

SNV 201405150042A

Preliminary group results for the year ended 28 February 2014

SANTOVA LIMITED

REGISTRATION NUMBER 1998/018118/06

SHARE CODE SNV

ISIN ZAE000159711

PRELIMINARY GROUP RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2014

- 40,6% increase in headline earnings per share
- 34,2% increase in net asset value per share
- 30% increase in ordinary dividend to 3,25 cps

HEADLINE EARNINGS PER SHARE

10,65 - 2011

15,99 - 2012

17,62 - 2013

24,77 - 2014

NET ASSET VALUE PER SHARE

75,15 - 2011

92,12 - 2012

108,43 - 2013

145,47 - 2014

COMMENTARY

GROUP PROFILE

Santova is a non-asset based third party ('3PL') and fourth party ('4PL') logistics service provider of innovative global supply chain solutions, operating from offices throughout South Africa and internationally in Australia, Netherlands, United Kingdom and Hong Kong.

Santova is an integrator that assembles the intellectual capital and technology of the Group, together with the logistics resources and capabilities of specialised external logistics providers, to design, develop and execute comprehensive supply chain solutions for customers.

BUSINESS REVIEW

It is pleasing to announce yet another set of commendable results despite the lack of any significant corporate transactions or activities during the period. The period was characterised by senior management being primarily focused on the internal processes and structures within the Group, working with all regions to enhance customer engagement, local management structures, supply chain capabilities and overhead cost structures. The end result was a strong overall performance that was balanced by sound organic growth and cost control in the South African region, and significantly improved performances from a number of the offshore subsidiaries.

The key events during the period that had a material impact on the Group's financial results are as follows:

- The weakening of the South African rand that had an impact on revenue and the translation of foreign operations;
- The inclusion of a full 12 months' results from W.M. Shipping Limited in the United Kingdom, following its acquisition in late November 2012 and the conclusion of the first warranty period on 31 August 2013;
- The centralisation of certain administrative functions across the South African operations leading to significant efficiencies, offset by an increased level of local competition that resulted in pressure on margins and revenue;
- The entrenchment of the new operational team taken on in the Netherlands in the prior period and the investment in new business development capability resulted in a significant improvement in revenues and profitability in that entity;
- A further investment in the Group's supply chain capabilities through the appointment of supply chain specialists has seen the division play a significant role in the fulfilment of the Group's strategy;

- The focus on value add services at source in China and Hong Kong together with enhanced efficiencies reducing operational costs has significantly improved revenue margins, resulting in a meaningful increase in contribution from this region; and
- A maturing of the Santova Financial Services business which saw an increase in revenue accompanied by a realigned cost structure resulting in a strong impact on its contribution to the Group.

PROFITABILITY

On a consolidated basis the Group increased basic earnings attributable to ordinary shareholders by 23,9% from R24,7 million in the prior year, to R30,6 million in the current year.

This was driven primarily by a 22,1% increase in billings to clients coupled with the Group maintaining its turnover to billings margin of 6,7% from the prior year. This led to an almost equivalent increase in actual revenue to the Group of 21,3% from R176,7 million in the prior year to R214,4 million in the current year. This resulted in an increase of headline earnings per share (HEPS) to 24,77 cents, which is 40,6% up on the previous year's figure of 17,62 cents.

OUTLOOK

In the year ahead the Group will seek to leverage off the challenges and complexities that are accompanying the rapid globalisation of companies across the world. By doing so, whilst not losing sight of our core competencies, we believe that we can continue to deliver sustainable earnings growth and value to our stakeholders.

BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 28 February 2014 have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guidelines 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 for preliminary reports, the information required by IAS 34: Interim Financial Reporting, and the requirements of the South African Companies Act, No 71 of 2008.

The Group values its financial assets and liabilities on the basis of the principles contained in IFRS 13: Fair Value Measurement. The full disclosure as required by IFRS 13 and IFRS 7 is contained in the Annual Financial Statements, a copy of which is available from the registered office of the Company.

ADOPTION OF IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

The Group has adopted IFRS 10: Consolidated Financial Statements for the first time during the current reporting period. As a result, the investment by Santova Logistics (Proprietary) Limited in a cell captive operated by Guardrisk Insurance Company Limited no longer qualifies for consolidation.

IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation with specific criteria that to qualify for consolidation the assets of the investee must be ringfenced in the event of the liquidation of both the investor and investee. Due to the fact that the assets of a cell captive are not legally ringfenced in the event of the liquidation of the investee, cell captives no longer qualify for consolidation.

As a result the fair value of the Group's investment in the cell captive is recognised as a financial asset in the current reporting period, with changes in the fair value being recognised in profit or loss for the year. As required by the provisions of IFRS 10 the prior year amounts have been restated to reflect the effect of the retrospective adoption of this standard. IFRS 10 does not require the presentation of reporting periods other than the annual period immediately preceding the date of initial application of this IFRS.

