

Group Financial Review

Revenue from continuing operations increased by 6% to R22.5 billion. Good growth in South African mining and Angola resulted in equipment southern Africa increasing revenue by 20%. The consolidation of the NMI – DSM motor dealerships in March 2008 and the acquisition of the Swift and Flynt International logistics businesses in April 2008 collectively contributed revenue of R2.5 billion in the past six months.

Operating profit declined by 20% to R1 045 million. Reduced demand in Europe, the USA and the Far East due to reduced economic activity, adversely impacted profits earned in these regions by the equipment, handling and logistics businesses. In Iberia, a redundancy charge of R95 million was incurred to realign the expense base with lower activity levels.

The financial instrument losses of R74 million (1H'08: R69 million gain) arose mainly from marking to market foreign exchange contracts in equipment and handling due to rand volatility at the end of the period. The marking to market of shares held in Pretoria Portland Cement Limited in respect of share option obligations resulted in a loss of R4 million (1H'08: R45 million).

Net finance costs increased by R110 million compared to 2008 mainly due to higher borrowings to support growth in working capital in equipment southern Africa, the logistics acquisitions and higher interest rates.

Taxation, before Secondary Tax on Companies (STC), declined by 47% to R161 million. The average effective tax rate, excluding STC, prior year taxation and taxation on exceptional items was 29% (1H'08: 28%).

Income from associates and joint ventures rose sharply to R76 million (1H'08: R18 million) reflecting strong deliveries in the equipment joint venture in the Democratic Republic of Congo.

The loss of R52 million from discontinued operations is mainly attributable to losses incurred in the period in car rental Scandinavia. In 2008 a gain of R332 million was realised on the disposal of the laboratory business.

Headline earnings per share from continuing operations declined by 46% to 199.6 cents (1H'08: 366.8 cents). The decrease is largely attributable to lower profits in Iberia, financial instrument losses and higher net finance costs.

Cashflow and borrowings

The focus on cashflow resulted in cash generated from operations in the period improving to R1 195 million (1H'08: R945 million). Working capital increased by R777 million during the first six months (1H'08: R1 640 million) driven mainly by the increased activity in equipment southern Africa. The increase in southern Africa was, however, partially offset by a release of R494 million in working capital in equipment Iberia as management initiatives yielded benefits.

Net cash applied to investing activities of R595 million (1H'08: R1 300 million), includes net additions to property, plant and equipment of R521 million and a net investment in fleet leasing and equipment rental assets and car rental vehicles of R114 million. The reduction on last year is mainly due to the deferral of non-essential capital expenditure and increased focus on optimising the rental fleets and leasing assets.

	Trading	Leasing	Car rental	Total group
Total debt to equity (%)				
Target range	30-50	600-800	200-300	
Ratio at 31 March 2009	56	622	143	84
Ratio at 30 September 2008	51	552	165	82

Total interest-bearing borrowings of R11 255 million represent a group debt to equity ratio of 84% (September 2008: 82%). We continue to focus on improving the maturity profile of our borrowings. In the past six months

additional long-term funding of R1 450 million has been raised through a seven-year corporate bond issue of R750 million and a five-year term loan of R700 million. Short-term borrowings of R4 198 million, which includes commercial paper of approximately R2 000 million raised in the local market, represents 37% of total borrowings (September 2008: 43%).

At March the group had confirmed unutilised funding facilities of R7 459 million. In addition cash and cash equivalents at March amounted to R1 132 million. Working capital in the group, particularly in the equipment division, traditionally peaks in the first six months of the financial year. This trend is again forecast for this year which should result in a further reduction of short-term borrowings by September 2009 and we expect gearing for the trading segment to be within our target range.

Total assets employed in the group increased to R34 614 million (September 2008: R33 957 million) mainly due to a weaker rand.

Going forward

Our strategy is to further strengthen our balance sheet by focusing on cashflow and debt reduction. We have experienced good operating cashflows in the first half of the year even though the higher activity levels in equipment southern Africa contributed to an increased investment in working capital. We forecast to reverse the working capital outflow in the second half and we expect the group to be strongly cash positive as we deliver the firm order book in the back end of the year.



DG Wilson

Finance Director