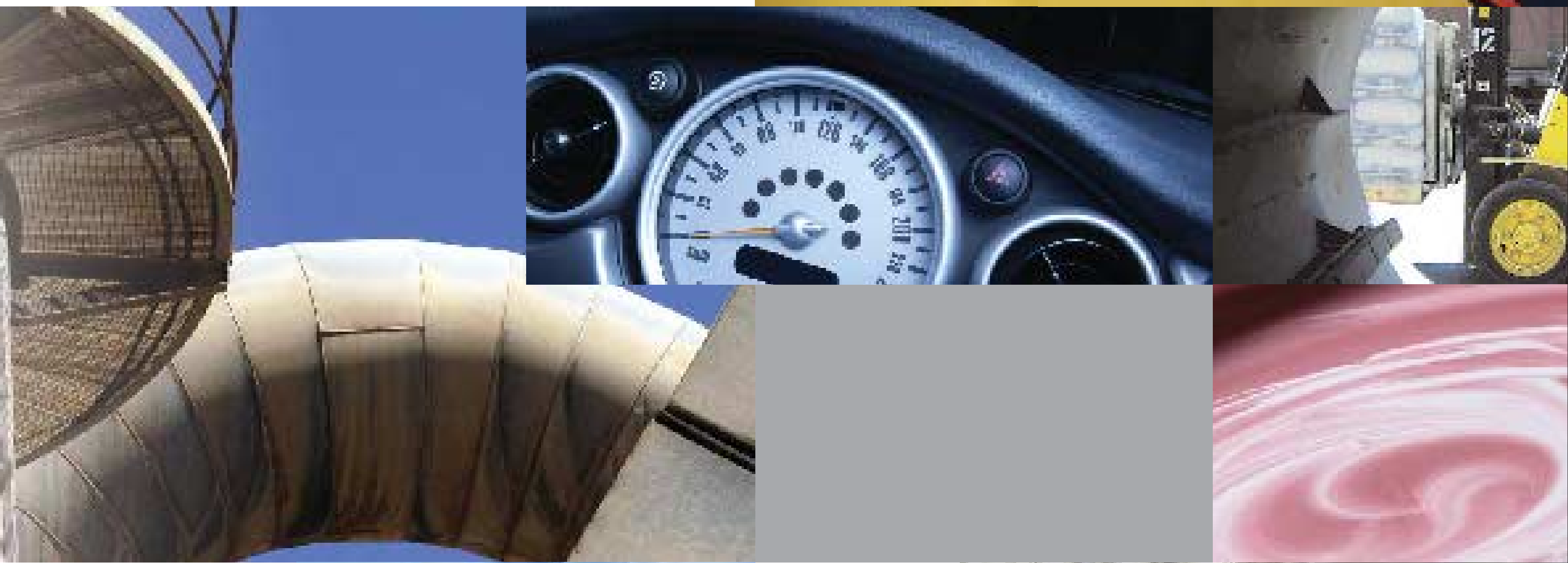

Barloworld Limited

annual report 2002

Achieving durability in business through long-term value creation for all our stakeholders.

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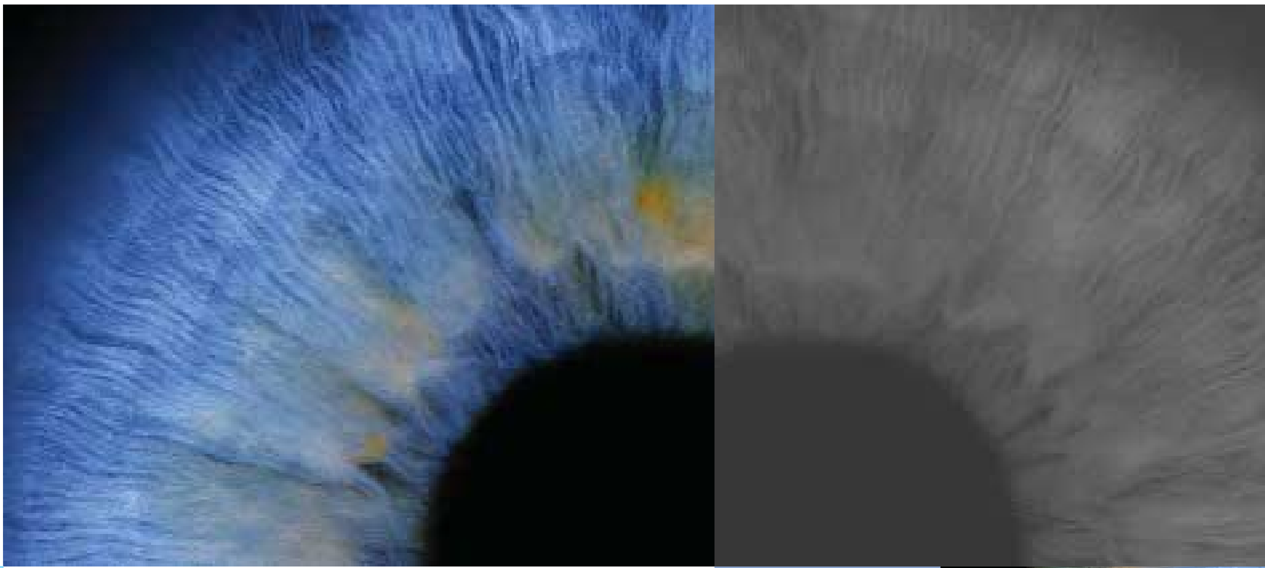
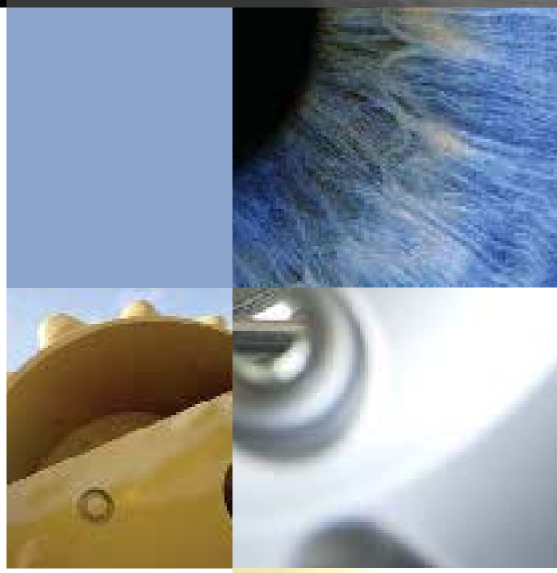
For more information on our company and our brands, contact Barloworld Corporate Communication.
Telephone +27 11 445 1202 Fax +27 11 445 1550 E-mail invest@barloworld.com



Barloworld

is an international industrial brand management company.

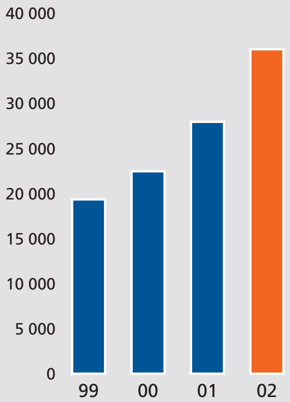


We provide integrated product and service solutions to add value for our customers.

