Santova Logistics Ltd

GROUP INTERIM RESULTS
for the six months ended 31 August 2010

STATEMENT OF COMPREHENSIVE INCOME

		Unaudited 6 months to 31 August 2010 R'000	Unaudited 6 months to 31 August 2009 R'000	Audited 12 months to 28 February 2010 R'000
Turnover		**70 759**	45 888	98 038
Gross billings		**995 487**	677 233	1 493 371
Cost of billings		**(924 728)**	(631 345)	(1 395 333)
Other income		**4 921**	1 091	1 924
Depreciation and amortisation		**(1 906)**	(1 109)	(2 669)
Administrative expenses		**(57 382)**	(41 098)	(84 875)
Operating income		**16 392**	4 772	12 418
Interest received		**1 120**	2 146	3 648
Finance costs		**(5 166)**	(5 247)	(9 213)
Profit before taxation		**12 346**	1 671	6 853
Income tax expense		**(2 758)**	(1 027)	(2 666)
Profit for the period/year		**9 588**	644	4 187
Attributable to:				
Equity holders of the parent		**9 313**	463	3 748
Minority interest		**275**	181	439
Other comprehensive income				
Exchange differences from translating foreign operations		**(954)**	(418)	619
Total comprehensive income for the period/year		**8 634**	226	4 806
Attributable to:				
Equity holders of the parent		**8 359**	45	4 367
Minority interest		**275**	181	439
Basic earnings per share	(cents)	**0,72**	0,04	0,30
Diluted earnings per share	(cents)	**0,69**	0,04	0,29
SUPPLEMENTARY INFORMATION				
Reconciliation between earnings and headline earnings				
Profit attributable to equity holders of the parent		**9 313**	463	3 748
Net loss on disposals of plant and equipment		**48**	69	67
Negative goodwill arising from purchase of subsidiary		**(3 869)**	–	–
Profit on disposal of investment		**–**	(18)	–
Finance cost of financial liability		**–**	466	–
Taxation effects		**(13)**	(150)	(19)
Headline earnings		**5 479**	830	3 796
Shares in issue	(000's)	**1 376 127**	1 347 384	1 256 049
Weighted average number of shares	(000's)	**1 301 369**	1 201 190	1 231 457
Diluted number of shares	(000's)	**1 344 193**	1 240 911	1 291 038
Shares for net asset value calculation	(000's)	**1 403 828**	1 262 056	1 216 328
Performance per ordinary share				
Basic headline earnings per share	(cents)	**0,42**	0,07	0,31
Diluted headline earnings per share	(cents)	**0,41**	0,07	0,29
Net asset value per share	(cents)	**6,73**	6,35	6,60
Tangible net asset value per share	(cents)	**2,41**	3,67	3,35

CONDENSED STATEMENT OF CASH FLOW

	Unaudited 6 months to 31 August 2010 R'000	Unaudited 6 months to 31 August 2009 R'000	Audited 12 months to 28 February 2010 R'000
Cash generated from operations before working capital changes	**14 479**	5 958	14 605
Changes in working capital	**(34 317)**	(191)	31 096
Cash (utilised)/generated from operations	**(19 838)**	5 767	45 701
Interest received	**1 120**	2 146	3 634
Finance costs	**(4 393)**	(4 782)	(8 430)
Taxation paid	**(3 047)**	(461)	(1 423)
Net cash flows from operating activities	**(26 158)**	2 670	39 482
Cash generated from other investing activities	**(514)**	(597)	(2 548)
Cash inflow/(outflows) from acquisition of subsidiaries	**1 230**	(5 765)	(8 428)
Cash inflow from disposal of investment	**–**	2 976	2 975
Net cash flows from investing activities	**716**	(3 386)	(8 001)
Net cash flows from financing activities	**39 346**	996	(34 121)
Net increase/(decrease) in cash and cash equivalents	**13 904**	280	(2 640)
Effects of exchange rate changes on cash and cash equivalents	**(806)**	(151)	380
Cash and cash equivalents at beginning of period/year	**4 322**	6 582	6 582
Cash and cash equivalents at end of period/year	**17 420**	6 711	4 322

STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2010 R'000	Unaudited 31 August 2009 R'000	Audited 28 February 2010 R'000
ASSETS			
Non-current assets	**75 481**	46 082	52 297
Plant and equipment	**9 172**	8 529	8 942
Intangible assets	**60 749**	33 783	39 527
Financial asset	**578**	164	579
Deferred taxation	**4 982**	3 606	3 249
Current assets	**320 042**	218 116	188 465
Trade receivables	**284 593**	199 068	176 576
Other receivables	**17 632**	7 190	6 911
Current tax receivable	**207**	687	622
Amounts owing from related parties	**190**	4 460	34
Cash and cash equivalents	**17 420**	6 711	4 322
Total assets	**395 523**	264 198	240 762
EQUITY AND LIABILITIES			
Capital and reserves	**94 536**	80 126	80 277
Share capital and premium	**151 204**	150 008	145 579
Contingency reserve	**154**	–	132
Foreign currency translation reserve	**194**	111	1 148
Accumulated loss	**(58 342)**	(70 786)	(67 633)
Attributable to equity holders of the parent	**93 210**	79 333	79 226
Minority interest	**1 326**	793	1 051
Non-current liabilities	**6 693**	5 627	6 772
Interest-bearing borrowings	**508**	320	416
Long-term provision	**2 136**	2 252	2 136
Financial liabilities	**4 034**	3 055	4 206
Deferred taxation	**15**	–	14
Current liabilities	**294 294**	178 445	153 713
Trade and other payables	**152 684**	75 294	84 458
Current tax payable	**3 054**	912	796
Amounts owing to related parties	**77**	102	97
Current portion of interest-bearing borrowings	**94**	466	321
Financial liability	**6 009**	1 538	3 485
Short-term borrowings and overdraft	**126 529**	97 903	62 591
Short-term provisions	**5 847**	2 230	1 965
Total equity and liabilities	**395 523**	264 198	240 762

CONDENSED SEGMENTAL ANALYSIS

GEOGRAPHICAL SEGMENTS	South Africa R'000	Hong Kong R'000	Australia R'000	Europe* R'000	Group R'000
31 August 2010					
Turnover (external)	**60 876**	**1 285**	**5 449**	**3 149**	**70 759**
Operating income/(loss)	**14 503**	**272**	**1 438**	**179**	**16 392**
Interest received	**1 088**	**21**	**11**	**–**	**1 120**
Finance costs	**(4 997)**	**–**	**(35)**	**(134)**	**(5 166)**
Income tax expense	**(2 248)**	**(61)**	**(449)**	**–**	**(2 758)**
Net profit/(loss)	**8 346**	**232**	**965**	**45**	**9 588**
Segment assets	**308 797**	**4 977**	**11 836**	**4 182**	**329 792**
Intangible assets	**60 247**	**–**	**497**	**5**	**60 749**
Deferred taxation	**4 577**	**–**	**405**	**–**	**4 982**
Total assets	**373 621**	**4 977**	**12 738**	**4 187**	**395 523**
Total liabilities	**284 515**	**2 925**	**7 464**	**6 083**	**300 987**
Depreciation and amortisation	**1 523**	**8**	**338**	**37**	**1 906**
Capital expenditure	**560**	**42**	**228**	**78**	**908**
31 August 2009					
Turnover (external)	39 160	1 134	3 866	1 728	45 888
Operating income/(loss)	3 946	257	956	(387)	4 772
Interest received	2 125	8	13	–	2 146
Finance costs	(4 802)	–	(370)	(75)	(5 247)
Income tax expense	(626)	(33)	(368)	–	(1 027)
Net profit/(loss)	643	232	231	(462)	644
Segment assets	204 261	2 743	17 616	2 189	226 809
Intangible assets	33 783	–	–	–	33 783
Deferred taxation	3 469	–	137	–	3 606
Total assets	241 513	2 743	17 753	2 189	264 198
Total liabilities	167 878	1 133	12 035	3 026	184 072
Depreciation and amortisation	979	11	92	27	1 109
Capital expenditure	1 324	20	72	–	1 416

