SNV | 2019

Unaudited Group Interim Results

for the six months ended
31 August 2019

Santova

INNOVATIVE SOLUTIONS • ENDLESS POSSIBILITIES

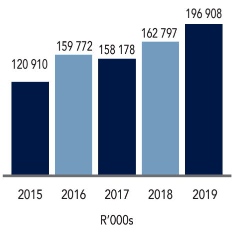
SANTOVA LIMITED
("Santova" or "the Company")
(Registration Number 1998/018118/06)
Share Code: SNV
ISIN: ZAE000159711

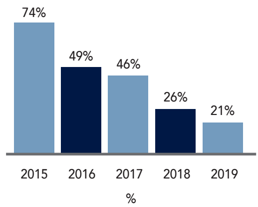
2019 Santova Group Interim Highlights

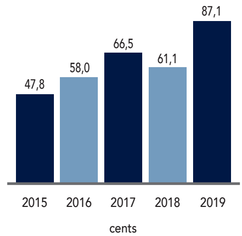
REVENUE INCREASED BY
21,0% ↑

DEBT TO EQUITY IMPROVED TO
21,0%

OFFSHORE PROFITS INCREASED TO
87,1% ↑







		2019 August	2018 August	% Movement
Gross billings	(R'000)	**2 041 889**	1 952 718	4,6
Revenue	(R'000)	**196 908**	162 797	21,0
Profit before tax	(R'000)	**36 584**	44 316	(17,4)
Billings margin	(%)	**9,6**	8,3	1,3
Headline earnings	(R'000)	**29 259**	33 740	(13,3)
Operating margin	(%)	**21,2**	27,2	(6,0)
Percentage offshore earnings	(%)	**87,1**	61,1	26,0
Basic earnings per share	(cents)	**18,31**	21,16	(13,5)
Headline earnings per share	(cents)	**18,31**	21,13	(13,3)
Total assets	(R'000)	**1 108 135**	960 323	15,4
Capital and reserves	(R'000)	**517 755**	485 563	6,6
Cash generated from operations	(R'000)	**49 388**	11 351	335,1
Cash and cash equivalents	(R'000)	**114 865**	77 664	47,9
Debt to equity ratio	(%)	**21,0**	25,5	(4,5)
Net asset value per share	(cents)	**320,87**	301,53	6,4
Tangible net asset value per share	(cents)	**147,58**	167,60	(11,9)

2019 Santova Interim Results Commentary

for the six months ended 31 August 2019

Overview

In the first 6 months of the current financial year, the profit for the period generated by the Santova Group declined by 13.3% to R29.3 million, compared to R33.8 million in the prior comparative period. This translated into a 13.3% decrease in headline earnings per share to 18.31 cents, compared to 21.13 cents in the prior comparative period.

This decline in earnings is a direct result of the impact of the challenging economic environment currently being experienced in South Africa. With South Africa being the Group's largest contributor to overall profitability, the significantly reduced client trade volumes in the country have had an impact on the consolidated earnings of the Group.

However, this has in turn been offset by improved operational performances in certain of the Group's existing offshore regions plus a meaningful contribution to profit from the two recent offshore acquisitions of ASM Logistics (Singapore) and SAI Logistics (United Kingdom), both of which were concluded during the 2019 financial year, and are now included in the results for the full period under review.

Regional Performances

South African Operations

In South Africa the economy continues to experience a decline in business confidence leading to lower levels of economic activity and GDP growth, subdued consumer consumption and less foreign direct investment as credit ratings have been revised downwards.

As a result, the South African logistics sector experienced a decline in shipping volumes of approximately 15% as clients experienced reduced trade resulting from the reduction in consumer demand. This in turn translated into a decline in logistics revenue by 10.2% during the period. When combined with a 4.9% inflationary increase in overhead costs, it resulted in a R11.6 million or 64.0% decline in profit before tax for the period.

To adjust to the difficult trading conditions in South Africa, the Group has concluded a complete strategic review of the business and is in the process of implementing certain structural and operational enhancements that will be conducive to earnings growth going forward.

Foreign Operations

With regard to the Group's offshore operations, improved performances in a number of existing businesses, including the additional profit contribution from two recent acquisitions, has offset the extent to which the difficult trading environment experienced in South Africa has had an adverse impact on overall earnings.

