

# SNV | 2019

## Preliminary Audited Results and Dividend Announcement

FOR THE YEAR ENDED  
28 FEBRUARY 2019




INNOVATIVE SOLUTIONS • ENDLESS POSSIBILITIES

SANTOVA LIMITED  
("Santova" or "the Company")  
(Registration Number 1998/018118/06)  
Share Code: SNV  
ISIN: ZAE000159711

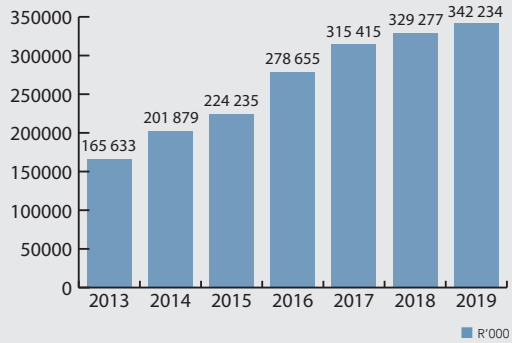
# Santova Preliminary Audited Results

## 2019 Group Highlights


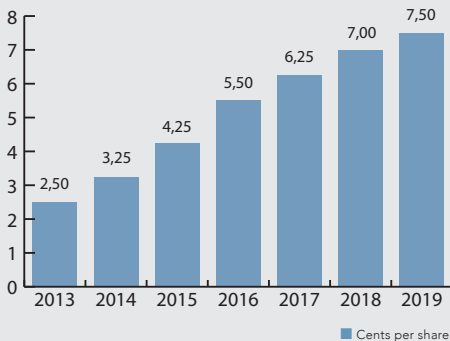
### REVENUE



3,94%



### DIVIDEND



7,14%

# 2019 Santova Preliminary Results Commentary

## HIGHLIGHTS

During the 2019 financial year the Group encountered one of the most challenging trading environments since the global financial crises of 2007 to 2008. Economic conditions in key regions in which the Group operates had an impact on trade volumes which in turn negatively impacted on billings growth and revenue margins. As a result, the Group experienced a decline in profitability across key regions which in turn translated into a 14,2% decrease in the Groups profit for the year from R71,3 million in 2018 to R61,1 million in 2019. The Group's strategy of diversification across geographical regions has historically provided a buffer against the impact of unforeseen economic conditions in individual regions, however in the current year the difficult economic environments experienced across key regions simultaneously was unprecedented.

## FINANCIAL PERFORMANCE

The Group's basic earnings per share and headline earnings per share both declined 14,8% during the 2019 financial year from 44,87 cents per share to 38,21 cents and from 44,84 cents per share to 38,21 cents, respectively.

The primary factor that caused this decline in profitability is the growth in overhead expenses exceeding the growth in revenue:

- ▶ Revenue grew 3,9% from R329,3 million in 2018 to R342,2 million in 2019 as a result of the 2,4% increase in Group billings and an improvement in the billing/revenue margin from 8,0% in 2018 to 8,1% in 2019;
- ▶ The two acquisitions concluded during the course of the year contributed to this growth and the improved margins. However, overall billings were significantly impacted by the 2,2% decline in billings in South Africa as a result of economic pressure on trade volumes. South Africa is the Group's largest regional contributor to billings as it is required to fund Customs VAT and Duties on behalf of clients;
- ▶ Overhead expenses grew 9,9%, however, excluding the impact of acquisitions, like for like overhead expenses increased by 3,9% which is consistent with the average inflationary levels across the various regions the Group operates in.

Other factors that had an impact on Group results included:

- ▶ A 20,5% decline in other income from R14,4 million in 2018 to R11,4 million in 2019, as a result of lower levels of rebates received from credit underwriters; and
- ▶ The positive impact of the effective tax rate declining from 24,9% in 2018 to 24,2% in 2019, as the Group continues its international diversification into regions with lower corporate income tax rates than in South Africa.

