Santova
Logistics Ltd

AUDITED ABRIDGED GROUP RESULTS

for the year ended 28 February 2009

GROUP INCOME STATEMENT

		28 February 2009 R'000	29 February 2008 R'000
Turnover		**118 229**	108 243
Gross billings		**1 885 240**	1 956 021
Cost of billings		**(1 767 011)**	(1 847 778)
Other income		**3 582**	3 954
Administrative expenses		**(93 573)**	(88 502)
Operating income		**28 238**	23 695
Depreciation and amortisation		**(1 963)**	(2 563)
Interest received		**3 397**	4 454
Finance costs		**(18 585)**	(17 550)
Profit before taxation		**11 087**	8 036
Income tax expense		**(3 227)**	(1 965)
Profit for the year		**7 860**	6 071
Attributable to:			
Equity holders of the parent		**7 794**	6 026
Minority interest		**66**	45
Basic earnings per share	(cents)	**0,63**	0,45
Diluted earnings per share	(cents)	**0,62**	0,45
SUPPLEMENTARY INFORMATION			
Reconciliation between earnings and headline earnings			
Profit attributable to shareholders of Santova		**7 794**	6 026
Loss/(profit) on disposals of plant and equipment		**232**	(14)
Variation of restraint of trade agreement		**(4 323)**	–
Cost of variation of restraint of trade agreement		**4 323**	–
Taxation effects		**343**	4
Headline earnings		**8 369**	6 016
Shares in issue	(000's)	**1 297 356**	1 366 788
Weighted average number of shares	(000's)	**1 235 843**	1 335 522
Diluted number of shares	(000's)	**1 257 873**	1 335 522
Shares for net asset value calculation	(000's)	**1 200 856**	1 329 990
Performance per ordinary share			
Basic headline earnings per share	(cents)	**0,68**	0,45
Diluted headline earnings per share	(cents)	**0,67**	0,45
Net asset value per share	(cents)	**6,19**	5,82
Tangible net asset per share	(cents)	**4,03**	3,64

CONDENSED GROUP CASH FLOW STATEMENT

	28 February 2009 R'000	29 February 2008 R'000
Cash generated by operations before working capital changes	**28 431**	23 570
Changes in working capital	**35 095**	8 174
Cash generated from operating activities	**63 526**	31 744
Interest received	**3 397**	4 454
Finance costs	**(18 585)**	(17 550)
Taxation paid	**(3 380)**	(1 824)
Net cash flows from operating activities	**44 958**	16 824
Net cash flows from investing activities	**(3 321)**	(2 510)
Net cash flows from financing activities	**(41 453)**	(16 407)
Net increase/(decrease) in cash and cash equivalents	**184**	(2 093)
Effects of exchange rate changes on cash and cash equivalents	**488**	30
Cash and cash equivalents at the beginning of the year	**5 910**	7 973
Cash and cash equivalents at the end of the year	**6 582**	5 910

GROUP 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	Foreign currency translation reserve R'000	Accumulated loss R'000	Total R'000	Minority interest R'000	Total equity R'000
Balances at 28 February 2007	1 123	133 160	(11)	(805)	22 928	(3)	(85 070)	71 322	–	71 322
Net profit for the year	–	–	–	–	–	–	6 026	6 026	45	6 071
Minority interest adjustment	–	–	–	–	–	–	–	–	(5)	(5)
Reversal of minority interest allocated against the parent	–	–	–	–	–	–	1	1	(1)	–
Issue of share capital	244	25 125	(25)	(2 974)	(21 643)	–	–	727	–	727
Foreign currency translation adjustment	–	–	–	–	–	44	–	44	–	44
Shares repurchased	–	–	(9)	(712)	–	–	–	(721)	–	(721)
Balances at 29 February 2008	1 367	158 285	(45)	(4 491)	1 285	41	(79 043)	77 399	39	77 438
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**7 794**	**7 794**	**66**	**7 860**
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)**
Foreign currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**488**	**–**	**488**	**–**	**488**
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**