Highlights to note are:

- The Netherlands, the Group's largest offshore region, generated an above inflation increase in revenue and improved operational margins after seeing a decline in both during the 2019 financial year. This was largely achieved through the acquiring of a significant number of new accounts;
- In spite of the effects of Brexit and a weak pound, Tradeway (Shipping) in the United Kingdom increased both billings and margins which resulted in a 23.2% increase in revenue and a 39.8% increase in profit before tax in local currency; and

2019 Santova Interim Results Commentary

for the six months ended 31 August 2019 (continued)

- The two recent acquisitions, namely, SAI Logistics (United Kingdom) and ASM Logistics (Singapore), are performing ahead of expectations. SAI Logistics (United Kingdom), the larger of the Group's two acquisitions, contributed R6.3 million to profit before tax whilst ASM Logistics exceeded its profit warranty by 30% and contributed R2.1 million in profit before tax for the period.

In Germany, the acquisition of MLG Maritime Logistics ("MCL") in Hamburg was concluded during the current financial year and the integration of the Santova's existing German operations and management with MCL are in progress. Whilst MCL did contribute to profits in the current period, the real impact of the acquisition and the resultant synergies are only expected to be seen in the next financial year.

The implementation of the new IFRS 16 Leases accounting standard in the current financial period and its impact on the Group's profit and loss must be noted and highlighted. The standard has required the capitalisation of material leases as right of use assets which are in turn depreciated and a corresponding lease liability treated as interest bearing debt. This has resulted in a substantial increase in depreciation and finance costs, with an offsetting reduction in rental expense and immaterial net impact on overall profit. Shareholders are referred to note 1 of the accompanying condensed financial statements for a detailed analysis of the impact of IFRS 16 Leases accounting standard.

Financial Position

The Group's overall financial position continues to see strengthening and improvement in key ratios with growth in assets and total equity. In addition, there was limited impact in the current year from foreign currency movements as the closing British Pound exchange rate, in which currency the Groups most material offshore investments are held, decreased by only 1% to R18.41.

Highlights during the period include:

- An improvement in debtor days outstanding from 52.6 days in the prior period to 50.5 days. Debtors days are a key financial indicator of the credit quality of the Groups largest asset, being its Trade Receivables;
- Cash on hand increased 27.9% to R114.9 million from R89.8 million as at 28 February 2019, the previous financial year end;
- Total assets increased 6.9% to R1.1 billion from R1.0 billion as at 28 February 2019 the previous financial year end; and
- The debt equity ratio decreased to 21.0% from 40.8% as at 28 February 2019, the previous financial year end.

Total interest-bearing debt increased by 20.0% and total financial liabilities by 32.0% during the period which is directly as result of the successful completion of the MCL acquisition during the period.

The implementation of the new IFRS 16 Leases accounting standard in the current financial period and its impact on the Group's financial position must be noted and highlighted. The standard has required the capitalisation of material leases as right of use assets with a corresponding lease liability being recognised. These two items are showing as separate line items on the face of the statement of financial position and shareholders are referred to note 1 of the accompanying condensed financial statements for a detailed analysis of the impact. The additional recorded liabilities have been excluded from the Group's debt to equity ratio, as they are not anticipated to form part of the calculation used for the Group's banking covenants.

Cash Flows

Net cash generated from operations increased 4837,4% to R39.0 million (2018: R0.8 million) in the current period and also exceeded the net cash generated of R20.2 million for the entire previous financial year. As highlighted in previous commentary and presentations relating to the 2019 financial year, the nature of the Group's operations in acting as an Agent and financing customs VAT and duties on behalf of clients, can result in immaterial timing differences in trade receivables having a material impact on cash generated. This was the case in both the interim six-month period and the full twelve-month results for the 2019 financial year, where the timing of a few individual material debtor cash flows, negatively impacted the net cash generated from operations. In the current six-month period there have been no similar material timing differences, as result net cash generated from operations has increased substantially and is a closer match to actual profitability for the period.

Outlook

The potential impact of the ongoing economic woes facing the South African operations in the second half of the current year are unpredictable and remain a concern. However, this period is historically the Group's peak trading period which can have a material impact on the full year performance and the Board is optimistic that, if successful, current initiatives will help to mitigate the impact of lower than expected trade volumes. Whilst offshore, the stronger performance seen in key regions in the first half is expected to continue together with the contribution from the new acquisitions, to further diversify the Group's earnings and to decrease its reliance on South Africa.