# 2019 Santova Preliminary Results Commentary

Continued

## REGIONAL PERFORMANCE

On a regional basis, the key financial highlights include:

- ▶ In South Africa, which continues to be the Group's largest single regional contributor, the following observations can be made:
  - The ongoing subdued growth, lower consumer spending and lower levels of business confidence generally, resulted in trade and shipment volumes declining by on average 12% which in turn saw billings decline from R2,706 billion in 2018 to R2,647 billion in 2019;
  - This was counteracted by a slightly improved billings/revenue margin which increased from 5,1% in 2018 to 5,3% in 2019, as a result of the relatively stable Rand over the period and improved freight 'buy rates', with the net result being a very modest growth in revenue of 1,8% in 2019; and
  - The result of the above when combined with a 6,9% inflationary increase in overhead expenses, is that profit for the year declined by 15,3%.
- ▶ Whilst in the other two key logistics regions of the United Kingdom and Europe, the opposite effect emerged in like on like performance. Excluding the impact of the acquisitions, both regions managed to achieve growth in billings but due to economic and currency pressures plus regional pricing competition, they could not maintain margins and as a result all three saw a decline in revenue; and
- ▶ On the positive side, billings in the United Kingdom and the Netherlands grew by 5,1% and 2,1%, respectively. This was despite the loss of a significant client in the Netherlands and was achieved through the take on of a significant number of new smaller, more diverse customers.

## FINANCIAL POSITION

The Group's overall financial position was primarily impacted by three factors during the course of the year:

- ▶ The acquisition and consolidation of ASM Logistics (S) Pte Limited and SAI Logistics Limited which resulted in an increase across most major line items, resulting from the take on of 'at acquisition' balances, the debt and financial liabilities related to the financing of these transactions;
- ▶ The weakening of closing South Africa Rand exchange rate to the British Pound by 14,3% and to the Euro by 11,0%. Both of which caused significant currency translation gains and an increase across most line items; and

The ongoing profitability of the Group which saw total Capital and Reserves increase 20,7% to in excess of R500 million for the first time and the total assets to grow 7,5% to in excess of R1 billion.

## CASH FLOWS

Net cash generated from operations decreased by R47,6 million from R67,8 million in 2018 to R20,2 million in 2019. This is primarily due to three factors:

- › A R24,4 million outflow as a result of working capital changes of which R16,1 million is directly attributable to timing difference on payment of Customs Duties for one client in Santova Germany who is an importer of exclusive watches;
- › A R6,7 million non-cash flow fluctuation on the revaluation of financial assets and liabilities principally the Group's Cell Captive and a profit share on a property, offset by a cash dividend received from the Cell Captive in the previous financial year; and
- › The 15,1% or R14,3 million decline in profit before tax.

These working capital movements are once again indicative of the sensitivity of the Group's Cash Flow Statement to immaterial movement in its trade receivables, as the numerical formula for cash flow movements is the difference between opening and closing year end balances and is therefore:

- › Highly sensitive to variations in revenue in the last month of the financial year; and
- › Not reflective of the actual trading conditions experienced during the course of the year.

## LOOKING FORWARD

Whilst the outlook for the South African economy for the year ahead is relatively "flat" to "slightly optimistic", we are confident that the Group will continue to build on its growth strategy which is founded on growing organically and through strategic geographic acquisitions. In so far as the challenges of 2019 is concerned, we are of the opinion that the Group will 're-instate' its traditional growth curve going forward. However, we believe it prudent to highlight that whilst confident of the performance of our offshore offices, South Africa remains both a concern and a challenge for the year ahead. For the coming year, our focus will be predominantly concerned with the express services, the rapid growth of the Intra-Asia economies and finally, the application of technological automation.