The Board do not consider the impact of this restatement on the Group's Annual Financial Statements to be material as there is no effect on profit for the year or total capital and reserves in the current or prior reporting periods.

Due to the Board's assessment of the immateriality of the restatement and the fact that the transitional provisions of IFRS 10 do not require the presentation of reporting periods, other than the annual period immediately preceding the date of initial application of this IFRS, a third statement of financial position has not been included in terms of IAS 1:40A.

The impact of this restatement on the 2013 financial results can be summarised as follows:

	As previously reported	Adjustment	Restated
	R'000	R'000	R'000
Profit for the year	25 097	-	25 097
Total assets	558 616	(531)	558 085
Total liabilities	410 653	(531)	410 122
Capital and reserves	147 963	-	147 963

AUDIT OPINION

These summarised consolidated financial statements have been derived from the Group financial statements and the auditors, Deloitte & Touche, expressed an unmodified opinion thereon. A copy of their audit report on the Group's financial statements and summarised consolidated financial statements is available for inspection at the Company's registered office. The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company or the Company's website.

DIRECTORATE

The following changes took place in the composition of the Board during the current reporting period:

- Stanley Donner resigned as a non-executive director on 1 July 2013; and
- Ernest Ngubo was appointed as an independent non-executive director on 19 February 2014.

APPRECIATION

The Board would like to express its appreciation to all management and staff for their efforts during the year. For and on behalf of the Board

GH Gerber	DC Edley
Chief Executive Officer	Group Financial Director
15 May 2014	

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross dividend of 3,25 cents per ordinary share, payable out of income for the year ended 28 February 2014.

In terms of South African Dividends Tax, the following additional information is disclosed:

Local dividend withholding tax rate	15%
STC credits available for set-off	Nil
Net local dividend payable to shareholders who are not exempt from dividends tax	2,7625 cents per ordinary share
Total number of ordinary shares in issue	136 459 408
Company income tax reference number	9077/274/84/4P
The following salient dates will apply to the dividend payment:	
Last day to trade cum-dividend	Friday, 18 July 2014
Shares commence trading ex-dividend	Monday, 21 July 2014
Record date	Friday, 25 July 2014
Dividend payment date	Monday, 28 July 2014

Share certificates may not be dematerialised or rematerialised between Friday, 18 July 2014 and Friday, 25 July 2014, both dates inclusive.

By order of the Board
J Lupton

Company Secretary
15 May 2014

Shareholders are further advised that the presentation to investment analysts is available on the Company's website.

SUMMARISED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

	Audited 28 February 2014 R'000	Audited 28 February 2013* R'000	
Gross billings	3 221 519	2 637 920	
Revenue	214 357	176 651	
Other income	15 118	9 296	
Depreciation and amortisation		(3 476)	(3 070)
Administrative expenses		(174 228)	(142 067)
Operating profit	51 771	40 810	
Interest received	4 559	1 899	
Finance costs	(16 316)	(9 239)	
Profit before taxation	40 014	33 470	
Income tax expense	(9 228)	(8 373)	
Profit for the year	30 786	25 097	
Attributable to:			
Equity holders of the parent		30 587	24 688
Minority interest	199	409	
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
- Exchange differences arising from translation of foreign operations	22 743	(945)	
Items that may be reclassified subsequently to profit or loss			- -
Total comprehensive income		53 529	24 152
Attributable to:			
Equity holders of the parent		53 122	23 473
Minority interest	407	679	
Basic earnings per share	(cents)	22,42	18,06
Diluted basic earnings per share	(cents)	22,12	18,00
Dividends per share	(cents)	3,25	2,50

SUPPLEMENTARY INFORMATION

	Audited 28 February 2014 R'000	Audited 28 February 2013 R'000	
Reconciliation between earnings and headline earnings			
Profit attributable to equity holders of the parent		30 587	24 688
Net loss on disposals of plant and equipment		94	171
Loss on fair value remeasurement of goodwill		3 131	-
Derecognition of financial liability		-	(713)
Taxation effects	(18)	(49)	
Minority Interest	9	(1)	
Headline earnings	33 803	24 096	
Shares in issue	(000's)	136 459	136 459
Weighted average number of shares	(000's)	136 459	136 725
Diluted weighted average number of shares	(000's)	138 285	137 165
Shares for net asset value calculation	(000's)	136 459	136 459
Performance per ordinary share			
Headline earnings per share	(cents)	24,77	17,62
Diluted headline earnings per share	(cents)	24,45	17,57

Net asset value per share	(cents)	145,47	108,43
Tangible net asset value per share	(cents)	54,66	27,91

