

Group Financial Review

Revenue declined by 10% to R42.2 billion after being 6% ahead at the half year. The financial crisis and the resultant global recession contributed to lower demand for our products in most of our businesses and in all regions during this financial year. Our European and USA businesses experienced lower revenues from the start of the financial year while in southern Africa, the decline in revenue became more pronounced in the second half of the year. As a result, whilst revenue in southern Africa reduced by 4% this year, it was down by a combined 20% in the other regions.

Operating profit, before the BEE transaction charge, declined by 33% to R2 000 million. Operating profit, including the BEE charge, declined by 25% to R1 994 million. The decline in the second half of the year (-29%) was higher than the first half (-20%) as the slowdown spread to southern African equipment and handling businesses. Lower revenue contributed to the decline in profit in the equipment and handling divisions. A strong performance, under difficult trading conditions, resulted in the automotive division improving profits by 30%. Logistics division increased revenue following the acquisitions last year, but the decline in world trade adversely impacted profits outside South Africa. Operating profit was reduced by redundancy and restructuring charges totalling R139 million, particularly in Iberia (R95 million) where the expense base was realigned with the lower activity levels.

The volatility and strength of the rand, particularly since January 2009, resulted in losses mainly arising from marking to market foreign currency contracts on unhedged transactions in equipment southern Africa and the South African agriculture business. The total negative fair value adjustments on financial instruments of R201 million compares with R80 million in 2008. That year however included a mark to market loss of R115 million on shares in Pretoria Portland Cement Limited, held in respect of the company's liability to share option holders (2009: R1 million gain).

Finance costs increased by R49 million (5,5%) to R938 million. This was largely due to higher average working capital, particularly in the equipment southern Africa business. Working capital in this business has been declining since May favourably impacting our funding costs. Finance costs in the second half of this year reduced by 13% as borrowings and interest rates declined.

Taxation declined by 66% to R207 million. The effective taxation rate (excluding the BEE charge, exceptional items, STC and prior year taxation) was 22.0% (2008: 29.6%). The reduction was largely due to the recognition of deferred taxation assets not previously raised.

Income from associates fell by R29 million to R43 million. Good results in the equipment joint venture in the Democratic Republic of Congo were offset by lower contributions from the European equipment joint ventures.

The loss of R82 million from discontinued operations is mainly attributable to losses incurred in the Scandinavian car rental business.

The minority interest in the current year's earnings have increased by R54 million to R68 million. This includes R28 million representing the dividends paid to the holders of 14 485 013 ordinary shares in terms of the BEE transaction concluded in 2008. While these shares qualify for dividends, they are not included in issued shares for purposes of calculating headline earnings per share (HEPS). HEPS from continuing operations of 351 cents is 43% lower than 2008 (616 cents).

Cash flow and borrowings

Particular focus has been given this year to improving cash flows in all our businesses following the drop in demand for our products and the tightening of lending conditions by the banks.

Action commenced in the first quarter when equipment orders were curtailed. By March 2009 working capital in equipment Iberia had declined by R494 million and in our automotive division, by R247 million. Subsequently we have seen further reductions in Iberia of R500 million. The southern African equipment business, which only experienced a drop off in demand after March 2009, reduced working capital by R620 million in the second half of this year. In addition capital expenditure in the group was curtailed to essential projects only.

The effect of these actions has been to reduce group working capital by R882 million this year (2008: increase R1 547 million) and to limit net cash used in investing activities to R1 211 million (2008:R2 606 million).

As a consequence net cash flow generated from operations increased by R735 million (20%) this year to R4 469 million. Net cash flow before financing activities for the year was an inflow of R1 207 million compared with last year's outflow of R1 247 million.

Total assets employed in the group decreased by R3 862 million to R30 095 million. The decrease was largely due to the focus on reducing working capital and limiting capital expenditure. The stronger rand resulted in a further decrease of R905 million.

Further improvement in working capital is expected during 2010 as the southern African equipment business continues to align its requirements to the lower trading activity.

Total interest bearing borrowings were R9 813 million (2008: R10 644 million) including R968 million (2008: R1 280 million) attributable to the Scandinavian car rental business. This represented a total debt to equity ratio of 81% at September 2009 as set out in the table below:

Total debt to equity (%)	Trading	Leasing	Car rental	Total group
Target range	30 – 50	600 – 800	200 – 300	
Ratio at 30 September 2009	49	567	205	81
Ratio at 30 September 2008	51	552	165	82

Strong collections from customers in the closing days of the financial year and reduced supplier and short term funding commitments resulted in cash and cash equivalents increasing to R1 772 million (2008: R1 269 million). Net debt after deducting cash and cash equivalents, reduced by R1 334 million to R8 041 million.

The initiative to reduce the company's reliance on short-term funding, which started in 2008, contributed to a further improvement in the borrowings profile. The long-term maturity profile at 30 September 2009 was 63% (2008: 57%). Long-term debt raised during the year included a seven year corporate bond of R750 million (BAW2) in October 2008 and a five loan of R700 million with a South African bank. In addition the UK syndicated facility was renewed ahead of its maturity in 2010. With lower forecast requirements, the facility was reduced from £120 million to £80 million, and matures in 2012.

Debt maturity profile

R million	Total debt September 2009	Redemption 2010	2011	2012	2013 onwards
South Africa	8 115	3 191	1 648	85	3 191
Offshore	1 698	481	161	932	124
Total	9 813	3 672	1 809	1 017	3 315

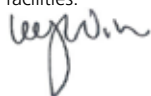
In South Africa, short-term borrowings due for redemption in 2010 include a maturing long-term loan of R500 million and commercial paper totalling R2 022 million. The commercial paper market has remained fairly liquid during the current year and it is expected that maturing paper will be rolled over as required in future. At 30 September 2009 the company had unutilised funding facilities totalling R8 980 million.

Dividends totalling 110 cents per share were declared in respect of this year's earnings (2008: 250 cents). Dividends are payable on 17 837 387 of the shares issued in respect of the BEE transaction. The dividends declared this year are covered 3.0 times by headline earnings from continuing operations (2008: 2.9 times).

The year ahead

In the coming year focus will remain on cash flow. While there has been a reduction in working capital in most divisions, further improvement can be made particularly in the southern African equipment and agriculture businesses.

Further investment will be made next year ahead of the 2010 World Cup, specifically in our car rental fleet. This expenditure will be funded from operating cash flows, and where necessary, existing funding facilities.



DG Wilson
Finance director