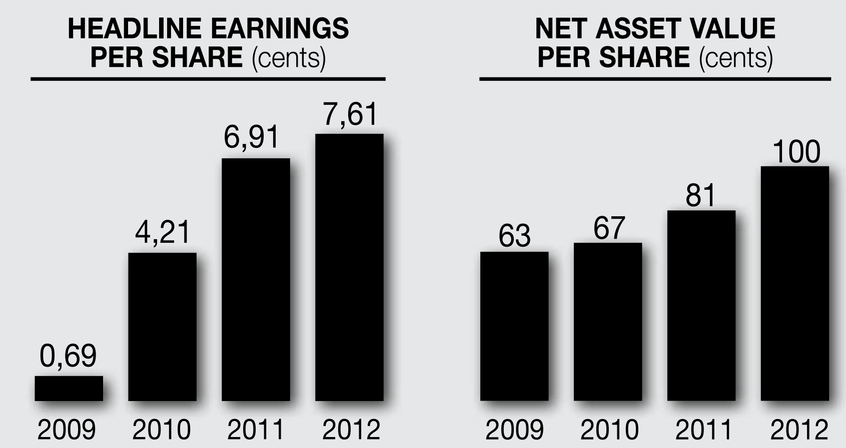
Santova Limited

GROUP INTERIM RESULTS
for the six months ended 31 August 2012

- ↑ 18,2% increase in basic earnings per share
- ↑ 43,6% increase in tangible net asset value per share
- ↑ 486,5% increase in net operating cash inflows to R50,9 million



CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 August 2012 R'000	Unaudited 6 months to 31 August 2011 R'000	Audited 12 months to 29 February 2012 R'000
Gross billings	**1 199 379**	1 144 366	2 605 858
Turnover	**80 322**	81 330	167 107
Other income	**3 751**	1 399	3 910
Depreciation and amortisation	**(1 551)**	(1 953)	(3 776)
Administrative expenses	**(63 802)**	(62 987)	(127 816)
Operating profit	**18 720**	17 789	39 425
Interest received	**683**	595	1 328
Finance costs	**(4 191)**	(4 918)	(10 690)
Profit before taxation	**15 212**	13 466	30 063
Income tax expense	**(3 914)**	(3 746)	(7 564)
Profit for the period/year	**11 298**	9 720	22 499
Attributable to:			
Equity holders of the parent	**11 124**	9 639	22 079
Minority interest	**174**	81	420
Other comprehensive income			
Exchange differences arising from translation of foreign operations	**1 684**	887	2 179
Total comprehensive income	**12 982**	10 607	24 678
Attributable to:			
Equity holders of the parent	**12 635**	10 427	24 011
Minority interest	**347**	180	667
Basic earnings per share (cents)	**8,12**	6,87	15,82
Diluted basic earnings per share (cents)	**8,12**	6,87	15,82

SUPPLEMENTARY INFORMATION

	Unaudited 6 months to 31 August 2012 R'000	Unaudited 6 months to 31 August 2011 R'000	Audited 12 months to 29 February 2012 R'000
Reconciliation between earnings and headline earnings			
Profit attributable to equity holders of the parent	**11 124**	9 639	22 079
Net loss on disposals of plant and equipment	**20**	85	314
Impairment of loan	**–**	–	41
Derecognition of financial liability	**(713)**	–	–
Taxation effects	**(6)**	(24)	(91)
Minority interest	**–**	–	(25)
Headline earnings	**10 425**	9 700	22 318
Shares in issue (000's)	**136 459**	137 258	134 277
Weighted average number of shares (000's)	**136 987**	140 383	139 547
Diluted number of shares (000's)	**136 987**	140 383	139 547
Shares for net asset value calculation (000's)	**136 459**	140 383	134 277
Performance per ordinary share			
Headline earnings per share (cents)	**7,61**	6,91	15,99
Diluted headline earnings per share (cents)	**7,61**	6,91	15,99
Net asset value per share (cents)	**100,16**	81,22	92,12
Tangible net asset per share (cents)	**55,44**	38,61	47,17

