Santova
Logistics Ltd
(Formerly Spectrum Shipping Ltd)

ABRIDGED RESULTS
for the fourteen months ended 28 February 2007

INCOME STATEMENT

	Audited Fourteen months ended 28 February 2007 Group R'000	Audited Twelve months ended 31 December 2005 Group R'000
Turnover	77 395	31 009
Gross billings	1 451 862	552 436
Cost of billings	(1 374 467)	(521 427)
Operating income	18 788	6 629
Depreciation and amortisation	(1 709)	(927)
Net finance costs	(10 696)	(3 532)
Profit before taxation	6 383	2 170
Income tax expense	(2 330)	(787)
Profit for the period	4 053	1 383
Attributable to:		
Equity holders of the parent	4 073	1 383
Minority interests	(20)	–
Shares in issue (000's)	1 059 377	849 000
Earnings per share (cents)	0,44	0,16
Headline earnings per share (cents)	0,43	0,16
Diluted earnings per share (cents)	0,35	0,15
Net asset value per share (cents)	8,21	3,66
Net tangible asset value per share (cents)	1,11	3,62
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders	4 073	1 383
Profit on disposals of plant and equipment	(158)	(54)
Taxation effects	46	16
Headline earnings	3 961	1 345

BALANCE SHEET

	Audited 28 February 2007 Group R'000	Audited 31 December 2005 Group R'000
ASSETS		
Non-current assets	77 363	5 724
Property, plant and equipment	8 408	1 759
Intangible assets	66 136	265
Deferred taxation	2 315	2 678
Loans receivable	504	1 022
Current assets	296 028	145 369
Trade receivables	279 085	117 067
Other current assets	7 505	8 152
Cash and cash equivalents	9 438	20 150
Total assets	373 391	151 093
EQUITY AND LIABILITIES		
Capital and reserves	76 458	31 039
Share capital	149 041	107 691
Foreign currency translation reserve	(3)	–
Accumulated loss	(72 580)	(76 652)
Attributable to equity holders of the company	76 458	31 039
Minority interest	–	–
Non-current liabilities	44 462	2 397
Amounts owing to related parties	41 185	–
Interest-bearing borrowings	1 022	–
Long-term provision	2 255	2 397
Current liabilities	252 471	117 657
Current tax payable	278	–
Trade and other payables	99 518	36 468
Current portion of amounts owing to related parties	643	–
Current portion of borrowings	791	–
Financial liability	25	–
Short-term borrowings and overdraft	148 096	80 916
Short-term provisions	3 120	273
Total equity and liabilities	373 391	151 093

CASH FLOW STATEMENT

	Audited Fourteen months ended 28 February 2007 Group R'000	Audited Twelve months ended 31 December 2005 Group R'000
Cash generated by operations before working capital changes	21 355	6 387
Changes in working capital	(18 052)	(23 100)
Cash generated by/(utilised in) operating activities	3 303	(16 713)
Net finance costs	(10 696)	(3 532)
Taxation paid	(1 778)	–
Net cash flows from operating activities	(9 171)	(20 245)
Net cash outflows from investing activities	(787)	(598)
Cash outflows on acquisition of subsidiaries	(65 280)	–
Net cash flows from financing activities	(2 654)	(1 151)
Net decrease in cash and cash equivalents	(77 892)	(21 994)
Cash and cash equivalents at the beginning of the period	(60 766)	(38 772)
Cash and cash equivalents at the end of the period	(138 658)	(60 766)

COMMENTARY

The period under review is a significant one in that it constitutes a milestone as far as the achievement of the board's strategic vision for the Santova Group is concerned. Not only were the results encouraging, but we were able to make a number of acquisitions and expand organically into certain logistics-related activities, resulting in the Group's evolution into a group of companies clearly capable of supporting and sustaining that strategic vision. The culmination of these achievements and the steps taken in prior years to build the supply chain, has seen the emergence of the Group as it exists today, a truly international "end-to-end" supply chain logistics provider.