SUMMARISED STATEMENT OF FINANCIAL POSITION

	Audited	Audited
	28 February	28 February
	2014	2013*
	R'000	R'000
ASSETS		
Non-current assets	141 418	123 183
Plant and equipment	8 940	8 308
Intangible assets	123 927	109 883
Financial assets	3 175	1 458
Deferred taxation	5 376	3 534
Current assets	555 123	434 902
Trade receivables	480 738	368 931
Other receivables	36 627	36 758
Current tax receivable	915	1 129
Cash and cash equivalents	36 843	28 084
Total assets	696 541	558 085

EQUITY AND LIABILITIES

Capital and reserves	198 510	147 963
Non-current liabilities	30 080	49 516
Interest-bearing borrowings	27 967	37 402
Long-term provision	1 777	1 966
Financial liabilities	336	10 148
Current liabilities	467 951	360 606
Trade and other payables	220 750	199 357
Current tax payable	4 180	3 426
Current portion of interest-bearing borrowings	7 947	3 430
Amounts owing to related parties	204	167
Financial liabilities	9 709	5 293
Short-term borrowings and overdraft	208 321	137 829
Short-term provisions	16 840	11 104
Total equity and liabilities	696 541	558 085

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Audited	Audited
	28 February	28 February
	2014	2013
	R'000	R'000
Capital and reserves		
Balance at beginning of year	147 963	123 699
Total comprehensive income	53 529	24 152
Employee share option scheme	429	115
Share issue expenses directly through equity	-	(3)
Dividends paid	(3 411)	-
Balance at end of year	198 510	147 963
Comprising:		
Stated capital	145 757	145 307
Foreign currency translation reserve	24 320	1 785

Accumulated profit/(loss)	25 000	(2 155)
Attributable to equity holders of the parent	195 077	144 937
Minority interest	3 433	3 026
Capital and reserves	198 510	147 963

SUMMARISED STATEMENT OF CASH FLOW

	Audited 28 February 2014 R'000	Audited 28 February 2013* R'000	
Profit before taxation	40 014	33 470	
Adjustments for non-cash flow items		17 527	10 060
Changes in working capital	(84 547)	(14 434)	
Interest received	4 559	1 899	
Finance costs	(15 959)	(9 086)	
Taxation paid	(10 102)	(8 515)	
Net cash flows from operating activities		(48 508)	13 394
Cash outflows from the acquisition of subsidiaries		(6 277)	(35 738)
Cash utilised in other investing activities		(3 912)	(2 332)
Net cash flows from investing activities		(10 189)	(38 070)
Net cash flows from financing activities		63 205	41 217
Net increase in cash and cash equivalents		4 508	16 541
Effects of exchange rate changes on cash and cash equivalents	5 257	1 012	
Cash and cash equivalents at beginning of year		27 078	9 525
Cash and cash equivalents at end of year		36 843	27 078
Cash and cash equivalents is made up as follows:			
Cash and cash equivalents		36 843	28 083
Less: Bank overdrafts		-	(1 005)
Cash and cash equivalents at end of year		36 843	27 078

SUMMARISED SEGMENTAL ANALYSIS

GEOGRAPHICAL SEGMENT	South Africa	Foreign Operations	Group	R'000	R'000	R'000
28 February 2014						
Revenue	137 401	76 956	214 357			
Operating profit	33 948	17 823	51 771			
Profit for the year	17 087	13 699	30 786			
Total assets	601 331	95 210	696 541			
Total liabilities	441 801	56 230	498 031			
Depreciation and amortisation	2 592	884	3 476			
Capital expenditure	3 947	258	4 205			
28 February 2013*						
Revenue	127 696	48 955	176 651			
Operating profit	28 654	12 156	40 810			
Profit for the year	16 329	8 768	25 097			

Total assets	482 413	75 672	558 085
Total liabilities	360 115	50 007	410 122
Depreciation and amortisation	2 496	574	3 070
Capital expenditure	2 440	1 195	3 635

	Logistics Services	Financial Services	Group
BUSINESS SEGMENT	R'000	R'000	R'000

28 February 2014

Profit for the year	27 522	3 264	30 786
Total assets	691 935	4 606	696 541
Total liabilities	496 417	1 614	498 031

28 February 2013

Profit for the year	22 626	2 471	25 097
Total assets	553 034	5 051	558 085
Total liabilities	409 509	613	410 122

* Restated due to the adoption of IFRS 10: Consolidated Financial Statements

SOUTH AFRICA | UNITED KINGDOM | HONG KONG | NETHERLANDS | AUSTRALIA | CHINA

Innovative Global Supply Chain Solutions

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AD Dixon, WA Lombard, EM Ngubo

TRANSFER SECRETARIES

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