CONDENSED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 August 2012 R'000	Unaudited 6 months to 31 August 2011 R'000	Audited 12 months to 29 February 2012 R'000
Profit before taxation	**15 212**	13 466	30 063
Adjustments for non-cash flow items	**4 191**	6 178	13 420
Changes in working capital	**36 799**	(4 419)	(45 456)
Interest received	**683**	595	1 328
Finance costs	**(4 156)**	(4 093)	(10 319)
Taxation paid	**(1 783)**	(3 041)	(7 918)
Net cash flows from operating activities	**50 946**	8 686	(18 882)
Cash outflows from the acquisition of subsidiaries	**(2 502)**	(2 620)	(2 426)
Cash utilised in other investing activities	**(1 114)**	(1 725)	(3 224)
Net cash flows from investing activities	**(3 616)**	(4 345)	(5 650)
Net cash flows from financing activities	**(35 226)**	(11 697)	19 735
Net increase/(decrease) in cash and cash equivalents	**12 104**	(7 356)	(4 797)
Effects of exchange rate changes on cash and cash equivalents	**799**	403	935
Cash and cash equivalents at beginning of period/year	**9 626**	13 488	13 488
Cash and cash equivalents at end of period/year	**22 529**	6 535	9 626

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited 31 August 2012 R'000	Unaudited 31 August 2011 R'000	Audited 29 February 2012 R'000
Capital and reserves:			
Balance at beginning of period/year	**123 699**	103 415	103 415
Total comprehensive income	**12 982**	10 607	24 678
Issue of shares in terms of share commitments	**(3)**	–	–
Repurchase of shares in terms of odd-lot and specific offer	**–**	–	(281)
Share commitments arising on grant of put options	**–**	–	(3 642)
Recognition of costs directly related to share buybacks in equity	**–**	–	(471)
Balance at end of period/year	**136 678**	114 022	123 699
Comprising:			
Stated capital	**145 192**	148 652	145 200
Share commitments	**–**	2 552	(5)
Contingency reserve	**–**	189	210
Foreign currency translation reserve	**4 511**	1 856	3 000
Accumulated loss	**(15 719)**	(41 087)	(27 053)
Attributable to equity holders of the parent	**133 984**	112 162	121 352
Minority interest	**2 694**	1 860	2 347
Capital and reserves	**136 678**	114 022	123 699

CONDENSED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2012 R'000	Unaudited 31 August 2011 R'000	Audited 29 February 2012 R'000
ASSETS			
Non-current assets	**72 508**	71 676	73 171
Plant and equipment	**8 080**	8 641	8 365
Intangible assets	**61 028**	59 817	60 356
Financial asset	**625**	552	522
Deferred taxation	**2 775**	2 666	3 928
Current assets	**361 016**	334 835	345 208
Trade receivables	**332 050**	311 004	320 311
Other receivables	**4 804**	16 043	11 046
Current tax receivable	**510**	676	304
Amounts owing from related parties	**797**	577	761
Cash and cash equivalents	**22 855**	6 535	12 786
Total assets	**433 524**	406 511	418 379
EQUITY AND LIABILITIES			
Capital and reserves	**136 678**	114 022	123 699
Non-current liabilities	**4 922**	3 081	5 023
Interest-bearing borrowings	**1 648**	217	164
Long-term provision	**1 976**	2 013	1 976
Financial liabilities	**1 280**	850	2 882
Deferred taxation	**18**	1	1
Current liabilities	**291 924**	289 408	289 657
Trade and other payables	**184 429**	177 666	139 002
Current tax payable	**1 421**	421	253
Current portion of interest-bearing borrowings	**354**	175	157
Amounts owing to related parties	**240**	142	246
Financial liabilities	**–**	3 548	2 596
Short-term borrowings and overdraft	**99 460**	100 241	138 252
Short-term provisions	**6 020**	7 215	9 151
Total equity and liabilities	**433 524**	406 511	418 379