# Summarised Consolidated Statement of Financial Position

as at 28 February 2019

	Notes	2019 R'000	2018 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>294 780</b>	<b>213 995</b>
Property, plant and equipment		27 638	20 379
Intangible assets	5	253 344	181 411
Financial assets	6	7 574	4 366
Deferred taxation		6 224	7 839
<b>Current assets</b>		<b>742 197</b>	<b>750 381</b>
Trade receivables		607 663	579 376
Other receivables		43 935	62 142
Current tax receivable		735	492
Financial assets	6	63	-
Cash and cash equivalents		89 801	108 371
<b>Total assets</b>		<b>1 036 977</b>	<b>964 376</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>		<b>502 257</b>	<b>416 172</b>
Stated capital		220 996	219 514
Treasury shares		(3 197)	(3 197)
Equity compensation reserve		6 976	6 246
Property revaluation reserve		36	36
Foreign currency translation reserve		14 130	(19 827)
Accumulated profit		263 229	213 344
Attributable to equity holders of the parent		502 170	416 116
Non-controlling interest		87	56
<b>Non-current liabilities</b>		<b>53 958</b>	<b>22 323</b>
Interest-bearing borrowings		30 379	21 039
Long-term provision		1 158	1 284
Financial liabilities	6	21 982	-
Deferred taxation		439	-
<b>Current liabilities</b>		<b>480 762</b>	<b>525 881</b>
Trade and other payables		187 850	202 320
Current tax payable		3 366	7 246
Current portion of interest-bearing borrowings		18 561	15 561
Amounts owing to related parties		261	220
Financial liabilities	6	13 200	17 350
Short-term borrowings and overdrafts		245 559	265 097
Short-term provisions		11 965	18 087
<b>Total equity and liabilities</b>		<b>1 036 977</b>	<b>964 376</b>

# Summarised Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 28 February 2019

	Notes	2019 R'000	2018 R'000
<b>GROSS BILLINGS</b>	3	<b>4 220 581</b>	4 123 540
<b>Revenue</b>	3	<b>324 130</b>	311 354
<b>Net interest income</b>	3	<b>18 104</b>	17 923
Interest and financing fee income		35 280	39 831
Interest and financing fee expenses		(17 176)	(21 908)
<b>Revenue and net interest income</b>	3	<b>342 234</b>	329 277
Other income		11 418	14 362
Depreciation and amortisation		(4 191)	(3 355)
Administrative expenses		(263 317)	(239 628)
<b>Operating profit</b>		<b>86 144</b>	100 656
Interest received	7	202	279
Finance costs	8	(5 726)	(5 998)
<b>Profit before taxation</b>		<b>80 620</b>	94 937
Income tax		(19 506)	(23 670)
<b>Profit for the year</b>		<b>61 114</b>	71 267
Attributable to:			
Equity holders of the parent		61 094	71 252
Non-controlling interests		20	15
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
- Exchange differences arising from translation of foreign operations		33 975	(3 933)
- Net actuarial loss on remeasurement of post-retirement medical aid benefit liability		(7)	-
- Gain on revaluation of property		-	36
<b>Total comprehensive income</b>		<b>95 082</b>	67 370
Attributable to:			
Equity holders of the parent		95 051	67 362
Non-controlling interests		31	8
Basic earnings per share (cents)	4	<b>38,21</b>	44,87
Diluted earnings per share (cents)	4	<b>37,39</b>	43,89
Dividends per share (cents)		<b>7,50</b>	7,00

