

Operational Reviews

In the case of the leasing businesses, the operating profit is net of interest paid. Income from associates, which includes our share of earnings from joint ventures, is shown at the profit after taxation level.

Net operating assets comprise total assets less non-interest bearing liabilities. Cash is excluded as well as current and deferred taxation assets and liabilities. In the case of the leasing businesses, net assets are reduced by interest-bearing liabilities.

Comparative numbers have been restated as per note 19.

Equipment

R million	Revenue			Operating profit/(loss)			Net operating assets	
	Six months ended		Year ended	Six months ended		Year ended	31 Mar	30 Sep
	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	30 Sep 2008
– Southern Africa	5 888	4 920	11 930	731	532	1 523	5 566	4 178
– Europe	3 207	4 262	8 459	(45)	332	534	4 604	4 972
	9 095	9 182	20 389	686	864	2 057	10 170	9 150
Share of associate income				77	11	62		

Despite the global economic slowdown the southern Africa equipment business produced strong results for the period. We grew our market leadership position in most territories, with continued demand for infrastructure development and delivery of mining machines contributing to the result. We expect to deliver almost as many machines to the mining industry this year as in the past financial year.

Angola again recorded substantial growth and our business in Mozambique was awarded a significant machine order for a major coal mining project that will result in ongoing activity for several years. The power business continues to provide opportunities for increased revenues.

Our strategy to attract, retain and develop skilled people to sustain our customer support has continued. Construction of our dedicated technical training centre in Isando, together with accommodation, is progressing according to plan.

The customer order book remains at high levels by historic standards but lead times on orders for large Caterpillar machines have shortened considerably. Working capital levels have increased in the first half but we anticipate this reversing in the second half as outstanding orders on Caterpillar have reduced. We expect significant positive cash flows as we deliver the customer order book and optimise our inventory holding over the next six months.

While activity is expected to slow our business should hold up well due to our geographic diversity, our balanced business model of new, used and rental solutions, and the diversity of commodities we serve. Our comprehensive after sales, parts and service business is also expected to remain strong due to the large installed Caterpillar machine population across southern Africa. We are taking action to reduce the expense base in those territories and regions where activity is expected to slow.

The Spanish economy remains depressed and investment in the construction equipment market has fallen by around 65%. Our revenues are down 37% in Euros and decisive management action has been taken to realign the cost base with reduced activity levels. This has necessitated a 402 headcount reduction since the middle of last year and redundancy costs of R95 million (€7.3 million) have been provided. The final stage of the redundancy plan has now been executed and annualised cost savings of approximately €9 million are expected.

There has also been intense focus on working capital management and the business generated R578 million (€51 million) in cash flow for the six months. We expect to further reduce working capital in the second half.

Despite the difficult economic conditions we grew market share in Spain by an unprecedented 5.1 percentage points and we expect to be able to maintain this positive trend. The government stimulus package should start to have a positive impact in the latter part of the year when some infrastructure projects are expected to receive funding.

In Portugal, economic activity is also depressed however the recent increase in public works awards should see some improvement in the coming months.

Share of associate income includes our joint ventures in the Democratic Republic of Congo (DRC) and Russia. We had strong deliveries of existing customer order books in the DRC although activity has now slowed considerably. Revenue in Russia was marginally down on the previous year as construction activity declined.

Automotive

R million	Revenue			Operating profit/(loss)			Net operating assets	
	Six months ended		Year ended	Six months ended		Year ended	31 Mar 2009	30 Sep 2008
	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	31 Mar 2008	30 Sep 2008		
Car rental								
Southern Africa	824	826	1 586	155	172	250	2 600	2 849
– Southern Africa	5 679	5 410	11 622	101	72	143	1 831	1 850
– Australia	1 260	1 403	2 849	12	33	62	1 007	983
Trading	6 939	6 813	14 471	113	105	205	2 838	2 833
Leasing								
Southern Africa*	534	451	948	52	33	85	365	366
	8 297	8 090	17 005	320	310	540	5 803	6 048
Share of associate (loss)/income				(3)	6	6		

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

Our integrated motor vehicle usage solutions strategy proved resilient and the division has delivered a good result in difficult trading conditions. Overall margin has improved on the prior year and the operations produced strong positive cash flow during the period under review.

