Santova Logistics Ltd

(formerly Spectrum Shipping Ltd)
(Registration number 1998/018118/06)
(Share code: SNV ISIN: ZAE000090650)

GROUP INTERIM RESULTS

for the six months ended 31 August 2007

GROUP INCOME STATEMENT

	UNAUDITED Six months ended 31 August 2007 R'000	UNAUDITED Six months ended 31 August 2006 R'000	AUDITED 14 months ended 28 February 2007 R'000
Turnover	**54 688**	16 867	77 395
Gross billings	**924 416**	339 617	1 451 862
Cost of billings	**(869 728)**	(322 750)	(1 374 467)
Operating income	**10 437**	3 847	18 788
Depreciation	**(1 018)**	(493)	(1 709)
Net finance costs	**(6 157)**	(1 558)	(10 696)
Profit before taxation	**3 262**	1 796	6 383
Income tax expense	**(1 111)**	(488)	(2 330)
Profit for the period	**2 151**	1 308	4 053
Attributable to:			
Equity holders of the parent	**2 135**	1 308	4 073
Minority interest	**16**	–	(20)

SUPPLEMENTARY INFORMATION

Reconciliation between earnings and headline earnings			
Profit attributable to ordinary shareholders	**2 135**	1 308	4 073
Profit on sale of fixed assets	**(48)**	(35)	(158)
Taxation effects	**14**	10	46
Headline earnings	**2 101**	1 283	3 961
Shares in issue (000's)	**1 341 788**	1 118 400	1 122 682
Shares in issue (excluding treasury) (000's)	**1 278 483**	1 052 400	1 059 377
Performance per ordinary share			
Earnings per share (cents)	**0,17**	0,16	0,40*
Headline earnings per share (cents)	**0,16**	0,15	0,39*
Diluted earnings per share (cents)	**0,17**	0,16	0,40*
Diluted headline earnings per share (cents)	**0,16**	0,15	0,39*
Net asset value per share (cents)	**9,39**	8,98	9,17*
Net tangible asset value per share (cents)	**3,98**	3,79	3,77*

** Restated in terms of IAS 33.*

GROUP BALANCE SHEET

	UNAUDITED 31 August 2007 R'000	UNAUDITED 31 August 2006 R'000	AUDITED 28 February 2007 R'000
ASSETS			
Non-current assets	**79 524**	73 114	77 362
Plant and equipment	**9 686**	7 547	8 408
Goodwill	**66 386**	63 025	65 731
Other intangible assets	**418**	338	405
Loans receivable	**689**	55	503
Deferred taxation	**2 345**	2 149	2 315
Current assets	**276 839**	317 465	296 029
Trade and other receivables	**262 387**	290 154	279 085
Other current assets	**10 686**	–	7 506
Financial assets	**22**	–	–
Cash and cash equivalents	**3 744**	27 311	9 438
Total assets	**356 363**	390 579	373 391
EQUITY AND LIABILITIES			
Total equity	**120 002**	73 506	76 457
Share capital and premium	**190 413**	149 186	149 041
Accumulated loss	**(70 444)**	(75 680)	(72 580)
Foreign currency translation reserve	**18**	–	(4)
Attributable to equity holders of the company	**119 987**	73 506	76 457
Minority interest	**15**	–	–
Non-current liabilities	**3 849**	42 571	44 462
Long-term borrowings	**1 594**	2 671	1 022
Long-term provisions	**2 255**	–	2 255
Amounts owing to related parties	**–**	39 900	41 185
Current liabilities	**232 512**	274 502	252 472
Trade and other payables	**113 168**	125 004	99 518
Short-term borrowings and overdraft	**114 786**	146 892	148 097
Current tax payable	**1 002**	46	278
Current portion of long-term liabilities	**1 329**	–	1 434
Financial liability	**–**	–	25
Short-term provisions	**2 227**	2 560	3 120
Total equity and liabilities	**356 363**	390 579	373 391

GROUP CASH FLOW STATEMENT

	UNAUDITED Six months ended 31 August 2007 R'000	UNAUDITED Six months ended 31 August 2006 R'000	AUDITED 14 months ended 28 February 2007 R'000
Cash generated by operations before working capital changes	**8 913**	1 301	19 577
Movements in working capital	**26 029**	(16 731)	(18 052)
Cash generated by/(utilised in) operating activities	**34 942**	(15 430)	1 525
Net finance costs	**(6 157)**	(1 558)	(10 696)
Net cash flows from operating activities	**28 785**	(16 988)	(9 171)
Net cash flows from investing activities	**(1 065)**	(65 324)	(66 067)
Net cash flows from financing activities	**(104)**	545	(2 655)
Increase/(decrease) in cash and cash equivalents	**27 616**	(81 767)	(77 893)
Cash and cash equivalents at beginning of the period	**(138 658)**	(37 814)	(60 765)
Cash and cash equivalents at end of the period	**(111 042)**	(119 581)	(138 658)

COMMENTARY

OPERATIONAL REVIEW

Acknowledging the risks and consequential costs that accompany the integration of most acquisitions, it is encouraging to announce that the integration of the businesses acquired during 2006 has been successful. The extent of this challenge can perhaps best be conceptualised by considering the fact that the number of employees of the Group increased threefold from one year to the next as a result of these strategic acquisitions.