# Summarised Consolidated Statement of Changes in Equity

for the year ended 28 February 2019

	Stated capital R'000	Treasury Shares R'000	Equity comp- ensation reserve R'000	Property revaluation reserve R'000	Foreign currency translation reserve R'000	Accumulated profit R'000	Total R'000	Non- controlling interest R'000	Total equity R'000
<b>Balances at 28 February 2017</b>	<b>214 625</b>	<b>(1 631)</b>	<b>5 185</b>	<b>-</b>	<b>(15 901)</b>	<b>156 117</b>	<b>358 395</b>	<b>7 172</b>	<b>365 567</b>
Total profit and loss	-	-	-	-	-	71 252	71 252	15	71 267
Other comprehensive income	-	-	-	36	(3 926)	-	(3 890)	(8)	(3 898)
Share-based equity reserve charged to profit and loss	-	-	1 620	-	-	-	1 620	-	1 620
Treasury shares acquired	-	(1 534)	-	-	-	-	(1 534)	-	(1 534)
Shares issued under share option scheme	1 118	-	(559)	-	-	-	559	-	559
Shares acquired from scrip dividend	-	(32)	-	-	-	-	(32)	-	(32)
Transfer of equity compensation reserve	-	-	-	-	-	-	-	-	-
Costs to issue securities	(70)	-	-	-	-	-	(70)	-	(70)
Dividends paid to shareholders	3 841	-	-	-	-	(9 876)	(6 035)	-	(6 035)
Minority interest acquired	-	-	-	-	-	(4 149)	(4 149)	(7 123)	(11 272)
<b>Balances at 28 February 2018</b>	<b>219 514</b>	<b>(3 197)</b>	<b>6 246</b>	<b>36</b>	<b>(19 827)</b>	<b>213 344</b>	<b>416 116</b>	<b>56</b>	<b>416 172</b>
<b>Total profit and loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61 094</b>	<b>61 094</b>	<b>20</b>	<b>61 114</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33 957</b>	<b>(7)</b>	<b>33 950</b>	<b>11</b>	<b>33 961</b>
<b>Share-based equity reserve charged to profit and loss</b>	<b>-</b>	<b>-</b>	<b>1 475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 475</b>	<b>-</b>	<b>1 475</b>
<b>Shares issued under share option scheme</b>	<b>1 490</b>	<b>-</b>	<b>(745)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>745</b>	<b>-</b>	<b>745</b>
<b>Costs to issue securities</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(8)</b>
<b>Dividends paid to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11 202)</b>	<b>(11 202)</b>	<b>-</b>	<b>(11 202)</b>
<b>Balances at 28 February 2019</b>	<b>220 996</b>	<b>(3 197)</b>	<b>6 976</b>	<b>36</b>	<b>14 130</b>	<b>263 229</b>	<b>502 170</b>	<b>87</b>	<b>502 257</b>



# Summarised Consolidated Statement of Cash Flows

for the year ended 28 February 2019

	2019 R'000	Restated 2018* R'000
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	47 755	92 139
Interest received	202	279
Finance costs	(5 726)	(5 300)
Taxation paid	(22 021)	(19 358)
<b>Net cash flows from operating activities</b>	<b>20 210</b>	<b>67 760</b>
<b>INVESTING ACTIVITIES</b>		
Plant and equipment acquired	(3 637)	(4 876)
Intangible assets acquired and developed	(2 092)	(3 523)
Proceeds on disposals of plant and equipment and intangible assets	483	425
Settlement of acquired contingent purchase consideration	(17 380)	-
Net cash flows on acquisition of subsidiary	(23 889)	-
<b>Net cash flows from investing activities</b>	<b>(46 515)</b>	<b>(7 974)</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings raised/(repaid)	11 090	(20 744)
Issue of shares for cash	737	489
Purchase of treasury shares	-	(1 566)
Increase/(decrease) in amounts owing to related parties	41	(26)
Dividends paid	(11 202)	(6 036)
Net cash flows on acquisition of minority interest	-	(11 271)
<b>Net cash flows from financing activities</b>	<b>666</b>	<b>(27 883)</b>
Net (decrease)/increase in cash and cash equivalents	(25 639)	20 632
Difference arising on translation	7 069	(4 033)
Cash and cash equivalents at beginning of year	108 371	91 772
<b>Cash and cash equivalents at end of year</b>	<b>89 801</b>	<b>108 371</b>

## Restatement

\* The cash flows from financing activities in the prior period have been restated to include the R11,271 million cash outflow on acquisition of a minority interest, which had previously been incorrectly disclosed in investing activities. This material prior period error has been corrected in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and was identified during the JSE Proactive Monitoring review of the Group's 2018 Annual Financial Statements. The restatement has had no impact on the net increase in cash and cash equivalents nor on of any other previously released financial statements or earning figures.