The name "Spectrum" has always been problematic for the Company as there are numerous companies by that name registered in South Africa, Hong Kong and the United States of America. The decision was therefore taken to change the name of the company to Santova Logistics Limited, a name more representative of the activities of the Group. Santova Logistics has become the holding company of the Group, with the subsidiary companies encompassing the various component parts of the supply chain.

PERFORMANCE

Whilst there are challenges that accompany a continually developing business, the period under review has been both an exciting and successful one for the Group. Notwithstanding the fact that levels of export (general goods) have diminished and the Rand/Dollar exchange rate has remained unfavourable, the quality of the Group's earnings has continued to improve through its various operational activities. A significant contributor to this trend has been the ability to "bulk" the volumes of goods now managed to achieve economies of scale and this has resulted in enhanced earnings for the Group.

ACQUISITIONS AND NEW DEVELOPMENTS

Impson Logistics (Proprietary) Limited – 24 August 2006

Acknowledging the dynamics of the present day logistics industry, which is driven by innovation, systematic acquisition, integration of capabilities and know-how, the shareholders of Impson and the then Spectrum Shipping boldly made the decision to integrate the core competencies of both organisations. Impson, a highly successful logistics business with offices throughout South Africa, brought with it the infrastructure, skills and expertise that are essential for the success of the Group in moving to the next level of the growth curve. Spectrum brought with it the vision for an expanded international supply chain logistics group with an international structure already in place and intelligent IT solutions that complemented those within Impson. The merging of the two companies has brought stability and enhanced profitability to the Group as a whole, reducing the adverse effects that seasonal trends have traditionally had on the operating results of the Group. The integration of the customs clearing and forwarding operations of the two companies on a national level has now been achieved and will operate under the name of Impson Logistics (Pty) Ltd in South Africa.

Mogal International Limited (United Kingdom) – 13 March 2007

To better manage and control the entire supply chain of clients between South Africa, Hong Kong, mainland China and the United Kingdom, the Group established a presence in the United Kingdom by acquiring 100% of the issued share capital of Mogal International Ltd. Based in West Horndon, this 30-year-old business is well positioned to service the Group's existing clients, whilst actively participating in the further development of its capability into the United Kingdom, East Asia and Africa.

Santova Logistics Limited (Hong Kong) – 6 March 2006

In view of the growing trend for global markets, and particularly South Africa, to become substantial importers of manufactured goods from mainland China, the decision was taken to establish offices in Hong Kong and mainland China. Whilst Santova Logistics Ltd (Hong Kong) is 100% held by Santova Logistics, the 15 representative offices in mainland China constitute a joint venture, through Santova Patent Logistics Co. Ltd, between Santova Logistics Ltd (Hong Kong) and Patent International Logistics (Shenzhen) Co. Ltd. Founded in 1994, Patent International is a Class A forwarding company with no less than 450 employees strategically situated in offices in most ports throughout China. The overriding benefit for our clients is that they can now seek comprehensive supply chain solutions from a single partner who has a thorough understanding of the entire supply chain.

Leading Edge Insurance Brokers (Proprietary) Limited – 11 September 2006

To complement our "one stop" value-added logistics solutions supply chain, the acquisition of Leading Edge Insurance Brokers (Pty) Ltd enables the Group to provide "in-house" rather than outsourced international insurance services. Considering the growth in the number of new clients in terms of the quantum of goods shipped and the opening of new offices in the United Kingdom, Hong Kong and China, the opportunity to leverage off this infrastructure and build a marine and general insurance business is an exciting prospect. To date, initiatives are already underway to structure and implement an international capability that will enable the Group to penetrate new offshore markets.

e-OSCI Logistics (Proprietary) Limited – 11 April 2006

Recognising the critical role that information technology plays in optimising the efficiency of the supply chain, the Group established e-OSCI Logistics (Pty) Ltd ("Optimised Supply Chain Integration") and acquired all the rights and title to OSCAR® ("Optimised Supply Chain Active Resource" suite of software packages), a registered patent-trademark, from Current Solutions CC.

This has resulted in the Group being able to provide clients with unrivalled electronic tools to manage and optimise their supply chains. This is effected through internet-based "track and trace" visual access capabilities that facilitate real-time information on shipment data, inventory controls and client-specific report generation, enabling efficient communication and control throughout the supply chain. The open architectural design of OSCAR® allows our international offices, agents and clients (the participants in the supply chain) visibility to manage the process collectively and effectively.