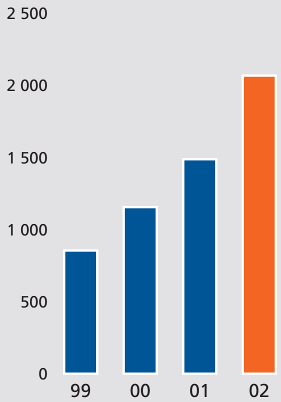
Financial highlights

for the year ended 30 September 2002

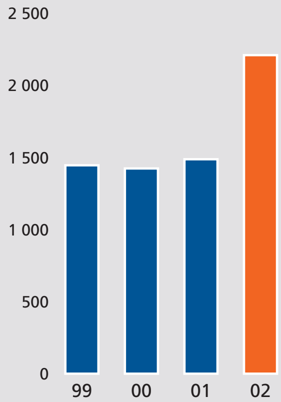
	2002 Rand	2001 Rand	% change	2002 US$	2001 US$	% change
Revenue (millions)	**35 999**	27 945	29	**3 380**	3 499	(3)
Operating profit (millions)	**2 067**	1 487	39	**194**	186	4
Cash flow from operations (millions)	**2 209**	1 487	49	**207**	186	11
Earnings per share excluding exceptional items – basic (cents)	**592**	452	31	**55,6**	56,6	(2)
Headline earnings per share (cents)	**622**	499	25	**58,4**	62,5	(7)
Ordinary dividends per share (cents)	**275**	220	25	**26**	27	(3)
Special centenary dividend per share (cents)	**100**			**9,4**		
Net asset value per share (cents)	**5 872**	4 774	23	**558**	530	5
Total assets (millions)	**27 097**	21 946	23	**2 573**	2 436	6
Total borrowings to total shareholder funds excluding leasing operations (%)	**23,3**	31,1				
Cash flow return on investment (CFROI®)	**8,5**	8,3				



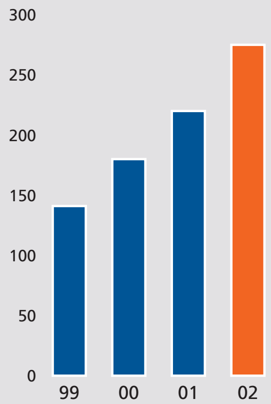
REVENUE (R million)



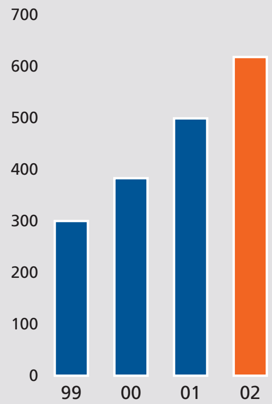
OPERATING PROFIT (R million)



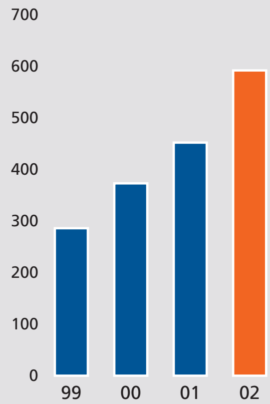
CASH FLOW FROM OPERATIONS (R million)



ORDINARY DIVIDEND PER SHARE (Cents)



HEADLINE EARNINGS PER SHARE (Cents)



EARNINGS PER SHARE EXCLUDING EXCEPTIONAL ITEMS (Cents)

Chairman's review

Our performance in 2002 showed once again the resilience of Barloworld Limited in difficult market conditions. Our geographic spread of businesses, together with our financial strategy and conservative and straightforward character, stood us in good stead.

The results, prepared in terms of International Financial Reporting Standards, showed revenues increasing by 29% to R35 999 million (2001: R27 945 million).

Operating profits increased by a pleasing 39% to R2 067 million. These translated into a 31% increase in earnings per share excluding exceptional items to 592 cents (2001: 452 cents). Headline earnings increased by 25% to 622 cents (2001: 499 cents) after taking into account an adjustment for goodwill amortisation and in this year a special one-off R100 million provision before tax to cover pension fund closure costs.

Cash generated at the operating level was R2 209 million – a 49% increase on that of the previous year.

The balance sheet remains strong.

Barloworld is now operating in 31 countries around the world and more than 50% of our operating profits are earned in hard currencies outside South Africa.

Your board is pleased to announce a final dividend of 185 cents, making a total dividend for the year of 275 cents (2001: 220 cents).

In addition to the annual dividend your board has declared a special Barloworld centenary dividend of 100 cents per share.

In this our centenary year, I salute the many strong leaders we have had in the past and would especially like to mention the roles played by our previous chairmen, Mr Mike Rosholt and the late Mr Punch Barlow.

When I succeeded Mr Mike Rosholt as the chairman of the board in 1991, I inherited a group that had achieved its success through careful planning and sound judgement, a group with long-term goals and objectives and, above all, strong values and uncompromising ethics.

To plan where we should go from here, it is important to understand how we came to be where we are today. The modern Barloworld group, led by the chief executive, Mr Tony Phillips, and his dedicated team of executives and staff, balanced and augmented by experienced non-executive directors, continues to acknowledge the sound principles of the past on which the group has been built.

The corporate office, which provides leadership for the group, is in South Africa. This is the proven base from which to effectively direct our diverse operations as we move into global markets of choice with a modern uniform corporate identity.

South Africa

The Barloworld businesses in South Africa have had a good year with continued profit growth coming from the Cement and Lime, Capital Equipment, Coatings and the Motor divisions.

Chairman's review continued

Steel Tube, in particular, had a strong profitability turnaround and much credit must be given to its management team for standing their ground when recent market conditions were against them. The Leasing operation returned to profitability.

There has been an increase in much needed infrastructural development expenditure in South Africa and this is the segment in which many of our businesses operate.

The South African economy has been growing steadily, despite the slowdown in the developed economies of the world. The economic and fiscal policies, which are being followed, are sound. The current account is now in surplus, due in part to the strong performance of exports.

Inflation is proving to be more problematic than was expected and this, together with the undervalued rand, is adding to key input costs, accelerating wage growth risks, and affecting food and oil prices. The 2003 inflation targets will not be reached and with the 2004 targets getting tougher, they may also become unachievable.

I hope the recent interest rate hikes – occasioned by the rising inflation perspective – will not derail the upswing.

The rand is likely to remain soft, amid fears of a global slowdown with easing commodity prices. There are concerns over Zimbabwe and its tragic self-inflicted situation. However, I believe the knock-on effect on South Africa, as perceived by foreign commentators, has been overplayed.

Other factors that keep the rand undervalued include the international perception that some macro policies concerning bank lending and aspects of the mining charter are moving in the wrong direction. All this makes it unlikely for any meaningful relaxation of exchange control in the short term.

Elsewhere in the southern African region where we trade, steady profits were made. Barloworld has strong African roots and has the advantage of being able to combine the right products with adaptable strategies to fit prevailing conditions. The exception in the past year has been the Cement interest in Zimbabwe, which has to cope with deteriorating political and hyperinflationary economic conditions. However, in the longer term, this will become a strategic investment for the group.

With the South African government and local business playing an influential role, there are early positive indications that the southern African region, in spite of less than ideal trading and political conditions, is showing signs of sustainable economic growth. This is being driven by the utilisation of the region's vast oil reserves. It has been suggested that Africa is becoming one of the fastest growing sources of oil and gas for the hungry Western markets, and is lessening to a degree their dependence on supplies from the troubled Persian Gulf.

One senses that at long last the lesson is being learnt in southern Africa that a stable and transparent democracy is the best guarantee for economic development. There is also a growing acceptance that business is the key to the region's economic wellbeing and this sentiment was strongly endorsed at the recent World Summit on Sustainable Development successfully hosted by South Africa.

But to hold the interest of business, risk levels must be acceptable and there must be clear objectives and lines of accountability. Above all, action has to occur at a faster rate and also closer to the private sector modus operandi than that of the public sector.

