

Operational Reviews

EQUIPMENT

R million	Revenue		Operating profit		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2009	2008	2009	2008	2009	2008
– Southern Africa	10 902	11 930	1 282	1 523	4 703	4 178
– Europe	5 559	8 459	11	534	3 462	4 972
	16 461	20 389	1 293	2 057	8 165	9 150
Share of associate income			51	62		

Barloworld Equipment southern Africa delivered a solid result despite difficult trading conditions. This was supported by country and market diversity and the large installed Caterpillar machine population requiring after sales support.

Our integrated solutions business model, incorporating new, used and rental offerings, helped to sustain this performance.

Our South African business remained profitable in the face of declining machine demand. Angola was slower in the second half due to the lower oil price and Botswana and Zambia showed signs of recovery in line with global demand for diamonds and copper. Namibia recorded pleasing results.

The transformation of our Power business into a consolidated southern African regional operation continued in anticipation of major future opportunities.

Stringent cost reductions and restructuring resulted in a small profit in Iberia despite declines of 70% and 45% in the Spanish and Portuguese equipment markets respectively.

The marine engine order book held up in Spain and Portugal due mainly to new ship building and pending work on large vessels. Product support market share increased, with particularly strong demand for Power Systems after sales business.

The profitability of the Siberian joint venture was significantly reduced due to a decline in all market segments. While construction and power were severely impacted, mining revenue held up better due to a strong order book and resilience in the after sales business.

The development of skills in anticipation of the upturn continued as a strategic priority in all territories.

AUTOMOTIVE

R million	Revenue		Operating profit		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2009	2008	2009	2008	2009	2008
Car rental Southern Africa	1 516	1 586	254	250	2 266	2 849
– Southern Africa	11 381	11 622	232	143	1 682	1 850
– Australia	2 937	2 849	59	62	946	983
Trading	14 318	14 471	291	205	2 628	2 833
Leasing Southern Africa*	1 111	948	158	85	387	366
	16 945	17 005	703	540	5 281	6 048
Share of associate (loss)/ income			(11)	6		

*For Leasing Southern Africa, operating profit before interest paid is R293 million (2008: R215 million) resulting in total divisional operating profit before interest of R838 million (2008: R670 million). Net operating assets after deducting interest-bearing borrowings.

Our integrated motor vehicle usage solutions strategy proved resilient, and the division has delivered a very good result in difficult trading conditions. Overall operating margin has improved to 4.9% against the prior year's 3.9%. The operations generated strong positive cash flow during the year under review.

Avis Rent a Car southern Africa produced a credible result in a declining rental day market by focussing on fleet utilisation, cost control and rate per day; and benefited from a robust used vehicle profit contribution.

The southern African motor retail operations delivered solid results in a tough market. This result was driven by improved used vehicle and after sales profitability. The Australian operations produced operating profit ahead of the prior year in local currency, despite softer market conditions.

Our fleet services business showed a strong overall improvement, supported by quality fleet growth and a profitable used vehicle contribution.

Associates include our Phakisaworld and Sizwe BEE joint ventures and now also include our Subaru importation and distribution joint venture.

HANDLING

R million	Revenue		Operating profit/(loss)		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2009	2008	2009	2008	2009	2008
– Southern Africa	930	1 027	80	124	518	259
– Europe	2 052	3 193	(76)	8	593	636
– North America	1 675	1 849	(54)	40	499	638
Trading	4 657	6 069	(50)	172	1 610	1 533
Leasing*	60	76	23	0	69	76
	4 717	6 145	(27)	172	1 679	1 609
Share of associate income			4	3		

*Operating profit after deducting interest paid and net operating assets after deducting interest-bearing borrowings.

While trading in southern Africa was relatively good in the first half, the slowing economy impacted negatively in the second half and the lift truck market ended 47% down. The agriculture business performed well in the first half, but the stronger rand, delayed rainfall and the weak economy depressed the overall result.

In Europe the Netherlands produced a small profit and Belgium broke even in extremely difficult trading conditions, while the UK business produced a loss. All markets were depressed and sales of counterbalance trucks, which are Hyster's strong suit, were down by more than 50% compared to last year. Sales of used trucks reached a record high but margins were lower.

The US lift truck market fell by 41% on the back of an already severe reduction in activity in the previous year. While we grew market share significantly and improved the order book, the business produced a loss.

Good cost reductions have been achieved in all businesses, including a 15% decrease in staff numbers.

The global project to upgrade and install best practice business systems and procedures has gone live in the US and other countries will follow. This will enable better service to our customers and higher profits due to improved efficiency and effectiveness.

Net operating assets have been reduced in all countries except South Africa and Belgium. Stock levels in agriculture grew as a result of late deliveries from factories and lower sales in the second half. Used truck stocks were above plan due to saturated sales channels and higher than expected truck returns from distressed customers.

Operational Reviews (continued)

LOGISTICS

R million	Revenue*		Operating profit/(loss)		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2009	2008	2009	2008	2009	2008
Southern Africa	2 257	1 970	92	105	342	430
Europe, Middle East and Asia	1 830	1 238	(15)	30	707	855
	4 087	3 208	77	135	1 049	1 285

*Excludes inter group revenue of R81 million (2008: R400 million).

Southern Africa results were impacted by volume reduction in the construction and automotive segments as well as in the freight forwarding business.

These reductions were however countered by strong performances in the FMCG and retail segments and in the dedicated transport business.

The supply chain management business model which is largely fee based also mitigated the effect of volume declines.

Significant new contracts acquired at the end of the financial year will contribute to growth in the next period.

The international businesses were all negatively affected by volume reductions due to the global economic crisis. Cost saving and rationalisation initiatives taken during the year assisted in mitigating the effect of the volume reductions. Included in these initiatives was the consolidation of our European operations under one management team which will enhance focus on developing the supply chain management business model in the European market. Excellent customer service ensured that no clients were lost during the period and recovering volumes on the back of an upturn in world trade will contribute to improved returns going forward.

CORPORATE

R million	Revenue		Operating (loss)/profit		Net operating assets/(liabilities)	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2009	2008	2009	2008	2009	2008
Southern Africa	22	83	(42)	(263)	372	513
Europe			(10)	10	(475)	(229)
	22	83	(52)	(253)	(103)	284
Share of associate (loss)/income			(1)	1		

In southern Africa, the operating loss includes the BEE charge of R6 million (2008: R337 million) and a R2 million charge (2008: R85 million gain) relating to an increase in the residual liability to share option holders. In Europe an increase of R321 million in the liability for post-retirement benefit obligations in the UK contributed to the reduction in net operating assets.