# Consolidated Segmental Analysis

for the year ended 28 February 2019

	Logistics Services R'000	Financial Services R'000	Head Office R'000	GROUP R'000
<b>BUSINESS SEGMENTS</b>				
<b>28 February 2019</b>				
Gross billings	4 360 960	9 931	31 614	4 402 505
External	4 211 106	9 125	350	4 220 581
Internal	149 854	806	31 264	181 924
Revenue and net interest income	333 108	9 931	(805)	342 234
Depreciation and amortisation	(3 730)	(71)	(390)	(4 191)
Operating profit	80 990	4 155	999	86 144
Interest received	383	790	(971)	202
Finance costs	(1 115)	(3)	(4 608)	(5 726)
Income tax expense	(18 004)	(720)	(782)	(19 506)
Profit for the year	62 254	4 222	(5 362)	61 114
Total assets	940 077	17 595	79 305	1 036 977
Total liabilities	559 594	850	(25 724)	534 720
<b>28 February 2018</b>				
Gross billings	4 257 920	9 861	31 735	4 299 516
External	4 114 201	8 906	433	4 123 540
Internal	143 719	955	31 302	175 976
Revenue and net interest income	320 524	9 861	(1 108)	329 277
Depreciation and amortisation	(2 894)	(69)	(392)	(3 355)
Operating profit	97 183	3 727	(254)	100 656
Interest received	264	946	(931)	279
Finance costs	(1 564)	-	(4 434)	(5 998)
Income tax expense	(22 392)	(935)	(343)	(23 670)
Profit for the year	73 491	3 738	(5 962)	71 267
Total assets	870 188	15 267	78 921	964 376
Total liabilities	543 362	1 043	3 799	548 204

	LOGISTICS SERVICES				
	Africa R'000	Asia Pacific R'000	United Kingdom R'000	Europe R'000	TOTAL R'000
<b>GEOGRAPHICAL SEGMENTS</b>					
<b>28 February 2019</b>					
Gross billings - external	2 509 488	255 344	791 517	654 757	4 211 106
Revenue and net interest income	141 445	35 460	82 016	74 187	333 108
Operating profit	35 741	13 287	12 851	19 111	80 990
Profit for the year	26 438	11 082	10 201	14 533	62 254
Total assets	533 605	73 437	239 853	93 182	940 077
Total liabilities	340 677	26 225	135 243	57 449	559 594
<b>28 February 2018</b>					
Gross billings - external	2 573 865	227 627	697 759	614 950	4 114 201
Revenue and net interest income	138 937	31 635	76 453	73 499	320 524
Operating profit	41 586	12 888	16 935	25 774	97 183
Profit for the year	29 799	10 599	13 668	19 425	73 491
Total assets	564 348	48 041	175 981	81 818	870 188
Total liabilities	400 514	17 671	71 495	53 682	543 362

# Notes to the Summarised Consolidated Financial Statements

for the year ended 28 February 2019

## 1. BASIS OF PREPARATION

The audited summarised consolidated financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and as a minimum, contains the information required by IAS 34: Interim Financial Reporting and comply with the Listing Requirements of the JSE Limited and the Companies Act of South Africa, 2008.

The full consolidated annual financial statements from which these summarised consolidated financial statements were derived are available on request from the Group's registered office.

These summarised consolidated financial statements and the full consolidated annual financial statements have been prepared under the supervision of D C Edley, CA(SA) and were approved by the board of directors on 15 May 2019.

## 2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the full consolidated financial statements from which the audited summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those of the previous full consolidated financial statements except for the adoption of the new IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers.

The group adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers with a date of initial application of 1 March 2018. As a result, the group has changed its accounting policy for revenue recognition and financial instruments. The group has elected not to restate comparative information in terms of the modified retrospective approach and therefore the comparative information has not been restated and is reported under the previous standards

	2019 R'000	2018 R'000
<b>3. REVENUE</b>		
<b>Gross billings</b>	<b>4 220 581</b>	4 123 540
Less: recoverable disbursements	<b>(3 878 347)</b>	(3 794 263)
<b>Revenue and net interest income</b>	<b>342 234</b>	329 277
Revenue from the provision of services comprises:	<b>324 130</b>	311 354
Logistics services	<b>314 784</b>	302 601
Insurance commission and management fees	<b>9 125</b>	8 907
Other revenue	<b>221</b>	(154)
Net interest income from the provision of credit facilities comprises:	<b>18 104</b>	17 923
Interest and financing fee income	<b>35 280</b>	39 831
Interest and financing fee expenses	<b>(17 176)</b>	(21 908)
<b>Revenue and net interest income</b>	<b>342 234</b>	329 277

The implementation of IFRS 15 has not had any material impact on the amount or timing of revenue recognition. The Group has applied the modified retrospective approach to the adoption of IFRS 15 and as a result, there has been no restatement of the comparative information.