For and on behalf of the Board,

WA Lombard
Chairman

GH Gerber
Chief Executive Officer

29 October 2019

Condensed Statement of Profit and Loss and other Comprehensive Income

	Notes	Unaudited		Audited
		6 months to 31 August 2019 R'000	6 months to 31 August 2018 R'000	12 months to 28 February 2019 R'000
Gross billings		**2 041 889**	1 952 718	4 220 581
Revenue		**187 893**	154 595	324 130
Net interest income		**9 015**	8 202	18 104
Interest and financing fee income		**16 687**	15 596	35 280
Interest and financing fee expenses		**(7 672)**	(7 394)	(17 176)
Revenue and net interest income	2	**196 908**	162 797	342 234
Other income		**5 768**	5 373	11 418
Depreciation and amortisation	1	**(10 758)**	(1 717)	(4 191)
Administrative expenses		**(150 093)**	(120 252)	(263 317)
Operating profit		**41 825**	46 201	86 144
Interest received		**136**	101	202
Finance costs	1	**(5 377)**	(1 986)	(5 726)
Profit before taxation		**36 584**	44 316	80 620
Income tax expense		**(7 301)**	(10 528)	(19 506)
Profit for the period/year		**29 283**	33 788	61 114
Attributable to:				
Equity holders of the parent		**29 259**	33 774	61 094
Non-controlling interests in subsidiaries		**24**	14	20
Other comprehensive income				
Exchange differences arising from translation of foreign operations		**1 928**	45 644	33 975
Net actuarial loss on remeasurement of post-retirement medical aid benefit liability		**-**	-	(7)
Total comprehensive income		**31 211**	79 432	95 082
Attributable to:				
Equity holders of the parent		**31 179**	79 402	95 051
Non-controlling interests in subsidiaries		**32**	30	31
Basic earnings per share	(cents)	**18,31**	21,16	38,21
Headline earnings per share	(cents)	**18,31**	21,13	37,39
Dividends per share	(cents)	**N/A**	N/A	7,50

Condensed Statement of Financial Position

	Notes	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
ASSETS				
Non-current assets		**369 119**	252 211	294 780
Property, plant and equipment		**27 368**	23 126	27 638
Right-of-use asset	1	**45 406**	-	-
Intangible assets	4	**279 619**	215 674	253 344
Financial assets	5	**8 193**	6 449	7 574
Deferred taxation		**8 532**	6 962	6 224
Current assets		**739 016**	708 112	742 197
Trade receivables		**560 804**	578 219	607 663
Other receivables		**61 062**	51 501	43 935
Current tax receivable		**2 285**	517	735
Financial assets	5	**-**	211	63
Cash and cash equivalents		**114 865**	77 664	89 801
Total assets		**1 108 135**	960 323	1 036 977
EQUITY AND LIABILITIES				
Capital and reserves	6	**517 755**	485 563	502 257
Non-current liabilities		**88 894**	19 957	53 958
Interest-bearing borrowings	7	**29 401**	15 980	30 379
Long-term provision		**1 158**	1 284	1 158
Financial liabilities		**27 692**	2 682	21 982
Lease liabilities	1	**30 232**	-	-
Deferred taxation		**411**	11	439
Current liabilities		**501 486**	454 803	480 762
Trade and other payables		**250 057**	248 979	187 850
Current tax payable		**7 037**	8 245	3 366
Current portion of interest-bearing borrowings	7	**29 304**	15 380	18 561
Amounts owing to related parties		**283**	274	261
Financial liabilities	5	**18 755**	2 881	13 200
Lease liabilities	1	**17 323**	-	-
Short-term borrowings and overdraft		**164 762**	170 121	245 559
Short-term provisions		**13 965**	8 923	11 965
Total equity and liabilities		**1 108 135**	960 323	1 036 977