GROUP BALANCE SHEET

	28 February 2009 R'000	29 February 2008 R'000
ASSETS		
Non-current assets	**38 876**	43 502
Plant and equipment	**8 710**	9 498
Intangible assets	**25 948**	29 029
Financial assets	**164**	–
Deferred taxation	**4 054**	4 975
Current assets	**219 717**	286 789
Trade receivables	**203 158**	263 110
Other receivables	**4 959**	13 855
Current tax receivable	**605**	–
Amounts owing from related parties	**4 413**	3 871
Financial assets	**–**	43
Cash and cash equivalents	**6 582**	5 910
Total assets	**258 593**	330 291
EQUITY AND LIABILITIES		
Capital and reserves	**74 366**	77 438
Share capital and premium	**145 112**	156 401
Foreign currency translation reserve	**529**	41
Accumulated loss	**(71 275)**	(79 043)
Attributable to equity holders of the parent	**74 366**	77 399
Minority interest	**–**	39
Non-current liabilities	**5 361**	2 658
Interest bearing borrowings	**79**	446
Financial liabilities	**3 030**	–
Long-term provision	**2 252**	2 212
Current liabilities	**178 866**	250 195
Trade and other payables	**78 294**	112 480
Current tax payable	**471**	940
Amounts owing to related parties	**156**	120
Current portion of interest bearing borrowings	**379**	772
Financial liabilities	**1 092**	–
Short-term borrowings and overdraft	**95 488**	133 330
Short-term provisions	**2 986**	2 553
Total equity and liabilities	**258 593**	330 291

GROUP SEGMENTAL ANALYSIS

GEOGRAPHICAL SEGMENTS	South Africa R'000	Far East R'000	United Kingdom R'000	Group R'000
28 February 2009				
Gross billings	**1 850 867**	**5 482**	**28 891**	**1 885 240**
Turnover (external)	**109 651**	**2 378**	**6 200**	**118 229**
Net profit/(loss) before interest and tax	**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)**
Net 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**
29 February 2008				
Gross billings	1 928 652	4 590	22 779	1 956 021
Turnover (external)	101 091	2 389	4 763	108 243
Net profit/(loss) before interest and tax	21 267	1 184	(1 319)	21 132
Interest received	4 429	17	8	4 454
Finance costs	(17 416)	(61)	(73)	(17 550)
Income tax (expense)/credit	(2 206)	(213)	454	(1 965)
Net profit/(loss) for the year	6 074	927	(930)	6 071
Segment assets	286 348	3 625	6 314	296 287
Intangible assets	28 374	–	655	29 029
Deferred taxation	4 521	–	454	4 975
Total assets	319 243	3 625	7 423	330 291
Total liabilities	244 406	2 720	5 727	252 853
Depreciation and amortisation	2 488	13	62	2 563
Capital expenditure	3 268	3	410	3 681

BUSINESS SEGMENTS	Freight forwarding and clearing R'000	Insurance R'000	Group R'000
28 February 2009			
Net profit for the year	**7 220**	**640**	**7 860**
Total assets	**256 678**	**1 915**	**258 593**
Total liabilities	**183 627**	**600**	**184 227**
29 February 2008			
Net profit for the year	5 530	541	6 071
Total assets	326 098	4 193	330 291
Total liabilities	251 775	1 078	252 853

COMMENTARY

GROUP PROFILE

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

OPERATIONAL REVIEW

Santova continued to show impressive progress despite global economic conditions which progressively deteriorated throughout the 2009 financial year. Our strategic initiatives, supported by a fundamentally sound business model and operational excellence, enabled us to achieve our goal of sustainable growth through progressive systematic development of the capabilities of the Group.

Whilst the 2008 financial year was characterised by a buoyant economy, the Group recognised at an early stage in 2008 the challenges that lay ahead and successfully managed the rapid declines in trade. Profits for the year and basic earnings per share as at 28 February 2009 were R7 793 771 (2008: R6 025 910) and 0,63 cents (2008: 0,45 cents), increases of 29,3% and 39,8% respectively. This was achieved through both operational efficiencies and organic growth of the business, which was made possible through focused integrated supply chain solutions for clients seeking greater efficiencies in the landed cost of their products.

In recent weeks and months, however, we have witnessed an economic downturn of unexpected rapidity and severity – the full extent and duration of which still remains uncertain. Fortunately, being a non-asset based supply chain logistics business, our expenses are variable and can to a large extent be adjusted according to activity levels. Since the end of January 2008, we have introduced several cost reduction measures which have been designed to hedge us against this slowdown in economic activity.