Although they might not like to hear it, African governments have to accept that it is they who need the private sector for development, rather than the other way around. The private sector can always go and invest elsewhere, as it has done in the past.

Whilst the politicians have the responsibility to create the environment for change, it is business investments that will anchor it in place.

Australia

Our business in Australia did well and investments down under are making a growing contribution to the Barloworld results.

The Motor companies, including the recent acquisitions, held their own and Coatings made a strong profit recovery as this division continues to establish itself in its competitive markets.

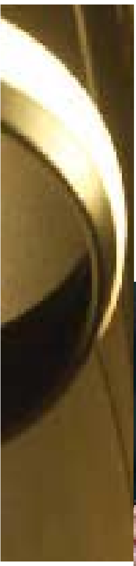
With hindsight the timing for Barloworld to invest in Australia was good. The Australian economy has shown resilience and has continued to shrug off the negative international trends.

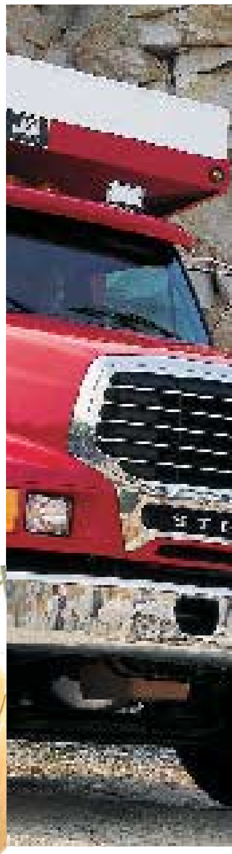
For corporate Australia, interest rates are low, the consumers are spending, businesses are investing and profits are rising.

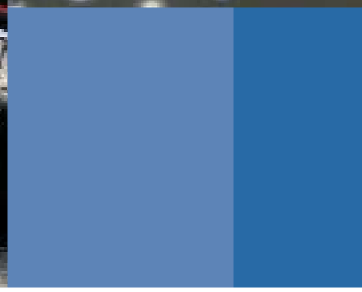
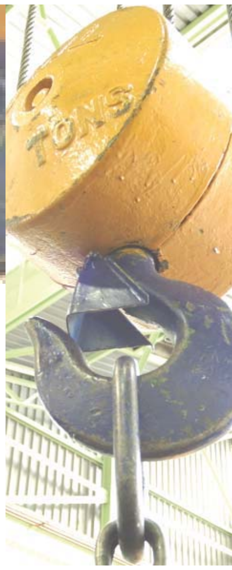
However, there is a trend of seeing strong sales growth at the expense of tighter margins and we will have to respond by controlling costs.

Europe

Turning to Europe, the Materials Handling and Paper businesses in the United Kingdom were steady in difficult trading conditions in a not very exciting business environment. In Scientific products the Laboratory business produced good results, whilst the Melles Griot operations were affected by greatly reduced demand from the telecommunication sector.



However, the Capital Equipment division in Spain and Portugal continues to excel and has maintained profitability at a high level.

The Spanish and Portuguese economic planners concentrate on the infrastructural development of their regions as the engine room for economic growth and they have an established track record of success. This is an appropriate economic strategy for the whole of the southern African region to emulate.

The Caterpillar dealership in Siberia is in an establishment phase and should be a growth point in the future. President Putin is a pragmatic leader steering Russia to closer financial and economic ties with Europe.

United States of America

In the USA our businesses were not able to repeat the results achieved in the past, albeit off a high base, and there was a negative contribution to our results. However, in spite of considerably lower economic conditions, our businesses did exceptionally well in working capital management and downsizing their activities in line with the current lower trading conditions.

While some recent signals have provided reassurance that the US economy is continuing to make progress, there are still no signs of the strong durable broad-based recovery expected by the policy makers. There are, as a result, nagging worries of a second, more prolonged, recession in the US less than a year after the last, very brief downturn.

For some time the US economic activity has seemed to be in an uneasy yet stable holding pattern. Consumers have kept spending, though not always strongly enough to keep the economy at trend growth. Meanwhile businesses hold back on investment, waiting for a definite upturn in profits.

More worrying than the direct cost, or even the arithmetic effect of high oil prices, is that the prospect of war in the Middle East is adding another source of uncertainty. This is having the effect of further dissuading business from investing or consumers taking on more debt.

Whilst all of our businesses in the US are sound and in good shape, they are very much in the hands of the economic climate for growth in profitability.

Corporate governance

Whilst the subject has been somewhat over-emphasised by some commentators, corporate governance – or should I say the lack of it in some places – is of great concern to many investors.

At Barloworld we are very aware of this investor concern, especially as by far the

Chairman's review continued

majority of those who have invested in our company – either directly or indirectly through pension funds and other savings instruments – are dependent on the dividends they receive and the safety and integrity of their investment.

The bulk of our shareholders and investors are not there to play the short-term game.

What has gone wrong in the corporate world in the 1990s, I believe, can be blamed on the rise in the glorification of financial gain, irrespective of longstanding values. The culture of greed-driven equity markets led to a sad decrease in professional standards and the ignoring of conflicts of interest.

The maintenance of the share price had become the pressing task of some executives, analysts and individual investment advisors who often encouraged more creative, dubious and misleading financial standards to prop up ill-gotten and unwarranted rewards.

We are now in the era of searching for a tribe of scapegoats. Whilst there is always a need to sensibly review and update existing regulations and practices, what really is needed is to return to the common sense application of those principles that have held the business world and the investors in good stead over the years.

For instance, I do not believe the talked about compulsory rotation of auditors will boost independence – in fact it could adversely affect audit quality. However, audit firms should revert to having no other responsibility except the proper audit of accounts. They should not be 'consultants' or 'corporate financial advisors' as this is what has led to conflicts of interest.

Executive remuneration disclosures should reveal the total cost to the company and include the cost of stock options and all the other perks. The controversies surrounding executive packages, especially where they are out of line with company performance, can be easily resolved by asking shareholders to approve them at the annual general meeting.

Remuneration information could also be better covered by publishing the aggregate pay for a series of bands, with the company defining and stating the number of employees and executives within each band. Policies on training, retraining, succession planning, assessment, promotion and career development should extend far beyond the mere handful employed at the top.

Collected and published over a number of years, statistics such as these would illustrate the evolution of a company's people policies. When measured against a backdrop of turnover and profit, they would reveal a true picture of the manner in which a company treats its employees and ultimately become a real test of progress made on employment equity.

In recent times the trend, in my opinion, has been to place too much emphasis on company results at the EBITDA level. More attention on the amount of cash generated at the operating level would have revealed many of the analytical shortcomings that have plagued investors recently.

The onus for keeping shareholders informed does fall fairly on the shoulders of directors. It is not just the financial statements that matter – the balance sheet and income statement usually comply with the rule books anyhow – but it is the purpose behind it. What is lacking are better reports from directors, with the chairman and chief executive officer personally vouching for the company's statements.

The problem does not lie in the rules and regulations – it is the effective implementation that is lacking.

Where there have been accounting and share dealing abuses, bonuses and other compensation should be repaid and the executives concerned barred from office.

The pendulum seems to have swung in the favour of the boardroom villains and those who profit from them. A good start to stop abuses would be for the guilty ones to be given heavy jail sentences.

I was recently delving into some of the Barloworld papers kept in our archives and came across these words by the late Mr Punch Barlow in a chairman's statement many years ago:

"I have said and I believe that the people who matter in our company are the people who manage it and the people who are in it. As long as they are the right sort of people, and people of integrity, then the shareholders have got nothing to worry about."

