Santova
Logistics Ltd

GROUP INTERIM RESULTS

for the six months ended 31 August 2009

STATEMENT OF COMPREHENSIVE INCOME

		6 months to 31 August 2009 Unaudited R'000	6 months to 31 August 2008 Unaudited R'000	12 months to 28 February 2009 Audited R'000
Turnover		**45 888**	61 189	118 229
Gross billings		**677 233**	972 845	1 885 240
Cost of billings		**(631 345)**	(911 656)	(1 767 011)
Other income		**1 091**	339	3 582
Administrative expenses		**(41 098)**	(47 854)	(93 573)
Operating income		**5 881**	13 674	28 238
Depreciation and amortisation		**(1 109)**	(959)	(1 963)
Interest received		**2 146**	1 870	3 397
Finance costs		**(5 247)**	(9 336)	(18 585)
Profit before taxation		**1 671**	5 249	11 087
Income expense		**(1 027)**	(1 327)	(3 227)
Profit for the period/year		**644**	3 922	7 860
Attributable to:				
Equity holders of the parent		**463**	3 920	7 794
Minority interest		**181**	2	66
Other comprehensive income				
Exchange differences from translating foreign operations		**(418)**	38	488
Total comprehensive income for the period/year		**226**	3 960	8 348
Attributable to:				
Equity holders of the parent		**45**	3 958	8 282
Minority interest		**181**	2	66
Basic earnings per share	(cents)	**0,04**	0,29	0,63
Diluted earnings per share	(cents)	**0,04**	0,29	0,62
SUPPLEMENTARY INFORMATION				
Reconciliation between earnings and headline earnings				
Profit attributable to equity holders of the parent		**463**	3 920	7 794
Loss on disposals of plant and equipment		**69**	75	232
Profit on disposal of investment		**(18)**	–	–
Finance cost of financial liability		**466**	–	–
Variation of restraint of trade agreement		**–**	–	(4 323)
Cost of variation of restraint of trade agreement		**–**	–	4 323
Taxation effects		**(150)**	(21)	343
Headline earnings		**830**	3 974	8 369
Shares in issue	(000's)	**1 347 384**	1 375 357	1 297 356
Weighted average number of shares	(000's)	**1 201 190**	1 329 990	1 235 843
Diluted number of shares	(000's)	**1 240 911**	1 329 990	1 257 873
Shares for net asset value calculation	(000's)	**1 262 056**	1 329 990	1 200 856
Performance per ordinary share				
Basic headline earnings per share	(cents)	**0,07**	0,30	0,68
Diluted headline earnings per share	(cents)	**0,07**	0,30	0,67
Net asset value per share	(cents)	**6,35**	6,12	6,19
Tangible net asset per share	(cents)	**3,67**	3,89	4,03

CONDENSED STATEMENT OF CASH FLOW

Cash generated by operations before working capital changes	**5 958**	13 875	28 431
Changes in working capital	**(191)**	(4 983)	35 095
Cash generated from operating activities	**5 767**	8 892	63 526
Interest received	**2 146**	1 870	3 397
Finance costs	**(4 782)**	(9 336)	(18 585)
Taxation paid	**(461)**	(1 364)	(3 380)
Net cash flows from operating activities	**2 670**	62	44 958
Cash flows from other investing activities	**(597)**	(1 839)	(3 321)
Cash outflows on acquisition of subsidiaries	**(5 765)**	–	–
Cash inflow from sale of investment	**2 976**	–	–
Net cash flows from investing activities	**(3 386)**	(1 839)	(3 321)
Net cash flows from financing activities	**996**	6 896	(41 453)
Net increase/(decrease) in cash and cash equivalents	**280**	5 119	184
Effects of exchange rate fluctuations on cash and cash equivalents	**(151)**	47	488
Cash and cash equivalents at beginning of the period/year	**6 582**	5 910	5 910
Cash and cash equivalents at end of the period/year	**6 711**	11 076	6 582