BUSINESS SEGMENTS	Freight forwarding and clearing R'000	Insurance R'000	Group R'000
31 August 2010			
Net profit	**9 375**	**213**	**9 588**
Total assets	**390 640**	**4 883**	**395 523**
Total liabilities	**298 658**	**2 329**	**300 987**
31 August 2009			
Net profit	618	26	644
Total assets	262 014	2 184	264 198
Total liabilities	183 229	843	184 072

** Includes the Netherlands and United Kingdom*

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	Other reserves 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 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 arising from 25,0% sale of subsidiary	–	–	–	–	–	–	–	–	–	638	638
Balances at 31 August 2009	1 347	155 569	(45)	(4 506)	(2 357)	–	111	(70 786)	79 333	793	80 126
Total comprehensive income	–	–	–	–	–	–	1 037	3 285	4 322	258	4 580
Transfer of contingency reserve	–	–	–	–	–	132	–	(132)	–	–	–
Repurchase of unallocated shares in Share Trust	(45)	(4 506)	45	4 506	–	–	–	–	–	–	–
Repurchase of shares previously allocated to beneficiaries in Share Trust	(46)	(4 383)	–	–	–	–	–	–	(4 429)	–	(4 429)
Balances at 28 February 2010	**1 256**	**146 680**	**–**	**–**	**(2 357)**	**132**	**1 148**	**(67 633)**	**79 226**	**1 051**	**80 277**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(954)**	**9 313**	**8 359**	**275**	**8 634**
Transfer of contingency reserve	**–**	**–**	**–**	**–**	**–**	**22**	**–**	**(22)**	**–**	**–**	**–**
Share commitments arising on acquisition of subsidiary	**–**	**–**	**–**	**–**	**5 625**	**–**	**–**	**–**	**5 625**	**–**	**5 625**
Issue of shares in terms of share commitments	**131**	**3 806**	**–**	**–**	**(3 937)**	**–**	**–**	**–**	**–**	**–**	**–**
Repurchase of shares in terms of share commitments	**(11)**	**(1 106)**	**–**	**–**	**1 117**	**–**	**–**	**–**	**–**	**–**	**–**
Balances at 31 August 2010	**1 376**	**149 380**	**–**	**–**	**448**	**154**	**194**	**(58 342)**	**93 210**	**1 326**	**94 536**

COMMENTARY

GROUP PROFILE

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

OPERATIONAL REVIEW

Santova has effectively managed and capitalised on what are considered difficult economic times for the industry as a whole – internationally. The decisiveness with which our strategic principles have been effectively institutionalised during this difficult period has resulted in an impressive performance by the Group. This performance is despite the strength of the Rand, which has had a material effect by limiting the true potential earnings of the Group during the period under review. What has been encouraging is that all offices and business units internationally have contributed to this impressive performance.

In comparison to the first six month period of the previous financial year, headline earnings per share have increased from 0,07 to 0,42 cent per share, an increase of 509,3%. Furthermore, what is significant is the substantial improvement in the trading margin (operating income over turnover) of the Group which has increased from 10,4% to 23,2%, an increase of 122,7%. Improving the trading margins of the Group has been and still is a strategic focal point for the Group going forward. The improved performance is consistent with our strategy and has been achieved through organic growth, strategic acquisition and improved operational efficiencies within the Group.

Insofar as organic growth is concerned, the Group has effectively embraced the slow-growth economic environment and focused on supply chain solutions that effectively result in the ultimate enhancement of the competitive advantage of our client base. Our unique suite of supply chain technology software and systems ("OSCAR") have enabled our clients to better manage the supply chain on a real-time basis, consequently ensuring greater efficiencies, synchronisation and improved cash flows. Hence the tendency for the market to embrace such services has been more prevalent, thereby assisting the Group in its endeavours to acquire new clients and business. In essence, companies are opting to be better placed to realise the measureable value of an effective end-to-end supply chain logistics model.

Another contributing factor with regard to the improved results is undoubtedly the fact that trading conditions have been considerably better in recent months than they were for the same period last year, and this has resulted in greater levels of activity and improved revenues.

The acquisition of Aviocean (Pty) Ltd ("Aviocean"), effective 1 March 2010, has contributed significantly to the performance of the Group over this period. Aviocean is a highly successful logistics business and brings with it the infrastructure, skills and expertise that have assisted the Group in developing its business further.