Condensed Statement of Changes in Equity

	Unaudited		Audited
	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000
CAPITAL AND RESERVES			
Balance at beginning of period/year as previously reported	**502 257**	416 172	416 172
Adjustment due to the initial application of IFRS 16	**(1 525)**	-	-
Balance at beginning of period/year restated	**500 732**	416 172	416 172
Total comprehensive income	**31 211**	79 432	95 075
Treasury shares acquired	**(2 610)**	-	-
Share-based equity reserve	**374**	650	1 475
Shares issued in terms of exercise of share options	**-**	517	745
Costs to issue securities	**-**	(6)	(8)
Dividends paid	**(11 952)**	(11 202)	(11 202)
Balance at end of period/year	**517 755**	485 563	502 257
COMPRISING:			
Stated capital	**220 996**	220 541	220 996
Equity compensation reserve	**7 350**	6 380	6 976
Property revaluation reserve	**36**	36	36
Treasury shares	**(5 807)**	(3 197)	(3 197)
Foreign currency translation reserve	**16 050**	25 802	14 130
Accumulated profit	**279 011**	235 915	263 229
Attributable to equity holders of the parent	**517 636**	485 477	502 170
Non-controlling interests	**119**	86	87
Capital and reserves	**517 755**	485 563	502 257

Condensed Statement of Cash Flows

	Unaudited		Audited
	6 months to 31 August 2019 R'000	6 months to 31 August 2018 R'000	12 months to 28 February 2019 R'000
Cash generated from operations	**49 388**	11 351	47 755
Interest received	**136**	101	202
Finance costs	**(2 382)**	(1 986)	(5 726)
Taxation paid	**(7 692)**	(8 667)	(22 021)
Net cash flows from operating activities	**39 450**	799	20 210
Cash outflows from the acquisition of subsidiaries	**(13 259)**	(5 572)	(23 889)
Settlement of acquired contingent purchase consideration	**-**	(17 380)	(17 380)
Plant and equipment and intangible assets acquired	**(4 806)**	(2 835)	(5 729)
Proceeds on disposals of plant and equipment and intangible assets	**33**	155	483
Proceeds on disposal of investment portfolio	**6 882**	-	-
Net cash flows from investing activities	**(11 150)**	(25 632)	(46 515)
Borrowings raised/(repaid)	**9 766**	(8 055)	11 090
Issue of shares for cash	**-**	510	737
Purchase of treasury shares	**(2 610)**	-	-
Dividends paid	**(11 952)**	(11 202)	(11 202)
Cash generated from financing activities	**22**	54	41
Net cash flows from financing activities	**(4 774)**	(18 693)	666
Net increase/(decrease) in cash and cash equivalents	**23 526**	(43 526)	(25 639)
Difference arising on translation	**1 538**	12 819	7 069
Cash and cash equivalents at beginning of period/year	**89 801**	108 371	108 371
Cash and cash equivalents at end of period/year	**114 865**	77 664	89 801
Cash and cash equivalents is made up as follows:			
Cash and cash equivalents on hand	**114 865**	77 664	89 801
Less: Bank overdrafts	**-**	-	-
Cash and cash equivalents at end of period/year	**114 865**	77 664	89 801

Condensed Segmental Analysis

	Supply Chain Services R'000	Financial Services R'000	Head Office R'000	Consolidated R'000
BUSINESS SEGMENTS				
31 August 2019				
Revenue and net interest income	**192 255**	**4 998**	**(345)**	**196 908**
Operating profit	**39 960**	**1 933**	**(68)**	**41 825**
Profit/(loss) for the period	**30 639**	**2 281**	**(3 637)**	**29 283**
Total assets	**1 013 152**	**18 002**	**76 981**	**1 108 135**
Total liabilities	**562 397**	**923**	**27 060**	**590 380**
Depreciation and amortisation	**10 514**	**35**	**209**	**10 758**
Capital expenditure	**4 720**	**16**	**47**	**4 783**
31 August 2018				
Revenue and net interest income	158 077	5 052	(333)	162 797
Operating profit	44 550	2 052	(402)	46 201
Profit/(loss) for the period	34 036	2 081	(2 329)	33 788
Total assets	848 955	16 405	94 963	960 323
Total liabilities	487 487	674	(13 401)	474 760
Depreciation and amortisation	1 482	37	198	1 717
Capital expenditure	2 370	38	427	2 835