STATEMENT OF FINANCIAL POSITION

	31 August 2009 Unaudited R'000	31 August 2008 Unaudited R'000	28 February 2009 Audited R'000
ASSETS			
Non-current assets	**46 082**	44 199	38 876
Plant and equipment	**8 529**	9 398	8 710
Intangible assets	**33 783**	29 632	25 948
Financial assets	**164**	–	164
Deferred taxation	**3 606**	5 169	4 054
Current assets	**218 116**	302 129	219 717
Trade receivables	**199 068**	272 020	203 158
Other receivables	**7 190**	14 870	4 959
Current tax receivable	**687**	–	605
Amounts owing from related parties	**4 460**	4 163	4 413
Cash and cash equivalents	**6 711**	11 076	6 582
Total assets	**264 198**	346 328	258 593
EQUITY AND LIABILITIES			
Capital and reserves	**80 126**	81 398	74 366
Share capital and premium	**150 008**	156 401	145 112
Foreign currency translation reserve	**111**	79	529
Accumulated loss	**(70 786)**	(75 123)	(71 275)
Attributable to equity holders of the parent	**79 333**	81 357	74 366
Minority interest	**793**	41	–
Non-current liabilities	**5 627**	2 434	5 361
Interest bearing borrowings	**320**	222	79
Financial liabilities	**3 055**	–	3 030
Long-term provision	**2 252**	2 212	2 252
Current liabilities	**178 445**	262 496	178 866
Trade and other payables	**75 294**	115 589	78 294
Current tax payable	**912**	1 096	471
Amounts owing to related parties	**102**	114	156
Current portion of interest bearing borrowings	**466**	594	379
Financial liabilities	**1 538**	83	1 092
Short-term borrowings and overdraft	**97 903**	140 634	95 488
Short-term provisions	**2 230**	4 386	2 986
Total equity and liabilities	**264 198**	346 328	258 593

CONDENSED SEGMENTAL ANALYSIS

GEOGRAPHICAL SEGMENT	South Africa R'000	Australia & Hong Kong R'000	United Kingdom R'000	Group R'000
31 August 2009				
Turnover (external)	**39 160**	**5 000**	**1 728**	**45 888**
Net profit/(loss) before interest and tax	**3 946**	**1 213**	**(387)**	**4 772**
Interest received	**2 125**	**21**	**–**	**2 146**
Finance costs	**(4 802)**	**(370)**	**(75)**	**(5 247)**
Income tax expense	**(626)**	**(401)**	**–**	**(1 027)**
Net profit/(loss)	**643**	**463**	**(462)**	**644**
Segment assets	**212 309**	**12 966**	**1 534**	**226 809**
Intangible assets	**25 735**	**7 393**	**655**	**33 783**
Deferred taxation	**3 469**	**137**	**–**	**3 606**
Total assets	**241 513**	**20 496**	**2 189**	**264 198**
Total liabilities	**167 878**	**13 168**	**3 026**	**184 072**
Depreciation and amortisation	**979**	**103**	**27**	**1 109**
Capital expenditure	**1 324**	**92**	**–**	**1 416**
31 August 2008				
Turnover (external)	56 395	1 012	3 782	61 189
Net profit before interest and tax	12 508	77	130	12 715
Interest received	1 850	20	–	1 870
Finance costs	(9 113)	(29)	(194)	(9 336)
Income tax expense	(1 313)	(14)	–	(1 327)
Net profit/(loss)	3 932	54	(64)	3 922
Segment assets	306 264	3 024	2 239	311 527
Intangible assets	28 977	–	655	29 632
Deferred taxation	5 169	–	–	5 169
Total assets	340 410	3 024	2 894	346 328
Total liabilities	259 888	2 023	3 019	264 930
Depreciation and amortisation	916	8	35	959
Capital expenditure	1 382	12	7	1 401

BUSINESS SEGMENT	Freight, forwarding and clearing R'000	Insurance R'000	Group R'000
31 August 2009			
Net profit	**618**	**26**	**644**
Total assets	**262 014**	**2 184**	**264 198**
Total liabilities	**183 229**	**843**	**184 072**
31 August 2008			
Net profit	3 874	48	3 922
Total assets	344 573	1 755	346 328
Total liabilities	263 897	1 033	264 930

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 29 February 2008	1 367	158 285	(45)	(4 491)	1 285	41	(79 043)	77 399	39	77 438
Total comprehensive income	–	–	–	–	–	38	3 920	3 958	2	3 960
Issue of subscriptions awaiting allotment	8	1 277	–	–	(1 285)	–	–	–	–	–
Balances at 31 August 2008	1 375	159 562	(45)	(4 491)	–	79	(75 123)	81 357	41	81 398
Total comprehensive income	–	–	–	–	–	450	3 874	4 324	64	4 388
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)
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**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(418)**	**463**	**45**	**181**	**226**
Reversal of minority interest allocated against parent	**–**	**–**	**–**	**–**	**–**	**–**	**26**	**26**	**(26)**	**–**
Issue of share capital	**61**	**4 835**	**–**	**–**	**–**	**–**	**–**	**4 896**	**–**	**4 896**
Repurchase of shares in terms of share commitments	**(11)**	**(1 106)**	**–**	**–**	**1 117**	**–**	**–**	**–**	**–**	**–**
Minority interest acquired	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**638**	**638**
Balances at 31 August 2009	**1 347**	**155 569**	**(45)**	**(4 506)**	**(2 357)**	**111**	**(70 786)**	**79 333**	**793**	**80 126**