The operational efficiencies within the Group have been significantly advanced. There has been effective integration, re-engineering and at the same time the elimination of any duplication in infrastructure, systems, physical resources and workflow processes. In fact, the very nature of OSCAR's open architectural design has allowed our international offices, agents and clients the visibility needed to manage the process collectively and effectively. The ability of these systems to generate reports and analyse workflow processes and output has also enabled participants in the supply chain to immediately identify and address any inefficiencies that may prevail, allowing the synergies within the broader group of companies to be realised.

Finally, the benefits of economies of scale as a result of an increase in critical mass have also improved the cost efficiency of the Group. This applies particularly to freight volumes (sea, air, road and rail), marine insurance and warehousing facilities. By expediting the collaboration between business units and throughout the Group, the Group's growth and profitability has certainly been fast-tracked.

FINANCIAL REVIEW

Overview of 2010 performance

Santova has generated a profit for the period of R9 587 885, resulting in earnings per share of 0,72 cent and headline earnings per share of 0,42 cent, despite the difficult trading environment.

Operationally, excluding the negative goodwill from the Aviocean acquisition, there has been an improvement in operating income of 162,4%, due in the main to the 54,2% increase in turnover, improved efficiencies in controlling our expenses and greater buying power. This has resulted in a movement of net margin (profit before taxation over turnover) from 3,6% to 12,0%, a 228,9% improvement on the last period. Profit for the period, excluding negative goodwill, amounts to R5 719 392 up from last period's R644 149, a 787,9% improvement. The low effective income tax rate of 22,3% for the current period is largely due to the negative goodwill figure recognised in our profits from the acquisition of subsidiary referred to below, which is an IFRS3 adjustment and not subject to taxation.

We have managed to maintain our balance sheet strength through these difficult times by ensuring strict compliance with our provisioning policies, specifically our doubtful debt provisioning policy. Net asset value per share increased by 6,1% to 6,73 cents, with the 34,5% decrease in tangible net asset value per share to 2,41 cents, predominantly due to the goodwill acquired in the Aviocean acquisition referred to below.

With the increase in trading activity, compared to 31 August 2009, one can see the resultant increase in cash utilisation by our operations over this period. The cash utilised by operations during this period was sourced from our various invoice discounting facilities and profits retained by the Group, with a resultant 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 2010, the Group acquired the entire issued share capital of Aviocean, a South African registered company specialising in customs brokerage, trade facilitation and international freight forwarding and clearing. The acquisition was concluded for a purchase consideration of R20 625 000. The purchase consideration consists of R10 500 000 cash paid on 19 May 2010; R3 937 500 from the issue of 131 250 000 Santova Logistics ordinary shares on 9 June 2010; contingent considerations of R2 000 000 in cash and R750 000 from the issue of 25 000 000 Santova Logistics ordinary shares on achieving the first profit warranty at the end of the 28 February 2011 financial year; and contingent considerations of R2 500 000 in cash and R937 500 from the issue of 31 250 000 Santova Logistics ordinary shares on achieving the second profit warrant at the end of the 28 February 2012 financial year.

The fair value of the purchase consideration at the acquisition date was R19 952 529, computed using a discount rate of 9,5%. The fair value of the assets acquired amounted to R23 821 022, resulting in negative goodwill of R3 868 493 at acquisition. The acquisition gives the Group a greater presence in Gauteng, South Africa.

Period under review

On 31 August 2010, 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; 28 549 440 shares remain outstanding at period end. On 9 June 2010, 131 250 000 shares were issued in terms of the share sale contract referred to in the acquisition of subsidiary above.

Subsequent events

There have been no material subsequent events since 31 August 2010 that have not been referred to elsewhere in this report.

OUTLOOK FOR THE NEXT SIX MONTHS

Whilst we appreciate our progress and remain cognisant of the uncertain economic climate that prevails, we are confident of sustainable growth and profitability going forward. We believe this will be achieved through an intense continued focus on our core competencies and strategic initiatives that to date have ensured such progress.

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 2010 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 2010 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 2010.

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

23 November 2010

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

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