The business is well resourced with its own highly qualified IT and logistics specialists who focus on customising solutions to meet client needs. This ability to offer specialist IT support through staff that know and understand logistics processes places Santova in a unique position in the market.

LOOKING FORWARD

The last six months of the financial year have been extremely challenging in that the process of integrating the South African customs clearing and forwarding business (Spectrum-Impson) under Impson has placed an enormous demand on the resources and infrastructure of the Group. This has been compounded by the fact that during the same period the Group has experienced record activity levels, has acquired Leading Edge Insurance Brokers (Pty) Ltd and Mogal International Ltd (United Kingdom), and opened offices in Hong Kong. Nevertheless, despite the strain placed on resources of the Group, the systematic integration of these businesses has been more than encouraging; the process has highlighted the character and ability of our people to accommodate the change process and development synonymous with our strategy.

What was embarked upon in 2006 must now be settled down and the synergies within the broader group of companies realised. This will involve reviewing the structure, leadership and culture of our organisation in order to provide the fundamental long-term means for institutionalising the Group's strategy so that it permeates the very day-to-day life of the Group.

Fundamental to achieving and sustaining intra-organisational synergy, the Group will focus on the following going forward:

- Integrating, re-engineering and at the same time eliminating any duplication in infrastructure, systems, physical resources and work flow processes.
- Leveraging off highly skilled and experienced people, particularly the management of Impson, who will facilitate the emergence of new strategies through collective acceptance of these new ideas and exploited opportunities – thus improving the Group's competitiveness through a vastly improved learning curve.
- Improving earnings and sales stability, with a view to eliminating the seasonal instability that the Group had experienced historically between the months of January and April each year.
- Acquiring and leveraging off new markets, distribution channels and niched services, effectively supplementing the business portfolios of the businesses with best practice, fast tracking effective organic growth of the business.
- Attaining critical mass and thereby benefiting from economies of scale to improve the cost efficiency of the Group. This will apply in the main to freight volumes (sea, air, road and rail), marine insurance and warehousing facilities.

Closely aligned to the benefits of "optimised size", the "bulked" or consolidated volume of goods shipped by route will be materially enhanced, which bodes well for our South African offices and those of Hong Kong, mainland China and the United Kingdom, presenting an opportunity for serious growth and development of the international business.

Consistent with our strategy, we will continue to consider opportunities to acquire businesses that are strategic or "value enhancing" to our long-term strategy. Furthermore, there is growing evidence to suggest that whilst competition in the freight forwarding and supply chain logistics industry is intense, it is becoming increasingly difficult to compete if you are a smaller "domestic bound" service provider with limited service offerings. This will no doubt lead to further industry consolidations, thereby opening the door to new opportunities for entrepreneurial players in the industry.

FINANCIAL REVIEW

The change of year-end from December to February, to facilitate year-end formalities in a quieter period of the year, together with the emergence of additional subsidiaries at a variety of dates throughout the period, has made the comparison of our Group results with prior periods difficult to say the least. Add to this the transfer of operational business from Santova Logistics into Impson, effectively transforming Santova Logistics into a "holding company", has made the comparison of our Company results with prior periods virtually impossible. Not only have the income statement and cash flow been affected but, with the change of year-end from December to February, our balance sheet looks rather different, not only for the Group but for Santova Logistics as well. This in the main resulting from our normally high trade month December now being compared to February, a historically lower trade month. Another point to note on the year-end change is that our interim period will now be August as opposed to June each year, for which comparatives have been prepared.

With the transfer of business into Impson we have lost, for the short-term, the ability to compare vital operational statistics to prior periods, whilst we build comparable data.

Even though the effective date of the acquisitions of Impson, Leading Edge and Mogal was 1 March 2006, we have only been able to incorporate their results from the date of effective transfer of "control" as governed by IFRS and detailed in IFRS 3; in the case of Mogal, this was after the period-end. The full effect of the newly acquired subsidiaries will only be seen in the results through the coming year, with the most significant difference being the strong earnings of Impson during the first quarter of the calendar year, a historically quieter period for Santova Logistics.