CONDENSED SEGMENTAL ANALYSIS

	South Africa R'000	Foreign Operations R'000	Group R'000
GEOGRAPHICAL SEGMENT			
31 August 2012			
Turnover	**63 917**	**16 405**	**80 322**
Operating income	**15 776**	**2 944**	**18 720**
Profit for the period	**9 157**	**2 141**	**11 298**
Total assets	**399 070**	**34 454**	**433 524**
Total liabilities	**274 980**	**21 866**	**296 846**
Depreciation and amortisation	**1 345**	**206**	**1 551**
Finance costs	**4 055**	**136**	**4 191**
31 August 2011			
Turnover	68 864	12 466	81 330
Operating income	16 195	1 594	17 789
Profit for the period	8 732	988	9 720
Total assets	374 581	31 930	406 511
Total liabilities	268 281	24 208	292 489
Depreciation and amortisation	1 496	457	1 953
Finance costs	4 727	191	4 918

	Logistics Services R'000	Insurance R'000	Group R'000
BUSINESS SEGMENT			
31 August 2012			
Profit for the period	**9 880**	**1 418**	**11 298**
Total assets	**430 368**	**3 156**	**433 524**
Total liabilities	**295 561**	**1 285**	**296 846**
31 August 2011			
Profit for the period	9 608	112	9 720
Total assets	403 270	3 241	406 511
Total liabilities	290 935	1 554	292 489

COMMENTARY

GROUP PROFILE

The Santova Group provides sophisticated integrated logistics solutions for clients worldwide, operating from offices throughout South Africa and internationally in Australia, Netherlands, United Kingdom and Hong Kong.

The Group's business strategy is to assume responsibility for the entire supply chain function from supplier to point of consumption and it does so through a highly client centric approach; by providing clients with detailed supply chain analysis and offering virtual supply chain management through the use of OSCAR, a unique logistics software solution developed by the Group. OSCAR interfaces directly with client systems providing real-time information, electronic documentation, process automation and business intelligence tools.

OPERATIONAL REVIEW

In the context of South Africa, and the world in general, exhibiting signs of either negligible or negative levels of growth, the Group has made good progress.

The fragile economic conditions in Europe and the slowdown in Asia have reverberated elsewhere in the world. Following the relatively timid pace set in the second half of 2011, trade flows in the first six months of 2012 have remained sluggish. This is further supported by the World Bank's Global Economic Prospects (GEP) 2012 report which has revised the GDP for developed nations downwards to 1,4% in 2012 from a previous estimate of 2,7%, with the Eurozone in particular contracting to minus 0,3%.

In spite of this, Santova's offshore operations have achieved impressive earnings growth of 117% year-on-year. This growth has been predominantly driven by sound organic growth through new business development in both the United Kingdom and the Eurozone. We believe that these operations are well set to continue on their path to becoming more significant contributors to Group profits going forward.

The Group's South African operations have also performed well; this is in spite of lower commodity (mining) volumes shipped and the substantially reduced trade volumes of certain clients that were previously meaningful contributors to Group revenue. Furthermore, considering the fact that approximately one third of South Africa's trade is with the Eurozone, a lacklustre growth/demand both internationally and domestically has not made matters easy for the Group over the first six months of this financial year.

GROUP FINANCIAL REVIEW

For the six months to 31 August 2012, Santova achieved basic earnings per share of 8,12 cents and headline earnings per share of 7,61 cents, an increase of 18,2% and 10,1% respectively over the same period last year.

This result is a positive performance, particularly in light of the following:

- Trade volumes in South Africa, from where the Group traditionally generates the majority of its profits, were heavily impacted by the weakening of the Rand;
- Weak trading conditions in local and international markets; and
- Lower operating margins as a result of continued pressure from under-pricing by competitors.

The impact of these factors resulted in growth of Group gross billings of only 4,8% for the period and a decrease in Group turnover for the period of 1,2%.

The primary contributors to this solid Group earnings growth despite the constrained South African revenue growth were:

- Stronger revenue growth and improved profitability in the Group's foreign subsidiaries, primarily in the United Kingdom, as they continue to grow and mature;
- A strong control of overhead costs resulting in an increase of only 1,2% in administrative expenses, which had the effect of improving the Group's operating margin from 21,9% to 23,3% period on period;
- A 164% growth in other income from the derecognition of the financial liability in Santova Financial Services, improved foreign exchange margins and increases in various cost recoveries;
- Reduced finance costs as a result of the Group having been cash flow positive during the period, combined with a lowering of the prime interest rate in South Africa; and
- A slight improvement in the effective tax rate from 27,8% to 25,7%.