	SUPPLY CHAIN SERVICES			
	Africa R'000	Asia Pacific R'000	Europe and United Kingdom R'000	TOTAL R'000
GEOGRAPHICAL SEGMENT				
31 August 2019				
Revenue and net interest income	**61 808**	**23 309**	**107 138**	**192 255**
Operating profit	**7 096**	**7 107**	**25 757**	**39 960**
Profit for the period	**4 676**	**5 820**	**20 143**	**30 639**
Total assets	**500 985**	**81 316**	**430 851**	**1 013 152**
Total liabilities	**300 687**	**39 510**	**222 200**	**562 397**
Depreciation and amortisation	**3 634**	**1 294**	**5 586**	**10 514**
Capital expenditure	**935**	**155**	**3 630**	**4 720**
31 August 2018				
Revenue and net interest income	69 072	15 654	73 351	158 077
Operating profit	18 319	6 768	19 463	44 550
Profit for the period	13 219	5 659	15 158	34 036
Total assets	481 731	75 335	291 889	848 955
Total liabilities	302 785	31 105	153 597	487 487
Depreciation and amortisation	687	119	676	1 482
Capital expenditure	705	29	1 636	2 370

Supplementary Information

for the six months ended 31 August 2019

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 August 2019 have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the listings requirements of the JSE Limited, the information as required by IAS 34: Interim Financial Reporting, and the requirements of the South African Companies Act 71 of 2008.

The accounting policies applied in preparation of these interim financial statements are consistent with those applied in the annual financial statements for the year ended 28 February 2019 with the exception of new IFRS standards which became effective as detailed below.

The Group has adopted all the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board (IASB) which were effective for the years beginning on or after 1 January 2019. The following standards were adopted by the Group:

IFRS 16 Leases (IFRS 16)
IFRS 16, adopted by the Group effective 1 March 2019, is a new standard replacing the previous IAS 17: Leases standard and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures ROU assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

Transition

The Group elected, as permitted by IFRS 16, not to restate comparative financial statements. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 March 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17 Leases:

- Applied the exemption not to recognise ROU assets and liabilities for leases with less than a 12-month lease term.
- Low-value assets. All leases that meet the criteria of a lease of a low-value asset are accounted for on a straight-line basis over the lease term.
- Use a single discount rate for a portfolio of leases with reasonably similar characteristics.

Impacts on the financial statements on transition:

On transition to IFRS 16, the Group recognised the lease liabilities, at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition date, and the corresponding ROU assets was measured on a retrospective basis as if the new rules had always been applied.

The impact on transition is recognised below as at 1 March 2019:

	Unaudited R'000's
Recognition of Right-of-use assets	53 682
Recognition of Lease liabilities	(55 207)
Adjustment to retained earnings due to initial application of IFRS 16 on 1 March 2019	**(1 525)**
Impact on profit and loss for the period:	
Depreciation	8 364
Interest on lease liability	1 601
Operating lease expense	(9 872)
Net effect on statement of profit and loss for the current period - decrease in profit before tax	**93**

This report was prepared under the supervision of the Group Financial Director, DC Edley, CA(SA) and has not been reviewed or audited by the Group's external auditors.

	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
2. REVENUE			
Gross Billings	**2 041 889**	1 952 718	4 220 581
Less: recoverable disbursements	**(1 844 981)**	(1 789 921)	(3 878 347)
Revenue and net interest income	**196 908**	162 797	342 234
Revenue from the provision of services comprises:	**187 893**	154 595	324 130
Supply chain services	**182 895**	149 875	314 784
Insurance commission and management fees	**4 998**	4 720	9 126
Other revenue	**-**	-	220
Net interest income from the provision of credit facilities comprises:	**9 015**	8 202	18 104
Interest and financing fee income	**16 687**	15 596	35 280
Interest and financing fee expenses	**(7 672)**	(7 394)	(17 176)
Revenue and net interest income	**196 908**	162 797	342 234

Supplementary Information

for the six months ended 31 August 2019 (continued)

	Unaudited		Audited
	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000
3. EARNINGS PER SHARE			
Reconciliation between basic and headline earnings per share:			
Profit attributable to equity holders of the parent	**29 259**	33 774	61 094
Adjusted for:			
Net profit on disposals of plant and equipment	-	(47)	(5)
Taxation effects	-	13	1
Headline earnings	**29 259**	33 740	61 090
Basic earnings per share (cents)	**18,31**	21,16	38,21
Headline earnings per share (cents)	**18,31**	21,13	38,21
Numbers of shares on which calculations are based:	**Shares 31 August 2019**	Shares 31 August 2018	Shares 28 February 2019
Shares in issue at period end	**161 361**	160 031	161 361
Weighted average number of shares (000s)*	**159 795**	159 612	159 877
Diluted weighted average number of shares (000s)	**162 277**	163 129	163 394

The dilution effect above is due to share options that are yet to vest under the Group's share option schemes.