I believe this applies to the Barloworld of today and I would like to reiterate that I do not believe our shareholders, stakeholders and all who depend upon Barloworld for their wellbeing, have anything to worry about.

Board and management

There were no changes to the board and top management during the past year. During the coming year some members of the top team will be reaching the mandatory retirement age and succession plans for these changes are in hand.

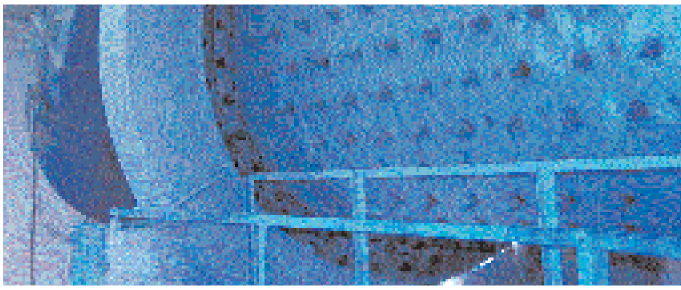
I wish to thank the board, and the executive team and staff worldwide, ably led by the chief executive officer, Mr Tony Phillips, for their support and dedication in working towards the achievement of our objectives.

Prospects

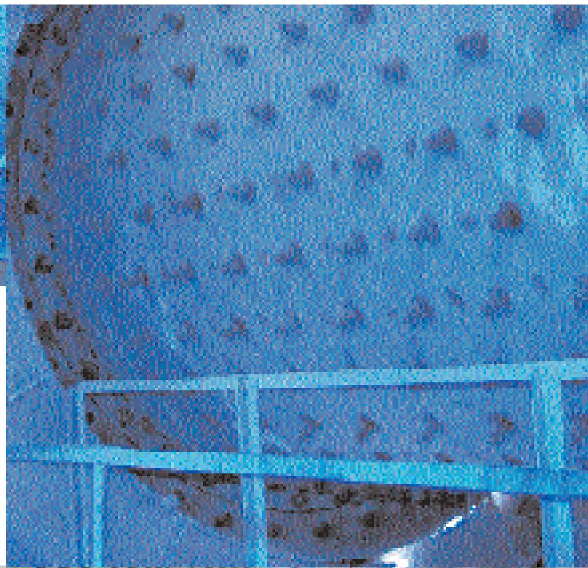
We continue to position Barloworld for a subdued business environment. We have further strengthened our capital position and are pursuing a policy of diversification, both geographically and by line of business.

We are in a good position to seek out and respond to new opportunities to create long-term value for shareholders. We anticipate another year of good progress backed by strong operational cash flows.

WAM Clewlow
Chairman



Creating value for all of our stakeholders



This report has been prepared using the Global Reporting Initiative Guidelines (GRI) as a framework.

The GRI is an international framework for providing comprehensive information to stakeholders of a company on its economic, social and environmental performance – the triple bottom line.

The Initiative was founded in 1997 and is endorsed by the United Nations. Its goal is to enhance the quality, rigour and utility of sustainability reporting.

A full cross reference index for the GRI framework is set out on pages 139 to 141.

www.globalreporting.org

Value Based Management – the framework for our approach to creating an enduring company

The way we do business is rooted in the values of Charles Sydney 'Punch' Barlow, the son of our founder. He believed in the highest ethical standards and in teamwork.

Value Based Management (VBM) is the framework through which we are building a value-creating culture throughout our company. Our goal is to align processes and day-to-day behaviour in order to continually create value for ALL our stakeholders.

Our customers, employees, shareholders, and the communities in which we operate (both human communities and the environment) must all benefit from our activities and we hold ourselves accountable to all.

As we enter our third year of implementing VBM, we are setting higher targets for the value we create for our shareholders and we are developing and implementing measurable targets for customer, employee and community value.

The proof of the value of VBM for shareholders lies in our economic performance. Over the past three years we have more than doubled shareholder value.

We align our internal financial measures with shareholder value by focusing on cash flow return on investment (CFROI®)* as our metric. In our view, this method correlates most closely with total shareholder return (share price appreciation plus dividends) over the long term. It accounts for the need to not only generate superior returns for shareholders, but also to provide for the replacement of business assets over the life of those assets in today's monetary terms (inflation adjusted).

For our customers we are working hard to understand their true needs and to create value-adding partnerships and solutions that best fulfil their unique requirements. We are also proactively looking at ways to devise customer value propositions that will delight our customers.

For our employees we are systematically implementing a company-wide model aimed at fostering an inspiring and caring climate. Through teamwork and communication, our goal is to harness the exceptional intellectual capital we already have within the organisation and provide an opportunity for this to be recognised, rewarded and fulfilled.

For the communities in which we operate we are working to ensure that we have a positive impact both in the social and environmental spheres.

Details of our approach to these stakeholders can be found on pages 31 to 55.

* *For an explanation of how to calculate CFROI®, refer to page 57.*

TONY PHILLIPS
Chief Executive
Officer

Setting the agenda

Enduring relationships,
trust and perseverance
are the hallmarks of the way
Barloworld people do business.

We remain focused on building an international industrial brand management company that delivers world-class performance and profitability.

We have now completed three years of implementing Value Based Management (VBM) throughout Barloworld and have moved out of the initial implementation into a phase where we are consolidating on our success.

I am pleased to report that in the aspect of creating value for shareholders, we have further increased the returns we generate.

We use one global cost of capital as a performance measurement tool for all business units, for every item of capital expenditure and for every acquisition target.

Having achieved our initial target of a cash flow return on investment (CFROI®) in excess of our cost of capital last year, the figure has grown from an 8,3% real CFROI® in 2001 to 8,5% in 2002.

As I reported last year, this is the visible aspect of VBM. What remains invisible, but essential for the long-term durability of the company, is the manner in which the VBM process is driving an ongoing review of the way we do things in every part of the company. During 2002 we also concentrated on achieving tangible results in value creation for other stakeholders – customers, employees and the communities in which we operate.

This quiet revolution will continue to act as a powerful catalyst for value creation into the foreseeable future, since VBM is a never-ending journey.

Building the Barloworld brand . . .

The Barloworld brand is being built on the strength of the relationships we build with our stakeholders. Despite being only two years old, having been launched in October 2000, it is increasingly recognised as a symbol of enduring trust in many of the markets in which we sell our products and services solutions. I am also pleased to announce that the Barloworld trademark has been successfully registered in one country, and the process to ensure its legal protection continues in our key markets around the world.

. . . from the inside out

Industrial brands are built on the strength of long-term relationships forged between Barloworld people and the owners and employees of the companies who form our customer base. Such relationships can only be built if we have employees who understand and live by our company ethos of maintaining the highest level of integrity in everything they do. In 2002 our employee retention levels were exceptionally high, particularly at senior levels, and a review of the management team listed on pages 29 to 30 shows that we have not lost a single member of the global leadership team to another company in the past year.

To further strengthen the relationship between employees and the company and to recognise individuals who make exceptional contributions above and beyond the call of duty, I have introduced a company-wide CEO Award excellence programme. This programme highlighted some extraordinary contributions by our people and the segmental winners set an example to each and every employee. The overall winner was Sguntsu Stemela from our Cement and Lime operations (see remarks overleaf).

A year of bedding down acquisitions . . .

A flurry of acquisitions at the end of 2001 meant that much of our time has been spent integrating new groups of employees into the company and ensuring that, during their absorption, the acquired businesses continued to add value. These included motor dealerships in Australia, the Protean group of companies in the UK Laboratory business, Execulink and Optimus in the South African logistics arena, the Portland Holdings cement operations in Zimbabwe and Sterling truck dealerships in the Memphis area of southeast USA.