The Group has evolved into a larger player in the industry, the effects of which are significantly enhanced funding requirements, which our banking facilities are more than adequate to fulfil. The Group cash and cash equivalents have moved in line with the combined trade receivables as have gross billings of the entities for the full period, as if Impson had been consolidated from 1 March 2006. Our combined trade receivables have reached R280 million, just over R165 million up on last year and this has seen a corresponding increase in cash and cash equivalents; with trade payables growing to R100 million, an increase of just over R63 million. The income statement is not as easily compared to the above as Impson was only incorporated into the Group results from 31 August 2006. An indicator of performance, the EPS, has improved strongly from 0,16 to 0,44 cents for the Group, indicating the positive effect of the earnings of the subsidiaries on the results.

The effective tax rate for the Group at 37% for 2007 is greater than the normal tax rate of 29%, due in main to the secondary tax on companies raised on dividends by Impson, authorised and paid, prior to their consolidation into the Group. Santova Logistics is still benefiting from the cash flow effects of its assessed loss position. In this regard, the board draws attention to the accumulated loss which was incurred prior to the "reverse listing" of the business in 2002. The profitable results of the business of Santova Logistics have been fully disclosed and in no way resulted in the accumulated loss as reflected in the balance sheet, at inception of the "reverse listing".

ACKNOWLEDGEMENT AND APPRECIATION

Santova's staff complement has grown from 90 to more than 280 in the last fourteen months. The character and enthusiasm that has been displayed by all staff during this period of extraordinary growth has been admirable. It is indeed an honour to be part of such a team. We would like to extend our sincere appreciation and thanks to them for being who they are and for the support and dedication that has been so freely forthcoming.

We would also like to thank our executive management for the support, guidance and unwavering passion in getting us to where we are today. It has been a challenging journey that certainly would not have been possible without the unity and commitment displayed by them as leaders of the business.

The fact that we are now an international company embarking on "unchartered territories" opens up a whole area of new and exciting opportunities for us all. It is vital that we all continue growing as individuals, whilst always striving to create and maintain an environment of enjoyment, encouragement and support to facilitate the vision of what we as one team have set out to achieve.

On a final note, our appreciation goes to our clients, suppliers, business associates and shareholders for their encouragement and support during this exciting era. Considering the prospects for the year ahead, there is no doubt that, as a team, we will grasp every opportunity with the entrepreneurial flare and tenacity that will take us to where we want to be.

ACCOUNTING POLICIES

The abridged financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

OTHER MATTERS

The annual report is expected to be released by no later than 15 June 2007 both in electronic and printed form. An audit report is available for inspection at the Company's registered office.

DIVIDENDS

In accordance with the board's desire to reinvest earnings, no dividend has been declared for the financial period.

For and on behalf of the board

S ZULU
Chairman

GH GERBER
Chief Executive Officer

20 April 2007

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
	Share capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Accumulated loss R'000	Total R'000	Minority interest R'000	Total equity R'000
Balance at 1 January 2005 brought forward	850	106 945	–	(78 035)	29 760	–	29 760
Net profit for the period	–	–	–	1 383	1 383	–	1 383
Treasury shares	(1)	(119)	–	–	(120)	–	(120)
Employee share incentive scheme	–	16	–	–	16	–	16
Balance at 31 December 2005	849	106 842	–	(76 652)	31 039	–	31 039
Net profit for the period	–	–	–	4 073	4 073	(20)	4 053
Minority interest allocated against the parent	–	–	–	(1)	(1)	1	–
Issue of share capital	222	41 916	–	–	42 138	–	42 138
Foreign currency translation adjustment	–	–	(3)	–	(3)	–	(3)
Minority interest acquired	–	–	–	–	–	19	19
Treasury shares	(12)	(830)	–	–	(842)	–	(842)
Employee share incentive scheme	–	54	–	–	54	–	54
Balance at 28 February 2007	1 059	147 982	(3)	(72 580)	76 458	–	76 458

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