COMMENTARY

GROUP PROFILE

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

OPERATIONAL REVIEW

Whilst Santova showed impressive progress for the 2009 financial year, despite economic conditions deteriorating in the fourth quarter, conditions in the six months ended 31 August 2009 proved no better than the fourth quarter of fiscal 2009. South Africa's gross domestic product showed negative growth of 6,4% for the first quarter and 3,0% for the second quarter, which was evident by the significant reduction in the amount of cargo transported. The year-on-year reduction in sea freight volumes – January 2008 versus January 2009 – in South African National Ports of 28% for Twenty-foot Equivalent Units ("TEUs") landed and 34% for TEUs shipped did not improve over this six-month period and neither did airfreight nor any other modes of cargo movement. The swiftness and severity of the downturn has had a profound effect on the results of the Group. For the six months ended 31 August 2009, net earnings attributable to shareholders amounted to R462 752, compared with R3 920 490 for the same period in 2008, a decrease of 88,2%. Turnover for the six months decreased to R45 888 316 from R61 189 216 for the same period in 2008, down 25,0%.

As noted in Santova's February 2009 annual report, we predicted "economic hard times" ahead and implemented a cost reduction exercise, which resulted in a 14,1% or R6 756 234 saving in administrative expenses. It is important to note, however, that the full effect or benefit of this exercise is largely still to be experienced.

It is important to emphasise that during the period our strategy has not only been about cost reduction measures. The Group has also been successful in acquiring quality new clients through greater efficiencies in the landed cost of their products, a benefit for clients that constitutes an obvious opportunity for our Group, and one, which we will continue to capitalise on.

South Africa

Whilst the insurance business has been affected to a lesser degree, the clearing and forwarding operations in the domestic market have felt the effect more so than the offshore operations. Activity levels within the local clearing and forwarding business have been down by an approximate 25,0% for the six-month period, which has been further complicated by a strong Rand.

International

The Hong Kong and Australian offices are performing to expectation and are not experiencing the downturn as adversely as in South Africa. In fact, the Australian office is on budget and is looking to evolve into its next level of strategic development, which bodes well for the Group going forward.

In so far as the United Kingdom is concerned, the benefits from rationalisation and further investment in "front end marketing activities" has not yet matured. We are, however, still confident that the situation is being addressed and that profitability will once again be restored to this region.

FINANCIAL REVIEW

Overview of 2009 performance

In an environment where a large number of businesses are facing closure, Santova has generated a profit for the period of R644 149, resulting in earnings per share of 0,04 cent and headline earnings per share of 0,07 cent. There has been a 7,7% improvement in turnover generated from gross billings from 6,3% for the same period last year to 6,8% this period, predominantly due to diversification within the Group. Interest received increased by 14,8% due to extended repayment terms authorised for a specific client, whilst finance costs decreased by 43,8% due to reduced funding requirements and cost of borrowings.

The high effective income tax rate of 61,5% for the current period is partly due to the revised assessments of prior year taxation.

We have managed to maintain our balance sheet strength by ensuring strict compliance with our provisioning policies, specifically our doubtful debt provisioning policy. Net asset value per share increased by 3,7% to 6,35 cents, with the 5,7% decrease in tangible net asset value per share to 3,67 cents being predominantly due to the goodwill acquired in the acquisition referred to below.

With the drop in activity over the period, net cash flows from operating activities improved as expected, compared to 31 August 2008, with less funding being required. The cash generated by operations was largely utilised to fund the Australian acquisition, with a resultant minor increase in cash and cash equivalents for the period. The Group is trading well within our long and short-term financing facilities afforded to us by our respective bankers.