. . . disposing of underperforming business units

VBM demands firm action on businesses that either do not have the potential to create sustainable value within the organisation, or cannot be expanded to grow the contribution they make. In the past year PPC disposed of its 32,9% stake in Natal Portland Cement and 25% share of Ash Resources. We also sold our UK Coatings business, the Robor Stewarts & Lloyds steel distribution outlets, our half share of steel trading company Stemcor (South Africa) and our Mitsubishi motor dealerships in Australia. After the year-end, we also announced the sale of our South African motor leasing business.

Chief executive officer's review continued

CEO Atlas Award winner

Sguntsu Stemela – PPC Cement

Our first ever winner of the annual CEO Award was Sguntsu, a Vickers Mill attendant in the production department of the raw mill section of PPC Cement in Port Elizabeth, South Africa. Despite the absence of formal schooling, Sguntsu came up with a deceptively simple answer to a problem that had been slowing production at the mill for some time. Limestone with a high moisture content caused 'chokes' in the feed system. Sguntsu proposed a modification to the limestone feeder that was both inexpensive and highly effective. His proposal extended beyond his job's frame of reference and demonstrated his willingness to look beyond his immediate surroundings to find a solution for a mill problem that was impacting negatively on the entire production facility.

. . . expanding within our existing activities

A cursory look at our lines of business conceals a constant process of internal re-invention as we capitalise on opportunities that confront us as well as those that we create. In our Coatings business alone, we are expanding our presence in China to include warehousing and distribution infrastructure and our first in-country Chinese employees. We are taking our brands into New Zealand and in Australia and have become a house-brand manufacturer for one of the major Australian retail chains and agreed a licence to manufacture and market Disney-branded decorative paints.

. . . and developing grassroots opportunities within our core competencies

Our logistics businesses in Spain and in South Africa are strong proof that we also have the skills to develop grassroots businesses. Both have progressed well in the past year, and have significant potential for growth. Even in some of our traditional business areas we have initiated major changes most notably in the capital equipment arena in southern Africa and in Spain where we have launched bold initiatives to become a major player in the rental of equipment to the construction sector.

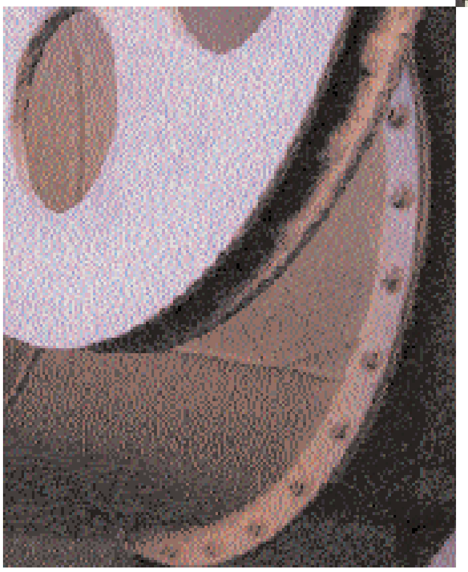
Restructuring to create value continues

The ongoing restructuring of our businesses continued in 2002. There will be further progress in this never-ending journey in 2003.

Building Barloworld through our people

During the year we have continued to make good progress on building the concept of an integrated Barloworld through extensive internal communication programmes reaching all of our 23 192 people.

We have made further progress in aligning reward and incentive systems to value creation.



The 'Barloworld University' programme of executive education for our senior managers, which we operate in conjunction with the Gordon Institute of Business Science in Johannesburg, South Africa, is in its third year and working well. It is linked to an MBA programme which ensures that the participants gain credits towards this qualification for the studies they undertake.

Employment equity and black economic empowerment

In South Africa, we remain on track with the employment equity plans required of all business units in terms of the Employment Equity Act. While this is a legal compliance issue, we believe that the development of previously disadvantaged people within South African business units makes good business sense as well as being morally correct.

As a global company with a global stakeholder base, the issue of black economic empowerment (BEE) in South Africa is similarly being addressed at appropriate business unit levels. In that sense Barloworld is no different from any major multinational that has operations in a country undergoing necessary transition from an inequitable historical situation.

We have numerous schemes to assist previously disadvantaged people amongst our customer base. Sensibly and sensitively managed, BEE can be a powerful force for the creation of a more vibrant business environment in the future and it has our support.

HIV/Aids is an important area of focus in southern Africa

Within our risk management programmes, we have recognised HIV/Aids as a significant potential risk to our businesses in southern Africa. Across all our operations in the region we have extensive programmes in place to address the challenge this creates. They range from increased intake of trainees to extensive education programmes and, where appropriate, the administration of antiretroviral drugs as part of medical benefit programmes. The latter are available through both of the major medical insurance schemes we operate.

Market leadership

We have continued to maintain market leadership in many areas in which we operate worldwide – it is an important component of how we think about the attractiveness of those markets. In this context, our processes to create value for customers have always been highly effective. We continue to ensure that we systematically analyse key customer needs and establish objective measures and monitoring systems focused on better service.

Smart Partnerships™

Our strategy of building Smart Partnerships™ with key customers has been expanded during the past year. Examples of the success of this strategy include the growth in Maintenance and Repair Contracts (MARCs) with our mining customers in the capital equipment business (see page 64) and the re-award of the original Pathfinder contract with the Ministry of Defence in the United Kingdom through our industrial distribution business (see page 67). The alliance we have formed with underground mining equipment manufacturer Boart Longyear (see page 64) is a new development in this area in 2002. Smart Partnerships™ will remain a growth component of our business activities in the future as they take us well beyond, for example, the 'lowest unit price wins' scenario of equipment distribution into an arena where our combination of financial strength, skills, products and services creates a unique value-adding package for our customers which our competitors struggle to match.

Pursuing quality of business and improving strategic planning processes

As I mentioned last year, the VBM process has led us to place a greater emphasis on the quality of business we do and, as a result, we have improved our margins in many areas. This focus will continue in 2003.

E-commerce

E-commerce is firmly entrenched as an integral and routine component of our business. Its impact varies tremendously; it is no longer high on the agenda as an all-embracing wave which will sweep established businesses such as ours onto the proverbial rocks. We do however continue to watch closely for, and rapidly adopt, new developments that can enhance what we do.

Implementing the Barloworld Environmental Code

During the past year we have made satisfactory progress in implementing a process of continual improvement in the way in which we interact with the environment. Our formal Environmental Code, introduced last year, encompasses all our businesses. You will find many examples of its implementation on pages 31 to 51.

Celebrating our centenary

During this year, Barloworld celebrated 100 years of existence in our customary low-key style. We marked the occasion with, amongst other things, a centenary global management conference in Cape Town in September, the opening of the Mandela Barloworld Agricultural High School (see page 54) and the launch of a programme to plant one tree for every one of our employees during 2003.

Focusing on quality of earnings and expansion in turbulent times

Like people, companies that live for a century have something special within them. In our case, it is encapsulated in a single word: durability. We are a company that endures. We do so because we adapt and change as the environment in which we operate changes. As we approach 2003, my observation made last year, that we face an increasingly turbulent and uncertain world, remains true. In the year ahead, we will be focusing on improving the quality of earnings we generate out of our existing businesses, setting our company on a path to significantly increase the value we create for all our stakeholders and growing the size of our company within our areas of competency.

We will achieve our goals through the commitment, passion, hard work and loyalty of the people who work for Barloworld. They are the true foundation on which we have built 100 years of success.