*The group holds 1 996 726 (2018: 996 726) treasury shares via a subsidiary which have been exlcuded from the Weighted Average Number of Ordinary Shares ("WANOS") calculations.

	Notes	Unaudited		Audited
		31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000
4. INTANGIBLE ASSETS				
Goodwill movement:				
Carrying value at beginning of period/year		**243 761**	173 449	173 449
Acquisition through business combination	1	**22 764**	9 353	52 117
Foreign exchange gain on translation		**221**	22 663	18 195
Carrying value at end of period/year		**266 746**	205 465	243 761
Carrying value of computer software and indefinite useful life intangible assets		**12 873**	10 209	9 583
Total intangible assets		**279 619**	215 674	253 344

1. **Acquisition of MLG Maritime Cargo Logistics GmbH**

Effective 1 March 2019, the Group acquired the entire issued share capital of MLG Maritime Cargo Logistics GmbH.

The company operates as an international freight forwarding and logistics business, including the operation and management of a bonded warehouse facility based in the Port of Hamburg, Germany. The acquisition was concluded for a purchase price of R28 409 232 to be settled entirely in cash as follows:

- R18 635 926 paid upfront by Santova Logistics B.V., the Group's existing business based in the Netherlands.
- Two separate contingent payments payable after two subsequent 12 month periods based on a warranted annual profit being achieved, amounting to a net present value on acquisition date of R9 773 306.

The fair value, on acquisition date, of the assets acquired was R5 644 493 and the R22 764 289 by which the purchase price exceeds the fair value of the assets acquired, attributable to anticipated profitability and expected cash generation, has been recognised as goodwill.

	Level	Notes	Unaudited **31 August 2019 R'000**	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
5. FAIR VALUE DISCLOSURE FOR FINANCIAL INSTRUMENTS					
Financial assets in the statement of financial position measured at fair value:					
Future profit share on rental agreement	2	1	**3 502**	3 502	3 502
Investment cell captive	2	2	**4 691**	2 947	4 072
Forward exchange contracts	1		**-**	211	63
			8 193	6 660	7 637
Financial liabilities in the statement of financial position measured at fair value:					
Contingent purchase considerations on acquisitions	3	3	**46 391**	5 563	35 182
Forward exchange contracts	1		**55**	-	
			46 447	5 563	35 182

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.

1. Santova Logistics (South Africa) entered into a profit sharing agreement with the landlord of their Durban premises on inception of the lease in the 2007 financial year. This agreement gives Santova Logistics a specified portion of the actual or deemed profit made 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^2
Capitalisation rate (on an occupied basis)	10,75 %

2. This amount represents the fair value of the investment by Santova Logistics (South Africa) 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.

Supplementary Information

for the six months ended 31 August 2019 (continued)

3. This represents the present value of the remaining contingent purchase obligations arising from acquisitions during the current and previous 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 agreement of sale, discounted at the weighted average cost of capital for the acquired entity. The financial liability can be reconciled as follows:

	Unaudited		Audited
	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000
Financial liability at beginning of period/year	**35 182**	17 287	17 287
Interest on present value calculation	**1 393**	32	967
Foreign exchange loss on translation	**288**	609	323
Payments made during the period/year	**-**	(17 380)	(17 287)
Fair value (gain) on remeasurement	**(294)**	-	-
Foreign exchange loss on translation recognised in Foreign Currency Translation Reserve	**49**	-	239
Financial Liability arising on acquisition of ASM Logistics (S) Pte Ltd[1]	**-**	5 015	5 015
Financial Liability arising on acquisition of SAI Logistics Ltd[2]	**-**	-	28 638
Financial Liability arising on acquisition of MLG Maritime Cargo Logistics GmbH[3]	**9 773**	-	-
Financial liability at end of period/year	**46 391**	5 563	35 182

The contingent purchase obligation relates to the following acquisitions that were completed during the 2019 and current financial year:

Acquiring company	**Financial year acquired**	**Target company**	**Discount rate used**
Santova International Holdings (Pty) Ltd	2019	ASM Logistics (S) Pte Ltd	7,2%
Tradeway (Shipping) Ltd	2019	SAI Logistics Ltd	6,3%
Santova Logistics B.V.	2020	MLG Maritime Cargo Logistics GmbH	5,5%

[1] During the previous financial year, the Group acquired 100% of ASM Logistics (S) Pte Ltd. The acquisition gave rise to a financial liability as a result of contingent purchase obligations. The weighted average cost of capital used in the calculation of the fair value of this financial liability is equal to that being used to calculate the fair value of the financial liability to the sellers of ASM Logistics (S) Pte Ltd.