The notes to the full consolidated annual financial statements provide further detail on nature, amount and timing of revenue.

# Notes to the Summarised Consolidated Financial Statements Continued

for the year ended 28 February 2019

## 4. EARNINGS PER SHARE

		2019	2018
Basic earnings per share	(cents)	38,21	44,87
Headline earnings per share	(cents)	38,21	44,84
Diluted earnings per share	(cents)	37,39	43,89
Diluted headline earnings per share	(cents)	37,38	43,89

	Profit on ordinary activities R'000	Taxation effect R'000	Minority interest R'000	Net effect R'000
<b>Reconciliation between basic, headline and normalised headline earnings:</b>				
<b>February 2019</b>				
Profit for the year	80 620	(19 506)	(20)	61 094
<i>Adjusted for:</i>				-
– Loss on disposals of plant and equipment	(5)	1	-	(4)
Headline earnings	80 615	(19 505)	(20)	61 090
<b>February 2018</b>				
Profit for the year	94 937	(23 670)	(15)	71 252
<i>Adjusted for:</i>				-
– Loss on disposals of plant and equipment	(72)	37	-	(35)
Headline earnings	94 865	(23 633)	(15)	71 217

	2019 Shares 000's	2018 Shares 000's
<b>Numbers of shares on which calculations are based:</b>		
Shares in issue at end of year	161 361	160 228
Weighted Average Number of Ordinary Shares ("WANOS") at end of year*	159 877	158 814
Diluted WANOS at end of year	163 394	162 334
<b>Reconciliation of WANOS to Diluted WANOS:</b>		
Weighted Average Number of Ordinary Shares ("WANOS") at end of year*	159 877	158 814
Effect of unexercised Share Options	3 517	3 520
Diluted WANOS at end of year	163 394	162 334

\* The group holds 996 726 (2018: 996 726) treasury shares via a subsidiary which have been excluded from the Weighted Average Number of Ordinary Shares ("WANOS") calculations.

## 5. INTANGIBLE ASSETS

	2019 R'000	2018 R'000
<b>Goodwill Movement</b>		
Carrying value at beginning of year	173 449	173 656
Amounts recognised from acquisitions of subsidiaries <sup>1</sup>	52 117	-
Translation gain/(loss)	18 195	(207)
Carrying value at end of year	243 761	173 449
Carrying value of computer software and indefinite useful life intangible assets	9 583	7 962
<b>Total intangible assets</b>	<b>253 344</b>	<b>181 411</b>

### <sup>1</sup> Business Combinations

During the financial year, the Group acquired two subsidiaries in order to further expand its global footprint. The purchase price, net assets acquired and goodwill recognised as a result of these transactions is set out in the table below:

Acquiree	Net Assets Acquired R'000	Goodwill R'000	Total Purchase Consideration R'000
ASM Logistics (S) Pte Limited (Singapore)	3 598	9 981	13 579
SAI Logistics Limited (United Kingdom)	9 917	42 136	52 053
	13 515	52 117	65 632

# Notes to the Summarised Consolidated Financial Statements Continued

for the year ended 28 February 2019

## 6. FINANCIAL ASSETS/(LIABILITIES)

	Level	2019 R'000	2018 R'000
<b>Financial assets</b>			
<b>Non-current financial assets</b>			
Future profit share on rental agreement <sup>1</sup>	2	3 502	1 992
Investment in cell captive <sup>2</sup>	2	4 072	2 374
		<b>7 574</b>	<b>4 366</b>
<b>Current financial assets</b>			
Forward exchange contracts	1	63	-
		<b>63</b>	<b>-</b>
<b>Financial liabilities</b>			
<b>Non-current financial liabilities</b>			
Contingent purchase considerations on acquisitions <sup>3</sup>	3	(35 182)	(17 287)
Forward exchange contracts	1	-	(63)
<b>Less: current portion included in current liabilities</b>			
Contingent purchase considerations on acquisitions <sup>3</sup>	3	13 200	17 287
Forward exchange contracts	1	-	63
		<b>(21 982)</b>	<b>-</b>
<b>Current financial liabilities</b>			
Current portion of contingent purchase considerations on acquisitions	3	(13 200)	(17 287)
Forward exchange contracts	1	-	(63)
		<b>(13 200)</b>	<b>(17 350)</b>