In addition to the cost reduction measures mentioned above, we are also being proactive and innovative in regard to the services offered to our existing clients. This, together with the continued pursuit of high quality new clients, will allow us to improve our overall financial performance and ultimately drive shareholder value.

South Africa – Impson Logistics (Pty) Ltd ("Impson")

Impson, our South African based supply chain logistics business, has been extremely successful in exploring ways to streamline the supply chain of clients. It has become increasingly obvious that in an environment of diminishing returns clients are more receptive to either outsourcing their logistics or turning to process definition. The latter constitutes a unique and dynamic methodology which is applied in the process of supply chain optimisation – involving a 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 Company's suite of software packages designed for this purpose, OSCAR™, continues to be an important tool in the acquisition and retention of clients and one which is being enhanced and developed on an ongoing basis.

This South African operation continues to provide a hub of development and support for the Group worldwide.

South Africa – Leading Edge Insurance Brokers (Pty) Ltd ("Leading Edge")

The insurance business of the Group has once again delivered pleasing results. This is in spite of one of the underwriters renegotiating downward the broker commission payable on a significant portion of the short-term insurance book. Had it not been for this renegotiated rate, this business for fiscal 2009 would have shown earnings growth of approximately 50,0% and not the 18,2% it actually achieved. Marine insurance revenue, which accrues to the Group and not to Leading Edge itself, has also made a significant contribution to Group earnings. The year ahead looks even more promising as the business and its people integrate and leverage off the daily operational activities and clientele of Impson.

At the end of the financial year the Company acquired the remaining 10% of the equity of Leading Edge, making it a wholly owned subsidiary.

Australia

In line with our growth strategy, we are proud to confirm that subsequent to the year end we successfully acquired McGregor Customs Pty Ltd ("McGregor"), an Australian (Sydney) registered company, specialising in customs brokerage, trade facilitation and international freight forwarding. McGregor is licensed by the Australian Customs Service and is accredited by the Australian Quarantine and Inspection Service. The company was founded in 1988 and has established a quality diverse client base, the majority of its clients having been with the company for many years.

The acquisition is a strategic one as it enables the Group to leverage off a captive client base since clients of Santova's who import from China/Hong Kong to South Africa and have a presence in Australia tend to also ship the same goods from China/Hong Kong to Australia. This represents a significant opportunity for Santova to "unlock" meaningful value for the Group in Australia, particularly with Santova having its own office in Hong Kong and representative offices in China.

Hong Kong

Santova Logistics Ltd, Hong Kong, ("Santova Hong Kong") has continued to play a vital role in leveraging off new markets, distribution channels and niche services, effectively supplementing the operations of South Africa, the United Kingdom and more recently Australia. This office, together with Santova Patent Logistics Co., Ltd, offers our global clients 20 strategically situated offices in close proximity to most ports throughout China. To a greater extent, our capability of facilitating, controlling and managing end-to-end comprehensive supply chain logistics at source – mainland China – is proving to be a valuable asset to the Group.

Santova Hong Kong offers a world class warehouse and consolidation hub facility situated alongside the Meiguan Freeway in Shenzhen, China. The facility is conveniently located, close to Yantian, Chiwan, Shekou, Huanggang – China's largest inland port – and Shenzhen international airport. The facility includes all warehouse related services which are fully integrated to OSCAR™, enabling clients real-time access to their virtual warehouse.

United Kingdom

By the second quarter in 2008, the United Kingdom ("UK") was officially in recession and the Pound Sterling had dropped by more than 30,0% against other major currencies. All sectors of the economy continue to struggle and by the end of 2009 the UK economy is expected to have contracted by 3,2%. With consumer confidence, the housing market, international trade, employment and manufacturing either at the lowest point, or dropping faster than ever previously recorded, Santova's UK operations notably underperformed for the year under review.

Initiatives have been introduced which have resulted in a significant reduction in operational costs. We should see further beneficial operational efficiency and improved earnings performance going forward, particularly as the UK operation starts to build off the client base of the other components of the Group.

Outlook for fiscal 2010

Whilst we can be proud about our progress in the financial year ended 28 February 2009, the outlook for the 2010 financial year is indeed daunting. Up until November/December 2008, South Africans had believed themselves to be relatively sheltered from the global economic crisis. However, all evidence now suggests that the downward drag of the global recession on South Africa is worse than expected.