[2] During the previous financial year, the Group acquired 100% of SAI Logistics Ltd. The acquisition gave rise to a financial liability as a result of contingent purchase obligations. The weighted average cost of capital used in the calculation of the fair value of this financial liability is equal to that being used to calculate the fair value of the financial liability to the sellers of SAI Logistics Ltd.

[3] During the current financial year, the Group acquired 100% of MLG Maritime Cargo Logistics GmbH. The acquisition gave rise to a financial liability as a result of contingent purchase obligations. The weighted average cost of capital used in the calculation of the fair value of this financial liability is equal to that being used to calculate the fair value of the financial liability to the sellers of MLG Maritime Cargo Logistics GmbH.

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.

There were no other material adjustments to fair values of financial instruments nor transfers between the fair value hierarchy levels during the period.

	Unaudited		Audited
	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000
6. STATED CAPITAL			
Reconciliation of the value of ordinary shares in issue			
Balance at beginning of period/year	**220 996**	219 514	219 514
Shares issued under share option scheme	**-**	1 033	1 490
Costs to issue securities	**-**	(6)	(8)
Balance at end of period/year	**220 996**	220 541	220 996
Reconciliation of the number of ordinary shares in issue (net of treasury shares)	**'000s**	'000s	'000s
Balance at beginning of period/year	**160 364**	159 231	159 231
Shares issued under share option scheme	**-**	800	1 133
Treasury shares purchased by subsidiaries	**(1 000)**	-	-
Balance at end of period/year	**159 364**	160 031	160 364

Supplementary Information

for the six months ended 31 August 2019 (continued)

	Unaudited		Audited
	31 August 2019 R'000	31 August 2018 R'000	28 February 2019 R'000
7. INTEREST BEARING BORROWINGS			
Instalment sale and other agreements	**-**	54	8
Medium term loan (R60 million)[1]	**21 772**	30 672	24 484
Medium term loan (R23,5 million)[2]	**23 395**	-	23 481
Medium term loan (SGD 150,000)[3]	**1 229**	634	967
Short Term Loan(EUR 740,000)[4]	**12 309**	-	-
	58 705	31 360	48 940
Debt to Equity Ratio	**21%**	26%	47%

[1] This relates to a medium term loan taken by Santova Limited and bears interest at a variable rate linked to the South African prime rate less 0,25%. It is repayable on an amortising basis over five years at quarterly instalments. This loan was taken to acquire Tradeway (Shipping) Ltd.

[2] This relates to a medium term loan taken by Santova International Holdings (Pty) Ltd during the previous financial year. It bears interest at a variable rate linked to the South African prime rate less 0.5%. It is repayable over a six year period. The payments for the first year are on an interest only basis. The loan is then repayable on an amortising basis thereafter over the next five years at quarterly instalments. This loan was taken to acquire SAI Logistics Ltd.

[3] The third medium term loan was acquired through the acquisition of ASM Logistics (S) Pte Ltd. The loan bears interest at the Business Instalment Loan Board rate plus 0.31%.

[4] The short term loan was granted to Santova by the sellers of MLG Maritime Cargo Logistics GmbH. The loan was granted for a period of 12 months and bears interest at a flat rate of 5%. The loan is repayable in full after 12 months.

As a condition of granting the first two medium term loan facilities above, the Group banking facilities contain certain covenants with respect to minimum levels of actual shareholders' funds, a maximum ratio of debt to EBITDA and a minimum ratio of EBITDA to interest cover. These covenants are monitored on an ongoing basis by management and reviewed and confirmed annually with the Group's bankers. At the reporting date, none of the covenants have been breached.

8. EVENTS AFTER THE REPORTING PERIOD

There are no events that have taken place after the reporting period for which non-disclosure would affect the ability of the users to make proper evaluations and decisions.

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)
AL van Zyl

COMPANY SECRETARY
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Highway Corporate Services (Pty) Ltd
PO Box 1319, Hillcrest, 3650

JSE SPONSOR
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GROUP AUDITOR
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SHARE REGISTRAR
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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 inter-connected 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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29 October 2019
Sponsor and Corporate Advisor
River Group