The effect of this consistent earnings growth continues to strengthen the Group's balance sheet and to increase the value of ordinary shareholders' interest. This is primarily evidenced by the 23,3% increase in net asset value per share to 100,16 cents, and the 43,6% increase in tangible net asset value per share to 55,44 cents.

The overall structure of the Group's balance sheet and the level of debt remain consistent with the current trading levels and comparable to that of prior periods. This is demonstrated by the Group's major asset, being its trade debtors, having grown 6,8% in value period on period, which is consistent with the 4,8% increase in Group billings and the current ratio which remains consistent at 1,76 versus 1,74 in the prior period.

On a positive note the Group generated net cash of R12,1 million in the period versus net outflows reported in the prior period and prior financial year end. This is reflective of the improved profitability in the foreign subsidiaries increasing cash on hand and the softer billings growth, which translated into a lower funding requirement for trade debtors.

SUBSEQUENT EVENTS

The following corporate events have occurred or been announced between the financial period end and the date of this report:

- On 31 August 2012, the Company issued a cautionary announcement to shareholders in respect of negotiations, which if successful could have a material effect on the share price. These negotiations are on-going and the Company issued a renewal of the cautionary announcement to shareholders on 12 October 2012.
- The Company announced an internal reorganisation on 11 October 2012, whereby its two South African logistics trading entities, namely Santova Logistics SA (Pty) Limited and Impson Logistics (Pty) Limited, would be merged into one operational entity. The rationale for this reorganisation is to improve operational efficiencies and service delivery to clients. The reorganisation will be effected by means of Impson Logistics (Pty) Limited acquiring the assets, liabilities and staff of Santova Logistics SA (Pty) Limited on a going concern basis, at net book value.
- In line with this restructure, the name of Impson Logistics (Pty) Limited has been formally changed to Santova Logistics (Pty) Limited, so as to strengthen the Santova brand and create one consistent name in the Group throughout its local and foreign offices.

OUTLOOK FOR THE NEXT SIX MONTHS

Whilst the six-month outlook for the key components of trade activity both globally and in South Africa point towards a fragile economy, we believe that we are well placed as a business to engage and work through any challenges that may confront us.

Significant progress is expected to be achieved on expanding and integrating the South African logistics operations into one operating unit so that efficiencies and resultant effectiveness can be capitalised upon. This strategic integration, including the name change of "Impson Logistics" to "Santova Logistics", is an acknowledgement of the size, strength, and diversity of the entire Santova Group, making "Santova" the cornerstone of our branding worldwide.

BASIS OF PREPARATION

The unaudited condensed Group interim results for the six months ended 31 August 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), AC 500 standards as issued by the Accounting Practices Board and the information required by International Accounting Standard 34: Interim Financial Reporting. The Group's accounting policies comply fully with IFRS; the Companies Act, No 71 of 2008, as amended; and the Listings Requirements of the JSE Limited, and are consistent with those applied in the annual financial statements for the year ended 29 February 2012.

DIVIDENDS

Following the Annual General Meeting on 24 July 2012, the Board announced a change to the Company's dividend policy, whereby it will commence paying dividends.

The new dividend policy will come into effect in respect of the 2013 financial year. The Board will continue to review the appropriateness of the dividend policy and it may be amended from time to time.

APPRECIATION

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

For and on behalf of the Board

GH Gerber — *Chief Executive Officer*

DC Edley — *Group Financial Director*

30 October 2012

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REGISTRATION NUMBER 1998/018118/06 **SHARE CODE** SNV **ISIN** ZAE000159711

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NON-EXECUTIVE DIRECTORS ESC Garner *(Chairman)**, AD Dixon*, WA Lombard*, S Donner **Independent*

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COMPANY SECRETARY JA Lupton, FCIS

JSE SPONSOR River Group

AUDITORS Deloitte & Touche

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