Acquisition of subsidiary

On 1 March 2009, the Group acquired the entire issued share capital of McGregor Customs Pty Ltd ("McGregor"), an Australian registered company specialising in customs brokerage, trade facilitation and international freight forwarding, from Coolaroo Holdings Pty Ltd. The acquisition, acquired through Santova Logistics Pty Ltd ("Santova Australia"), a wholly-owned subsidiary of the Company, registered in Australia, was concluded for a purchase consideration of AUD1 930 000 (R12 710 001). The purchase consideration consists of:

- AUD720 000 (R4 896 001) from the issue on 31 August 2009 of 61 200 014 Santova Logistics Ltd ordinary shares at 8 cents per share (subject to profit warranties);
- a payment of AUD980 000 (R6 250 000) paid on 28 April 2009;
- 23 monthly payments of AUD6 666 commencing on 31 March 2009 with a final payment of AUD6 682 on 28 February 2011 (R1 088 000); and
- a payment of AUD70 000 (R476 000) to be paid on 28 February 2010.

The fair value of the purchase consideration at the acquisition date was AUD1 906 803 (R12 397 836), computed using a discount rate of 10,5%. The fair value of the assets acquired amounted to AUD402 150 (R2 614 739), resulting in goodwill of AUD1 504 653 (R9 783 097) at acquisition.

Subsequently, on 1 May 2009, Santova Australia sold 25,0% of the issued share capital of McGregor to Patent International Co., Ltd, a company registered in Hong Kong, for AUD482 500 (R2 975 433) in cash. The net asset value of the minority interest sold amounted to AUD103 622 (R639 006).

The acquisition, together with our Hong Kong and China offices, gives the Group a strategic presence in Australia and the Far East.

Period under review

On 31 August 2009, the Company repurchased a further 11 171 520 shares from the Camilla Coleman Trust in terms of the repurchase agreement approved by shareholders on 23 September 2008 – 39 720 960 shares remain outstanding at period end. On the same date, 61 200 014 shares were issued to Coolaroo Holdings Pty Ltd, in terms of the share sale contract referred to in Acquisition of subsidiary above.

Subsequent events

There have been no material subsequent events since 31 August 2009 that have not been referred to elsewhere in this report.

OUTLOOK FOR THE NEXT SIX MONTHS

In so far as the global and South African economies are concerned, there is still a great deal of uncertainty. Whilst signs of recovery have been spoken about, it is our view that it will take some time before we feel the recovery. Our main reason for this view is that current growth appears to be stimulated by government and public spending on infrastructure, particularly that relating to the 2010 FIFA World Cup, rather than by consumer demand. Supportive of this is the 7,0% fall in retail sales year-on-year in August 2009 and the 8,5% reduction in car sales year-on-year in September 2009. The "slight" improvement of recent months being driven predominantly by restocking of inventories, which is consistent with the seasonal trend that traditionally precedes the festive season.

In view of the impact that these difficult economic times have had on not only Santova but also the industry as a whole, the strategy is to persevere with our "heightened levels of innovation", which will continue to generate greater efficiencies through streamlined workflow processes and systems. Whilst it is difficult to predict the "tenure"of this economic downturn, we will continue to be decisive in both our strategic thinking and decision making which will ensure that we remain a fundamentally strong business capable of sustainable earnings growth going forward.

BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared using accounting policies that comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"), and should be read in conjunction with the 28 February 2009 annual 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 2009 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 Interpretation Committee of the IASB that are relevant to its operations and effective as at 1 March 2009.

These Group interim results comply with International Accounting Standard 34 – Interim Financial Reporting, Schedule 4 of the South African Companies Act, 1973, and the disclosure requirements of the JSE Listings Requirements.

DIVIDENDS

In line with the Company's policy, no dividend has been declared for the period.

ACKNOWLEDGEMENTS

The board would like to express its appreciation to all management and staff for their efforts during the period.

For and on behalf of the board,

GH Gerber
Chief Executive Officer

SJ Chisholm
Group Financial Director

30 October 2009

Registration number 1998/018118/06 **Share code** SNV **ISIN** ZAE000090650 **website** www.santova.com

REGISTERED OFFICE AND POSTAL ADDRESS
Santova House, 88 Mahatma Gandhi Road, Durban, 4001; PO Box 6148, Durban, 4000

EXECUTIVE DIRECTORS
GH Gerber (CEO), SJ Chisholm (GFD), S Donner, MF Impson, GM Knight

INDEPENDENT NON-EXECUTIVE DIRECTORS
ESC Garner (Chairman), WA Lombard, M Tembe

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
70 Marshall Street, Marshalltown, 2107

COMPANY SECRETARY
JA Lupton, ACIS

DESIGNATED ADVISOR
River Group

AUDITORS
Deloitte & Touche

motiv