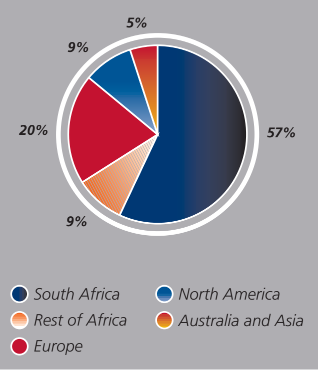
AJ Phillips
Chief Executive Officer

This is Barloworld

We operate in 31 countries and sell products and services in over 100.

We have 23 192 employees concentrated predominantly in southern Africa, the United States, the United Kingdom, Iberia and Australia.

EMPLOYEES BY REGION



Our approach to business

The way we conduct our business stems from the legacy of Charles Sydney 'Punch' Barlow, the son of our founder. He was a man of integrity who realised that the growth of his business came through the actions of people.

It is a blend of old and new business practice. It means business excellence with the word of a gentleman, the ear of a trusted friend and the commitment of a partner.

Enduring relationships, trust and perseverance are the hallmarks of the way Barloworld people do business.

Passionately pursuing integrity and honesty makes us different; committed and focused on fulfilling our customers' needs. Passionate people are attentive explorers and creative problem solvers. Passionate people feel rewarded by their actions.

What we do makes us different. We live up to standards of honesty, reliability and integrity shown not just in what we do, but how we do it.

Capital Equipment
(4 980 employees)

Caterpillar Inc. produces over 200 different products in 19 categories ranging for example from 191 ton operating weight wheel loaders to 4,5 ton compact versions, and from power plants which can provide electricity for whole towns to portable generator sets
We are amongst the world's leading Caterpillar dealers. We are also one of the longest standing, having originally been appointed a dealer in southern Africa in 1927. Caterpillar is the world's leading brand in earthmoving machines, power systems and related equipment
Where
Dealer for Andorra, Angola, Botswana, Bulgaria, Guinea-Bissau, Lesotho, Malawi, Mozambique, Namibia, Portugal, São Tomé and Príncipé, Siberia, South Africa, Spain, Swaziland, Zambia and Zimbabwe
Customers
Mining, construction, marine and electrical power generation industries

Lift trucks
Where
Dealer for southern Africa
Customers
Manufacturing and distribution industries

Diesel engines
Where
Distributor for southern Africa
Customers
Power generation in agricultural and transport industries and for lighting

Rotary blasthole mining drills
Where
Dealer for southern Africa
Customers
Open-cast mines

Articulated dump trucks
Where
Dealer for southern Africa
Customers
Mining and construction industries

Vibratory compactors
Where
Dealer for southern Africa
Customers
Civil construction companies

Underground mining equipment
Where
Distributor across southern Africa
Customers
Mining industry

Other brands
Amazone, Claas, Gehringhoff, Massey Ferguson – agricultural products
Circon – power systems in southern Africa
Flemingo – compressed air product rentals in southern Africa
Mak – engines in Spain and Portugal
Mitsubishi – lift truck dealer for Portugal

Industrial Distribution
(3 122 employees)

Lift trucks
We are the world's largest independent lift truck dealer offering our customers a full range of lift trucks and related warehouse/handling equipment. We have represented the market-leading Hyster brand since 1929 and have leveraged the strength of the brand by leading the market in the introduction of innovative total solutions to customers' materials handling needs
Where
Southeast United States, United Kingdom and Belgium
Customers
Manufacturing and distribution industries

Trucks
Where
Twelve dealer locations in Arkansas, Tennessee and Mississippi, USA
Customers
Transport and distribution industries

Trucks
Where
Three dealer locations in Memphis and Jackson, Tennessee, and Jonesboro, Arkansas, USA
Customers
Transport and distribution industries

Trenching equipment
Where
Georgia, USA
Customers
Reticulation industries: telecommunications, power and water

Vacuum conveyance systems and floor maintenance equipment
Where
UK-based manufacture of products for world markets
Customers
Money and document conveyance markets, especially in the financial services sector

Motor
(4 369 employees)

Alfa Romeo, Audi, BMW, Chrysler, Fiat, Ford, Freightliner, Holden, Isuzu, Land Rover, Lexus, Mazda, Mercedes-Benz, Mini, Mitsubishi, Nissan, Opel, Subaru, Suzuki, Toyota, Volvo, Volkswagen
We are a leading provider of comprehensive transport solutions representing the world's leading passenger, light, medium and heavy commercial vehicle brands
Where
Dealerships in South Africa (55), Botswana and Namibia. Fleet management, panel shops and short-term truck hire
Subaru distributor for southern Africa
Three dealerships in Melbourne, Australia
Customers
Corporate and private sector clients

Avis Southern Africa
(26% investment)
Vehicle rental, fleet management and financial services

Cement and Lime
(3 300 employees)

Where
South Africa, Botswana, Zimbabwe, operating primarily within domestic markets with some exports
Cementitious products, ready-mix and aggregates

Customers
Construction companies, retail DIY/builders merchants and concrete product manufacturers

Metallurgical grade lime, limestone, burnt dolomite and related products

Where
South Africa

Customers
The pyro-metallurgical industries, mining and water treatment industries

Paper and polyethelene sacks

Where
South Africa

Customers
Cement and food product manufacturers

Scientific
(2 016 employees)

Laboratory equipment and consumables including glass and plastic laboratory products as well as related scientific equipment

Where
Manufacturing operations in the United Kingdom and Spain. Distribution in New York State, Italy and France
Market leader in the United Kingdom and worldwide exports

Customers
Educational organisations, pharmaceutical and biotechnology companies and quality control laboratories

A market leader in lasers, optics, opto-mechanical components including nano-positioning equipment, assemblies and related products

Where
Worldwide sales from manufacturing bases in California, New York State and Colorado in the USA; Cambridgeshire, UK; and Japan

Customers
Semi-conductor manufacturers, telecommunication, test and measurement, medical equipment and reprographic industries

Coatings
(2 526 employees)

Where
Manufacturing in Durban, Port Elizabeth, Cape Town and Johannesburg in South Africa. The market leader in decorative coatings in South Africa. Operations and sales in Botswana, Malawi, Namibia and Zambia

Where
Manufacturing (three factories) and sales in Australia, exports into China through 20 franchise outlets

Customers
Consumers and trade through large retail chains, franchised outlets and owned stores

Industrial coatings
Joint ventures with world technology leaders

Where
South Africa

Customers
Motor manufacturers, packaging, heavy duty coatings, powder and marine industries

Steel Tube
(1 353 employees)

Manufacturer of tube, steel flanges and fittings, accessories, piping systems, galvanising and related products up to 200 mm in diameter in both mild and stainless steel

Where
Manufacturing in Gauteng, South Africa. The market leader in South Africa with regional and European (stainless steel pipe) exports

Customers
Building and construction, mining, automotive manufacture, agriculture, fluid handling and general engineering industries

Financial Services, Logistics and Other (1 526 employees)

Financial Services
Including leasing and related products

Where
South Africa, United Kingdom, Europe and United States

Customers
Customers of our motor, lift truck and capital equipment businesses

Logistics
Third and fourth party logistics operation providing outsourced services in logistics systems, warehousing and transport

Where
South Africa, Portugal, Spain and United Kingdom

Customers
General manufacturing, automotive, oil and cement industries

Corporate operations
Including finance, strategic planning, property management, treasury, IT, communication, tax, legal, risk management, company administration and internal audit

Where
South Africa, United Kingdom, Australia, Botswana and Namibia

Our global footprint

Asia
- Scientific

Australia
- Motor
- Coatings

Canada
- Scientific

Europe
- Capital Equipment
- Industrial Distribution
- Scientific
- Logistics

Russia
- Capital Equipment (Siberia)

Southern Africa
- Capital Equipment
- Motor
- Cement and Lime
- Coatings
- Steel Tube
- Logistics
- Financial Services

United Kingdom
- Industrial Distribution
- Scientific
- Financial Services
- Logistics

United States
- Industrial Distribution
- Scientific
- Financial Services

Corporate governance

DES ARNOLD
Executive Director, Finance and Administration

With operations in 31 countries, notably in Europe (including the United Kingdom), the United States, Australia and southern Africa, Barloworld is a multinational company. Its primary listing is on the JSE Securities Exchange South Africa. By virtue of that listing, the company currently complies with the Code of Corporate Practices and Conduct that forms part of the King Report on Corporate Governance issued in 1994.

