents	38 159	40 287	36 843
Less: Bank overdrafts	(2 232)	–	–
Cash and cash equivalents at end of period/year	35 927	40 287	36 843

* Restated due to change in accounting policy detailed in note 2 and adoption of IFRS 10 detailed in note 3.

CONDENSED SEGMENTAL ANALYSIS

	South Africa R'000	Foreign operations R'000	Group R'000
GEOGRAPHICAL SEGMENT			
31 August 2014			
Revenue	72 052	44 434	116 486
Operating profit	16 617	10 878	27 495
Profit for the period	9 002	8 473	17 475
Total assets	563 089	108 219	671 308
Total liabilities	399 668	61 075	460 743
Depreciation and amortisation	1 357	318	1 675
Capital expenditure	955	327	1 282
31 August 2013			
Revenue	65 112	37 192	102 304
Operating profit	15 660	7 627	23 287
Profit for the period	8 503	5 442	13 945
Total assets	525 375	94 394	619 769
Total liabilities	390 116	57 919	448 035
Depreciation and amortisation	1 134	420	1 554
Capital expenditure	3 397	74	3 471

	Logistics Services R'000	Financial Services R'000	Group R'000
BUSINESS SEGMENT			
31 August 2014			
Profit for the period	16 197	1 278	17 475
Total assets	663 775	7 533	671 308
Total liabilities	459 452	1 291	460 743
31 August 2013			
Profit for the period	12 543	1 402	13 945
Total assets	614 679	5 090	619 769
Total liabilities	447 233	802	448 035

SUPPLEMENTARY
FINANCIAL INFORMATION AND NOTES

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 31 August 2014 have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS'), the SAICA Financial Reporting Guides 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, the information as required by IAS 34: Interim Financial Reporting, and the requirements of the South African Companies Act No 71 of 2008.

The accounting policies applied in preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous annual financial statements, except for the voluntary change in accounting policy as noted below.

This report was prepared under the supervision of the Group Financial Director, DC Edley, CA(SA) and has not been audited by the Group's external auditors.

2. VOLUNTARY CHANGE IN ACCOUNTING POLICY

The following voluntary change in accounting policy, in terms of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors ('IAS 8'), has been applied during the period under review resulting in the restatement and reclassification of certain comparatives for the six months ended 31 August 2014.

IAS 7: Statement of cash flows – Reclassification of the proceeds from the sale of short-term receivables from financing activities to operating activities

The proceeds received from the sale of short-term receivables have previously been disclosed as a financing activity in the Group's statement of cash flows. During the period under review, the Board resolved to account for such proceeds in its statement of cash flows as an operating cash flow. The Group generates interest revenue through the provision of short-term finance facilities to clients for logistics-related recoverable disbursements, effectively acting as a financial institution. The Group's management regard this as a principal revenue-producing activity. The Group funds these short-term receivables through the ongoing sale of such receivables to its principal banker via an invoice discounting facility, on which it incurs an interest expense.

The Group believes that this change will result in more relevant and reliable information being presented in respect of its cash flows by matching all the related capital inflows and outflows and interest income and expense associated with this principal revenue-producing activity and disclosing these as operating cash flows. As required by IAS 8, this change in accounting policy has been retrospectively applied, resulting in the restatement of the Group's statement of cash flows as disclosed below, after the adjustments required for the deconsolidation of the Guardrisk Cell Captive dealt with in the previous annual financial statements. The change in policy has not resulted in any changes or restatement to the Group's statement of financial position or statement of profit or loss and other comprehensive income.

Unaudited Six months to 31 August 2013	Audited 12 months to 28 February 2014

	R'000	R'000
Statement of cash flows		
As previously reported		
Net cash flows from operating activities	(773)	(48 508)
Net cash flows from financing activities	12 689	63 205
As currently reported		
Net cash flows from operating activities	13 511	23 668
Net cash flows from financing activities	(1 595)	(8 971)
Impact of the change		
Net cash flows from operating activities	14 284	72 176
Net cash flows from financing activities	(14 284)	(72 176)

3. IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS (EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2013)

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

The Board do not consider the impact of this restatement on the Group's interim results to be material as there is no effect on either profit for the period 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 interim financial results can be summarised as follows:

	As previously reported R'000	Adjustment R'000	Restated R'000
Profit for the period	13 945	–	13 945
Total assets	620 241	(472)	619 769
Total liabilities	448 507	(472)	448 035
Capital and reserves	171 734	–	171 734

	Unaudited Six months to 31 August 2014 R'000	Unaudited Six months to 31 August 2013 R'000	Audited 12 months to 28 February 2014 R'000
4. FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS			
The Group recognised the following financial liability in the statement of financial position measured at fair value using significant unobservable inputs (level 3 inputs):			
Current portion of contingent purchase considerations on acquisitions	1 151	12 452	7 046

This amount represents the present value of the remaining contingent purchase obligations arising from the acquisition of W.M. Shipping Limited (United Kingdom) ('W.M. Shipping'). The fair value of the liability is calculated as the net present value of the remaining warranty payments as set out in the agreement of sale, discounted at the weighted average cost of capital for the acquired entity calculated at 4,1%. The financial liability is revalued annually or when key indicators suggest revaluation is necessary and the reconciliation below illustrates the impact of the revaluation on profit and loss:

Financial liability at beginning of year	7 046	15 388	15 388
Fair value gain	(5 896)	(5 171)	(5 171)
Interest on present value calculation	24	232	357
Warranty payments	–	–	(6 277)
Foreign exchange (loss)/profit on translation	(23)	2 002	2 749
Financial liability at end of year	1 151	12 451	7 046

The second and final warranty period related to the acquisition of W.M. Shipping ended on 31 August 2014. Over the two warranty periods of 24 months, the Group consolidated total pre-tax profits of GBP1,362 million from W.M. Shipping versus the warranted profit before tax of GBP1,5 million. As a result the Seller did not meet certain specific warranty conditions and a fair value gain of R5,896 million, as detailed above, was realised and released to profit and loss in the current period after revaluation of the financial liability. Due to the above indications, management performed an impairment test on the cash generating unit ('CGU') which indicated that the recoverable value currently exceeded the carrying amount of the CGU. However, sensitivity testing of key variables used in the impairment test indicated a potential impairment of R3,892 million which management decided to recognise in the current period to ensure consistency with the fair value gain and impairment reported in the prior period in respect of this CGU.

There were no other material adjustments to fair values of financial instruments during the period under review.

	Unaudited Six months to 31 August 2014 R'000	Unaudited Six months to 31 August 2013 R'000	Audited 12 months to 28 February 2014 R'000
5. EARNINGS PER SHARE AND SHARE PERFORMANCE			
5.1 Reconciliation between earnings and headline earnings			
Profit attributable to equity holders of the parent	17 264	13 879	30 587
Net (profit)/loss on disposals of plant and equipment	(49)	70	94
Impairment of goodwill	3 892	3 131	3 131
Taxation effects	10	(19)	(18)
Non-controlling interests in subsidiaries	–	–	9
Headline earnings	21 117	17 061	33 803
Shares in issue	136 459	136 459	136 459
Weighted average number of shares	136 459	136 459	136 459
Diluted number of shares	138 288	137 760	138 285
Shares for net asset value calculation	136 459	136 459	136 459
5.2 Performance per ordinary share			
Headline earnings per share	15,47	12,50	24,77
Diluted headline earnings per share	15,26	12,38	24,45
Net asset value per share	154,31	125,85	145,47
Tangible net asset per share	67,09	40,33	54,66

6. EVENTS AFTER THE REPORTING PERIOD

There are no events which have taken place after the reporting period for which non-disclosure would affect the ability of the users to make proper evaluations and decisions.

CORPORATE INFORMATION

Registration number 1998/018118/06

Share code SNV

ISIN ZAE000159711

Independent non-executive directors ESC Garner (Chairman)
AD Dixon
WA Lombard
EM Ngubo

Executive directors GH Gerber (Chief Executive Officer)
DC Edley (Group Financial Director)
AL van Zyl

Company Secretary JA Lupton, FCIS

JSE sponsor River Group

Auditors Deloitte & Touche

Transfer secretaries Computershare Investor Services (Pty) Ltd

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3 Novemeber 2014

Sponsor

River Group