Avis Rent a Car southern Africa achieved a 7% increase in rate per day and improved overall fleet utilisation, while negative rental day growth softened the result. The operating margin was supported by an improved used vehicle contribution.

The southern African motor retail operations generated improved demand for used vehicles offset by declining new vehicle sales volumes. Operating profit benefited from the consolidation of our NMI-DSM operations, as well as the sale of 50% of the Subaru importation and distribution business, now disclosed as an associate. Our 'Fewer, Bigger, Better' approach continues to support the overall strategy of the division. Softer market conditions in Australia impacted the result.

Our fleet services business showed a strong overall improvement, supported by quality fleet growth.

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	
	Six months ended		Year ended	Six months ended		Year ended		
	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	30 Sep 2008
– Southern Africa	517	507	1 027	87	45	124	474	259
– Europe	1 196	1 574	3 193	(31)	26	8	691	636
– United States	989	909	1 849	(20)	16	40	660	638
Trading	2 702	2 990	6 069	36	87	172	1 825	1 533
Leasing*	30	71	76	8	11	–	75	76
	2 732	3 061	6 145	44	98	172	1 900	1 609
Share of associate income				2	–	3		

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

In southern Africa the first half produced a strong result, however trading for the lift truck market is slowing in line with the contracting economy. The lift truck order book is down on the previous year. The good performance of the agriculture business was assisted by favourable rain patterns, declining interest rates, and stable food prices. The result has also been boosted by foreign exchange gains. High inventory levels are a timing issue related to deliveries from principals and are expected to reduce considerably over the next six months.

The overall lift truck markets in our European territories were down by some 40%. The Netherlands and Belgium operations were significantly impacted by the market downturn but both remain profitable. The UK produced a loss in a difficult market. Assets have been reduced significantly in local currencies due to focus on working capital management, capital expenditure reduction and optimisation of rental fleets.

The overall market in the US is down by 43%. In this environment, the US business produced a loss with lower overall sales compared to the previous year, but market share has grown.

Significant cost reductions have been achieved and further restructuring is currently underway in Europe and the US to remove additional costs and realign the expense base with current activity levels.

Logistics

R million	Revenue			Operating profit/(loss)			Net operating assets	
	Six months ended		Year ended	Six months ended		Year ended		
	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	30 Sep 2008
Southern Africa	1 119	631	1 970	34	41	105	505	430
Europe, Middle East and Asia	1 243	186	1 238	(1)	5	30	878	855
	2 362	817	3 208	33	46	135	1 383	1 285

The African business has seen some impact as a result of the economic downturn however the supply chain management business has thus far proved to be resilient during this period. Organic growth is expected to continue. The prevailing economic conditions and the resultant drop in trade volumes has contributed to lower levels of activity in volume-based businesses in Europe, the Middle East and Asia. This is expected to continue throughout 2009.

Significant cost saving initiatives have been implemented throughout the division including staff reductions. In addition, considerable effort has been expended in relation to working capital management.

Notwithstanding the downturn, clients continue to express interest in the division's service offering and a number of new engagements have been concluded. Management foresees further organic growth on a strategically focussed basis.

Operational Reviews *continued*

Corporate

R million	Revenue			Operating profit/(loss)			Net operating assets	
	Six months ended		Year ended	Six months ended		Year ended		
	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	31 Mar 2008	30 Sep 2008	31 Mar 2009	30 Sep 2008
Southern Africa	28	33	83	(25)	2	(263)	584	513
Europe	-	-	-	(13)	(8)	10	(319)	(229)
	28	33	83	(38)	(6)	(253)	265	284
Share of associate income				-	-	1		

In southern Africa the operating profit to March 2008 included a gain of R27 million attributable to a decrease in the group's liability for PPC share options. The operating loss for September 2008 includes the BEE charge of R337 million.