Barloworld is committed to a principles based approach to corporate governance

In respect of its financial year ending 30 September 2003 and thereafter, the company will, under the rules of the JSE Securities Exchange, be obliged to comply with the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance in South Africa published in March 2002.

The purpose is to raise corporate accountability to at least a level of compliance this year that will enable the company to achieve full compliance for the year ending 30 September 2003.

As an overseas company with a secondary listing on the London Stock Exchange, the company is not required to observe the Combined Code – Principles of Good Governance and Code of Best Practice adopted by that exchange. Where a relevant provision of that code is an indicator of best practice, the company will take account of it in a balanced manner.

The company is not registered with the Securities and Exchange Commission in the United States and has two unsponsored American Depository Receipt programmes. Accordingly, the Sarbanes-Oxley Act of 2002 does not apply to it. The principles of that Act and of the Blue Ribbon Report have been considered in formulating corporate practices.

A philosophy of balancing disclosures to achieve the most meaningful overall understanding of the company's corporate governance structures, as well as economic (including financial), environmental and social performance, has been adopted. Where there are issues of special importance in certain countries, such as South Africa, these are discussed in greater detail in the relevant context.

Observance of the law in all countries in which the company operates is a minimum requirement.

Board accountability and delegated functions

As a unitary body, the board of directors of Barloworld Limited seeks equilibrium between enterprise and governance constraints. In addition, the directors believe that the governance principles and practices adopted are appropriate to the company's operations for the benefit of shareowners and are also in the interests of relevant stakeholders.

Specifically, the board has reserved to itself the following responsibilities in accordance with its charter:

- approval of the strategic plan and the annual business plan, the setting of objectives and the review of key risks and performance areas, especially in respect of technology and systems;
- appointment of the chief executive officer and maintenance of a succession plan;
- determination of overall policies and processes to ensure the integrity of the company's management of risk and internal control; and
- against a background of economic, environmental and social issues relevant to the company, monitoring the implementation of board plans and strategies, as well as the mitigation of risks by management.

Corporate governance continued

While retaining overall accountability and subject to matters reserved to itself, the board has delegated to the chief executive officer and other executive directors authority to run the day-to-day affairs of the company. The board has also created audit, general purposes, remuneration, nomination and risk management strategy committees to enable it to properly discharge its duties and responsibilities and to effectively fulfil its decision-making process.

Each committee acts within terms of reference, under which certain functions of the board are delegated with defined purposes, membership requirements, duties and reporting procedures. Board committees may take independent professional advice at the company's expense when necessary. The committees are subject to regular evaluation by the board in regard to performance and effectiveness. Chairmen of the board committees are required to attend annual general meetings to answer any questions raised by shareowners.

Board of directors

Eleven executive and nine non-executive directors, of whom the majority are truly independent, collectively determine major strategies and policies. Mr MJ Levett is the chairman and Mr WAM Clewlow is the deputy chairman of Old Mutual Life Assurance Company (South Africa) Limited, a substantial shareowner in the company, while Mr SB Pfeiffer is a partner in a law firm in the United States that provides advice to the company from time to time. Mr RKJ Chambers retired from executive service in 1999, as did Mr WAM Clewlow.

Effective control is exercised through the executive directors. They are held accountable through regular reports to the board and are measured against agreed performance criteria and objectives appropriate to the current stage of the business cycle and the prospects in each business unit. The non-executive directors are considered to have the skill and experience to bring unrestrained judgement to bear on issues of strategy, resources, transformation, diversity and employment equity, standards of conduct and evaluation of results. In a rapidly changing world, the mix of experience and ability of the directorate is still believed to meet the present and future requirements of the company.

The agenda and supporting papers are distributed to all directors electronically prior to each board meeting. The appropriate executive director gives explanations and motivations for items of business requiring decision in the meeting. This ensures that relevant facts and circumstances are brought to the attention of directors who, in any event, have unrestricted access to all company property, information and records.

Where directors or executives are based in countries other than where a meeting is scheduled and are not able to attend personally, video conferencing facilities are used to include them in the relevant proceedings and allow them to participate in the decisions and conclusions reached.

Seven board meetings were held during the financial year. All of the directors attended these meetings personally, or were included in the proceedings through video conferencing facilities, except as indicated in the table below:

Date	Venue	Apologies tendered
22.10.2001	Johannesburg	SB Pfeiffer
14.11.2001	Johannesburg	DB Ntsebeza
28.01.2002	Johannesburg	DB Ntsebeza
20.03.2002	London	MJ Levett
20.05.2002	Johannesburg	DB Ntsebeza
12.07.2002	London	RKJ Chambers
25.09.2002	London	DB Ntsebeza and LA Tager

Any new appointment of a director is considered by the board as a whole. The nominations committee, comprising non-executive directors, having ascertained the suitability of each candidate and that he or she is fit and proper and is not disqualified from being a director, submits the nomination and assists the board in this process. In considering the composition of the board, competency in respect of the company's affairs carries as much weight as independence.

The secretary arranges an induction programme for new directors. This includes an explanation of their fiduciary duties and responsibilities and visits to divisions, where discussions with management facilitate an understanding of the group.

Directors are appraised, whenever relevant, of any new legislation and changing commercial risks that may affect the affairs of the company.

In certain circumstances it may become necessary for a non-executive director to obtain independent professional advice in order to act in the best interests of the company. Such a director has unrestricted access to the chairman, executive directors and the secretary. Where a non-executive director takes reasonable action and costs are incurred, these are borne by the company.

Each director is elected by members in a general meeting and must retire by rotation every three years.

Executive directors retire from the board at 63 years of age whilst non-executive directors retire at the next annual general meeting following the director's 70th birthday. Fees payable to non-executive directors are recommended by the board and fixed by the shareowners in general meeting.

The curriculum vitae of each director of Barloworld Limited is published on pages 26 to 29.

Having reached retirement age, Messrs R Fernandez-Urrutia y Carles and G Ross Russell retire at the annual general meeting to be held on 30 January 2003 and are not eligible for re-election.

Messrs K Brown, RKJ Chambers, MD Coward, AJ Lamprecht, MJ Levett, DB Ntsebeza and Prof LA Tager retire by rotation in terms of the articles of association at the forth-coming annual general meeting. All have offered themselves for re-election at that meeting.

There are no contracts of service between any directors and the company or any of its subsidiaries that are terminable at periods of notice exceeding one year and requiring payment of compensation except Messrs PJ Maybury and K Brown. The former has an agreement terminable by not less than two years' notice given by the employer or by not less than six months' notice given by the director, while the latter has an agreement terminable by not less than three years' notice given by the employer or by not less than six months' notice given by the director.

Details of remuneration, fees or other benefits earned by directors in the past year are given on pages 130 to 133.

Eleven meetings of the executive directors and senior executives were held during the year. The objective of these was to assist the chief executive officer to guide and control the overall direction of the business and to act as a medium of communication and co-ordination between business units and the board.