As our then Minister of Finance Trevor Manuel pointed out in his speech on 11 February 2009, "what has started off as a financial crisis may well become a second great depression". He commented further that the International Monetary Fund has forecast global growth in 2009 down by no less than five times and highlights that whilst the USA and most of Europe are in recession, China's gross domestic product ("GDP") has fallen to its lowest level since 1990. South Africa's GDP experienced its first quarterly contraction (fourth quarter 2008) since the third quarter of 1998, and the biggest contraction since the fourth quarter of 1992, when South Africa's GDP declined by 3,5%. Furthermore, national statistics have highlighted that the year-on-year movement – January 2008 versus January 2009 – in South African National Ports activity is 28% down for Twenty-foot Equivalent Units ("TEUs") landed and 34% down for TEUs shipped.

Santova's answer to this is simple. Despite the "economic hard times", we need to be even more decisive and strategic in our decision-making and actions. This will allow us to take advantage of the downturn so that when the cycle turns, we emerge even stronger. We view the challenge as an opportunity rather than as a problem. The future is not inevitable; the future will be determined by the choices we make today.

As anticipated at the time of the release of our interim results for 31 August 2008, the effects of the recessionary environment have refocused the attention of companies on effective supply chain management. The goals of sustainable profit and growth are significant challenges in such an environment and supply chain optimisation is fundamental to achieving this end. This is supported by the fact that approximately 50% of consumer product spend is required to cover the post-manufacturing cost of goods. Furthermore, the World Bank's Logistics Performance Index, published early last year, ranked South Africa in 24th place out of 154 countries. In terms of logistics expenditure, however, South Africa ranked 124th out of 150. The need for companies to evaluate their high internal logistics costs, therefore, is an obvious opportunity for our Group, and one on which we will continue to capitalise.

Whilst we acknowledge the challenges that lie ahead, we will remain an energetic entrepreneurial business committed to capitalising on our unique culture or "Santova Spirit" – "it is because of who we are that we will navigate to achieve the impossible".

FINANCIAL REVIEW

Overview of fiscal 2009 performance

The Group's performance as reflected in this preliminary report shows that good progress was made in achieving the strategic growth objectives of the Group.

Net asset value has increased from 5,82 cents per share to 6,19 cents per share, a 6,4% increase; whilst the tangible net asset value has moved from 3,64 cents per share to 4,03 cents per share, a 10,9% increase.

The condensed Group cash flow statement includes borrowings repaid of R38,6 million, despite the increased trade undertaken by the Group during the year.

During the year, the following share movements took place:

- 8 568 981 shares issued on 30 May 2008 to the previous owners of Leading Edge;
- 57 838 186 shares repurchased from the previous owners of Impson on 23 September 2008; and
- 20 162 987 shares repurchased from the previous owners of Impson on 13 November 2008.

Of the 219 666 667 shares the shareholders of Santova Logistics agreed to repurchase at the 23 September 2008 Santova Logistics annual general meeting, as a specific authority, 78 001 173 were either exercised or repurchased during the year; 90 773 014 lapsed, as the Group pre-tax profit target of R10,8 million was achieved; and 50 892 480 remain outstanding.

Subsequent events

Subsequent to year end the Group acquired McGregors, an Australian registered company, specialising in customs brokerage, trade facilitation and international freight forwarding. The purchase consideration amounted to R12 710 001 (AUD1 930 000), consisting of 61 200 014 Santova Logistics ordinary shares (subject to profit warranties), cash in the amounts of R6 250 000 (AUD980 000) paid on 28 April 2009 and R1 564 000 (AUD230 000) paid on various dates. Shortly thereafter, on 1 May 2009, Santova Logistics Pty Ltd sold 25% of McGregors to Patent International Co., Ltd, a company registered in Hong Kong, for R3 281 000 (AUD482 500) in cash. This acquisition gives the Group a presence in Australia.

We are unable to disclose further information in relation to this acquisition, as required in terms of IFRS3, 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 29 February 2008 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 IASB that are relevant to its operations and effective as at 1 March 2008.

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, and the disclosure requirements of the JSE Listings Requirements.

AUDITED BY INDEPENDENT AUDITOR

These 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 2009 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 Limited 2009 annual report will be issued on or around 29 May 2009, 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

11 May 2009

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

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