Whilst the performance of the Group over this period has been encouraging, it has unfortunately been contained by the South African authorities' decision to impose import restrictions (quota imports) from 28 September 2006 until 31 December 2008 for a vast array of textile and clothing products originating from China. The fact that the Group has an exposure to this industry has resulted in reduced client import activity levels from China and consequently diminished revenue streams. This factor, combined with the decision to cease trading with clients with high risk profiles, has impacted negatively on the earnings of the Group for the six months under review.

What has been impressive is the ability of Leading Edge Insurance Brokers (Pty) Ltd ("Leading Edge") to leverage off the Santova infrastructure and build a significant marine and general insurance business within a very short period of time. Year-on-year premiums collected have increased by more than 50% and there are no less than ten proposals with clients, implying substantial prospective increases in annual premium income.

The logistics business in Hong Kong has also had an extremely successful start to the year. Effectively, operational only from mid-July last year (zero-based), the business has achieved significant earnings growth in a relatively short period. This is an indication of the opportunities within this economic zone from where the Group expects to benefit significantly going forward.

In so far as the ability of the Group to truly differentiate itself is concerned, the Optimised Supply Chain Active Resource suite of software packages ("OSCAR") has been developed even further to support our client-centric approach. The success of OSCAR has been confirmed by the extremely favourable response by importers and exporters in China, Hong Kong and the United Kingdom. Considering the critical role that information technology plays in optimising the efficiency of the supply chain, the Group will continuously invest in the research and development of this aspect of our business.

FINANCIAL REVIEW

During 2006, we compiled the six-month period ended August 2006 interim results to ensure that we would have reliable comparative figures to use as a benchmark against these 2007 results. The 2006 results exclude Impson Logistics (Pty) Ltd ("Impson") and Leading Edge in the income statement, but include the take-on balance sheet of Impson as at 31 August 2006.

The margin that the Group makes off our gross billings has increased by 16,5% (net of finance costs) since the last period, which shows the results of the change of business model coming through. This will be further enhanced as other revenue streams come online during the remainder of the year.

The increase in net finance costs can be accounted for by two factors. Firstly, funding costs for certain clients were not linked to the prime interest rate. With the prime rate increasing from 11,5% to 13,5% within a relatively short period of time, the Group had to partially absorb these interest rate increases. The second factor resides in the cost of integrating the two businesses. Here the debtors book was not managed as well as it should have been and late payments by clients resulted in the Group having to absorb the overdue interest charge not recoverable from clients. Group policy has now been established to ensure that all clients' accounts are linked to prime, whilst the debtors book has now been fully integrated in "one channel" under strong management and controls.

Earnings per share and headline earnings per share are up by 6,5% and 6,9% respectively period on period, after taking the full cost of the Durban office move into account.

The cash and cash equivalents have improved strongly (7%) when one considers the growth in gross billings of 172%, which has been funded by the Group's invoice discounting facility with Nedbank. Further emphasis has been placed on all elements of debt collection within the Group ensuring that we turnaround cash promptly, reducing trade and other receivables and payables balances at period end even with the increased trade.

OUTLOOK FOR THE NEXT SIX MONTHS

In the period ahead we expect to optimise costs and service levels further, ensuring that the structure is running optimally for the new business that is to be introduced.

Now that the process of integrating the new acquisitions is behind us, the focus for the next six months will be on new business development and quality new revenue generation. Furthermore, and perhaps more importantly, the Group will now be in a position to allocate greater resources to the development of our United Kingdom and Hong Kong businesses, which are ideally placed to enhance the earnings of the Group.

BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and should be read in conjunction with the 28 February 2007 financial statements. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements for the year ended 28 February 2007, 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 2007. International Financial Reporting Standard 7, Financial Instruments: Disclosure, effective for annual periods beginning on or after 1 January 2007 will be addressed in the 2008 annual financial statements.

DIVIDENDS

In line with the company's policy, no interim dividend has been declared.

For and on behalf of the board

S Zulu – Chairman
GH Gerber – Chief Executive Officer

25 October 2007

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INDEPENDENT NON-EXECUTIVE DIRECTORS
S Zulu (Chairman), M Tembe

COMPANY SECRETARY
J A Lupton, ACIS

REGISTRATION NUMBER 1998/018118/06

SHARE CODE SNV

ISIN ZAE000090650

WEB SITE www.santova.com

GROUP 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 2006	849	106 842	–	(76 652)	31 039	–	31 039
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	–	–	(4)	–	(4)	–	(4)
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**	**(4)**	**(72 580)**	**76 457**	**–**	**76 457**
Profit for the period	**–**	**–**	**–**	**2 135**	**2 135**	**16**	**2 151**
Reversal of prior period minority interest allocated against the parent	**–**	**–**	**–**	**1**	**1**	**(1)**	**–**
Employee share incentive scheme	**–**	**49**	**–**	**–**	**49**	**–**	**49**
Foreign currency translation adjustment			**22**	**–**	**22**	**–**	**22**
Issue of share capital	**219**	**41 104**	**–**	**–**	**41 323**	**–**	**41 323**
Balance at 31 August 2007	**1 278**	**189 135**	**18**	**(70 444)**	**119 987**	**15**	**120 002**