## 6. FAIR VALUE DISCLOSURE FOR FINANCIAL INSTRUMENTS Continued

### Hierarchy for fair value measurement

Fair value determination:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

There were no transfers between the fair value hierarchy levels during the year.

<sup>1</sup> Santova Logistics (South Africa) entered into a profit-sharing agreement with the landlord of the Durban premises on inception of the lease in 2007. This agreement gives Santova Logistics (South Africa) a specified portion of the actual or deemed profit should the building be sold or vacated. The inputs used to determine the fair value of the profit-share are as follows:

Current net market rental (including parking bays)	R130 per m <sup>2</sup>
Capitalisation rate (on an occupied basis)	10,75 %

<sup>2</sup> This represents the fair value of the investment by Santova Logistics (South Africa) in a cell captive administered by Guardrisk, recognised as a financial asset with changes in fair value being recognised in profit or loss for the year. The fair value of the cell captive is determined by the net asset value that represents fair value.

<sup>3</sup> This represents the present value of the remaining contingent purchase obligations arising from acquisitions during the current financial period. The fair value of the liabilities has been calculated as the net present value of the warranty payments, which management reasonably expect to be achieved, as set out in the agreements of sale, discounted at the weighted average cost of capital for the acquired entities. The financial liability can be reconciled as follows:

	2019 R'000	2018 R'000
Financial liability at beginning of year	17 287	15 093
Financial liability raised on acquisition of ASM Logistics (S) Pte Limited	5 015	-
Financial liability raised on acquisition of SAI Logistics Limited	28 638	-
Interest on present value calculation	967	697
Foreign exchange loss on translation	323	57
Foreign exchange loss on translation recognised in Foreign Currency Translation Reserve	239	-
Fair value loss on financial liability	-	1 440
Payments made during the year	(17 287)	-
Financial liability at end of year	35 182	17 287

# Notes to the Summarised Consolidated Financial Statements Continued

for the year ended 28 February 2019

## 6. FAIR VALUE DISCLOSURE FOR FINANCIAL INSTRUMENTS Continued

The contingent purchase obligations relate to the following acquisitions that were successfully completed during the previous financial year:

<b>Acquiring company</b>	<b>Target company</b>	<b>Discount rate used</b>
Santova International Holdings (Pty) Ltd	ASM Logistics (S) Pte Limited	7,2%
Tradeway Shipping Ltd	SAI Logistics Limited	6,3%

*Management have assessed the sensitivity of the level 3 fair value measurement to changes in unobservable inputs and do not believe that such reasonably expected changes would materially affect the fair value.*

*Management have assessed the degree of classification of the liabilities within level 3 and are satisfied that the classification above is appropriate due to the fact that these liabilities are measured using the same methods and thus do not have varying degrees of uncertainty or subjectivity.*

## 7. INTEREST RECEIVED

	2019 R'000	2018 R'000
Interest received from third parties	202	279
<b>As per Statement of Comprehensive Income</b>	<b>202</b>	<b>279</b>
Interest and financing fee income in Note 3 (Revenue)	35 280	39 831
<b>Total interest income</b>	<b>35 482</b>	<b>40 110</b>

## 8. FINANCE COSTS

Financial liabilities (refer note 6)	967	697
Interest-bearing borrowings	4 650	5 246
Other interest paid	110	55
<b>As per Statement of Comprehensive Income</b>	<b>5 726</b>	<b>5 998</b>
Interest and financing fee expenses included in Note 3 (Revenue)	17 176	21 908
<b>Total interest expense</b>	<b>22 902</b>	<b>27 906</b>

## 9. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end it was announced that, Santova had concluded an agreement for the acquisition of 100% of the issued share capital of MLG Maritime Cargo Logistics GmbH (Germany) for an amount of €1,919,040 with effect 1st March 2019. The acquisition is still subject to certain suspensive conditions and is expected to formally complete by the end of May 2019.

## 10. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of directors on 15 May 2019.

## 11. AUDIT OPINION

These summarised consolidated financial statements for the year ended 28 February 2019 have been audited by Moore Stephens, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the full consolidated financial statements for the year ended 28 February 2019 from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and the auditor's report on the full consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports. Moore Stephens has not audited future financial performance and expectations expressed by management included in the commentary in the summarised consolidated financial statements and accordingly do not express an opinion thereon. The auditor's report does not necessarily report on all of the information contained in the summarised consolidated financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

# Dividend Declaration

Notice is hereby given that the directors have declared a gross dividend of 7,50 cents (2018: 7,00 cents) per ordinary share, payable in cash out of income reserves for the year ended 28 February 2019 to ordinary shareholders.

The dividend has been declared out of income reserves as defined in the Income Tax Act. Where applicable, the dividend will be subject to South African dividends withholding tax at a rate of 20% which will result in a net dividend of 6 cents per share payable to those shareholders who are not exempt from paying dividends withholding tax.

The number of ordinary shares in issue as at the date of this declaration is 161,361,045 and the company's tax reference number is 9077274844.

**The salient dates relating to the payment of the dividend are as follows:**

Declaration Date publication	Wednesday, 15 May 2019
Last day to trade cum dividend	Tuesday, 25 June 2019
Shares trade ex-entitlement	Wednesday, 26 June 2019
Record date for the dividend	Friday, 28 June 2019
Payment date for dividend	Monday, 1 July 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 June 2019 and Friday, 28 June 2019, both dates inclusive.

By order of the Board

**J Lupton**

Company Secretary

15 May 2019

# Corporate Information

## **SANTOVA LIMITED**

### **Country of incorporation**

Republic of South Africa

### **Registration number**

1998/018118/06

### **Share code**

SNV

### **ISIN**

ZAE000159711

## **NATURE OF BUSINESS**

International logistics solutions provider

## **DIRECTORS**

### **Independent Non-Executive Directors**

WA Lombard (Chairman)

ESC Garner

AD Dixon

EM Ngubo

### **Executive Directors**

GH Gerber (Chief Executive Officer)

DC Edley (Group Financial Director)

AL van Zyl

## **COMPANY SECRETARY**

JA Lupton, FCIS

Highway Corporate Services (Pty) Ltd

PO Box 1319, Hillcrest, 3650

## **JSE SPONSOR**

River Group

Unit 2, 211 Kloof Street, Waterkloof, Pretoria  
0145

## **GROUP AUDITOR**

### **Moore Stephens**

50 Oxford Road, Parktown, Johannesburg, 2193

## **SHARE REGISTRAR**

### **Computershare Investor Services (Pty) Ltd**

PO Box 61051, Marshalltown, 2107

## **INVESTOR RELATIONS**

### **Contact Persons**

GH Gerber (Chief Executive Officer)

DC Edley (Group Financial Director)

### **Email Address**

investor@santova.com

### **Contact number**

+27 31 521 0160

## **SANTOVA HEAD OFFICE AND REGISTERED OFFICE**

### **Physical address**

53 Richefond Circle, Umhlanga Ridge, 4319

### **Postal address**

PO Box 6148, Durban, 4000

### **Registered Office**

Santova House, 88 Mahatma Gandhi Road,  
Durban, 4000

### **Contact number**

+27 31 374 7000

## **CORPORATE BANKERS**

Nedbank Limited

PO Box 1144, Sandown, 2196



# Notes

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INNOVATIVE SOLUTIONS • ENDLESS POSSIBILITIES

## A Specialist Provider of Innovative Global Trade Solutions.

- › Santova's diversification in terms of geographies, currencies, industries, products and services enables it to manage a global network of interconnected activities for multinational organisations from origin to point-of-consumption.
- › This diversification also enables it to hedge against unexpected 'regional risks' whilst at the same time allowing it to capitalise on opportunities that may present themselves globally.

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