Chairman and chief executive officer

A key aspect of the company's governance philosophy is that no one individual has unfettered powers of decision-making. Accordingly, responsibility for running the board and executive responsibility for conduct of the business are differentiated. The roles of the chairman of the board and of the chief executive officer are separate.

The secretary

The secretary provides the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the company. He is also a central source of guidance and advice to the board and within the company on matters of ethics and good governance. Appointment and removal of the secretary are matters for the board as a whole.

He sees that in accordance with the pertinent laws, the proceedings and affairs of the directorate, the company itself and, where appropriate, owners of securities in the company, are properly administered. He ensures compliance with the rules of the JSE Securities Exchange South Africa, and other stock exchanges on which the company's securities are listed, in this regard. The secretary also assists in developing the annual board plan and administers the share option scheme as well as the statutory requirements of the company's subsidiaries in South Africa.

All directors have direct access to him at all times.

He is kept advised about all dealings by directors and officers in shares of the company and a report is tabled at each board meeting.

Insider trading

No employee may deal either directly or indirectly in the company's shares on the basis of unpublished price-sensitive information regarding its business or affairs. No director or officer of the company may trade in the company's shares during the embargo period determined by the board in terms of a formal policy implemented by the secretary. A list of persons regarded as officers for this purpose has been approved by the board and is revised from time to time. Periods of embargo are from the end of the interim and annual reporting periods to the announcement of financial and operating results for the respective periods. A register of directors and officers is available for inspection at the company's registered office in Sandton, South Africa.

Accounting and reporting

The board places strong emphasis on achieving the highest level of financial management, accounting and reporting to shareowners. Successful harmonisation with International Financial Reporting Standards has been achieved, whilst maintaining full compliance with South African Generally Accepted Accounting Practice.

Audit committee

RKJ Chambers (Chairman), WAM Clewlow, G Ross-Russell, MJ Levett, EP Theron

The audit committee consists exclusively of independent and non-executive directors, including its chairman. The quorum for a meeting is two independent directors.

The head of internal audit and the senior audit partner in charge of the external audit attend all meetings. They have unrestricted access to the chairman and other members of the audit committee. The financial director and any other executives may, at the discretion of the chairman of the audit committee, be invited to attend and be heard. No attendee has voting rights.

The audit committee assists the board in discharging its duties. These relate to the safeguarding of assets, the identification of and exposure to significant risks, the operation of adequate systems and control processes and the presentation of accurate and balanced financial statements and reports complying with all

Corporate governance continued

relevant corporate disclosure requirements and accounting standards.

During the year under review three meetings were held. One was focused on business and strategic risk and control issues. In particular, the group risk assessment process was considered and assurance obtained from both the internal and external auditors that adequate internal controls and accounting records are being maintained.

Parameters of the audit and of internal controls are discussed between the audit committee and the external auditors as part of the process of each audit. The company requires the external auditors to carry out their audit in combination with the internal audit function. To this end the audit committee encourages consultation between the external and internal auditors and ensures that meetings are held periodically to discuss matters of mutual interest and that working papers, management letters and reports are exchanged so that there is a common understanding of audit techniques, methods and terminology.

The audit committee requires that the interim results should be subject to an independent review by the external auditor. The audit committee tables a report on the interim results, supported by the external auditors, at the board meeting held to adopt the interim results. Should an independent review not be conducted, the audit committee would table the reasons at the board meeting. The committee also considers the assessment at the previous year-end of the company's ability to continue as a going concern. It determines whether or not any of the significant factors in the assessment have changed to such an extent that the appropriateness of the going concern assumption has been affected.

The audit committee, with the auditors present, reviews the audited preliminary profit statement and the annual financial statements before they are submitted to the board. The facts and assumptions used in the assessment of the going concern status of the company are presented to the board at the meeting approving the annual financial statements and are minuted accordingly.

Each year, the audit committee draws up a recommendation to the board, which is submitted to the shareowners for consideration and acceptance at the annual general meeting, proposing the re-appointment of the external auditors.

It is a function of the audit committee to ensure that the external auditors observe the highest level of business and professional ethics and, in particular, that their independence is not impaired in any way.

The audit committee has set principles for the use of the external audit firm for non-audit services and approves the relevant fees above certain materiality limits. Fees paid to the external audit firm for non-audit services are disclosed in the notes to the annual financial statements.

All members attended the committee meetings during the year under review.

The board has determined that the audit committee has satisfied its responsibilities for the year under review in compliance with its terms of reference.

General purposes committee

WAM Clewlow (Chairman), RKJ Chambers, MJ Levett, AJ Phillips, EP Theron

The general purposes committee, comprising a majority of non-executive directors, discusses issues of significance to the company. It is able to ensure that matters requiring the attention of the directorate are submitted timeously for proper deliberation.

During the year under review, the committee met six times to discuss and make recommendations to the board on matters impacting the group's strategic plan, as well as other issues considered significant to the company's affairs. Annually, the committee appraises the performance of the chairman of the board and of the chief executive officer. The chairman does not participate in discussions regarding his own performance, nor does the chief executive officer.

With the exception of Mr MJ Levett, who was unable to attend the meeting held on 19 March 2002, all committee members attended the meetings during the year under review.

The board has determined that the general purposes committee has satisfied its responsibilities for the year under review in compliance with its terms of reference.

Nominations committee

WAM Clewlow (Chairman), RKJ Chambers, MJ Levett, AJ Phillips, EP Theron

The nominations committee makes recommendations to the board on the composition of the board and the balance between executive and non-executive directors. Skill and experience, demographics and diversity are taken into account in this process.

The committee is responsible for identifying and nominating candidates for the approval of the board as additional directors or to fill any vacancies when they arise. They also advise the board on succession planning, especially in respect of the chairman of the board and chief executive officer.

The committee recommends for re-election directors who retire in terms of the company's articles of association.

During the year under review, the committee met six times. All committee members attended these meetings, except Mr MJ Levett who was unable to attend the meeting held on 19 March 2002.

The board has determined that the nominations committee has satisfied its responsibilities for the year under review in compliance with its terms of reference.

Remuneration committee

WAM Clewlow (Chairman), RKJ Chambers, MJ Levett, EP Theron

Composed entirely of non-executive directors, this committee makes recommendations to the board, within agreed terms of reference, regarding the remuneration of executive directors and senior executives as well as fees proposed to be paid to each non-executive director. Proposed fees, adopted by the board, are submitted to the shareowners in general meeting for approval prior to implementation and payment.

The company's philosophy is to set remuneration at realistic levels in order to attract and retain the directors and executives needed to run the company successfully. A proportion of executive directors' remuneration is structured so as to link corporate and individual performance.

In keeping with modern corporate governance practices, the chief executive officer, Mr AJ Phillips, has resigned from the remuneration committee. He attends meetings but is not entitled to vote. The chief executive officer does not participate in discussions regarding his own remuneration.

During the year under review, the committee met to determine specific remuneration packages for executive directors of the company, including performance-based incentives, and to determine criteria that will encourage good performance, as well as achieve fair reward for their individual contributions.

All committee members attended the meetings during the year under review, except Mr MJ Levett who was unable to attend the meeting held on 19 March 2002.

The board has determined that the remuneration committee has satisfied its responsibilities for the year under review in compliance with its terms of reference.

Strategic and business risks and internal audit

Internal audit has been operating throughout the group for a number of years. In the year under review, the main audit committee adopted a new internal audit charter that redefined the functions, responsibilities and authority of internal audit.

Internal audit is an appraisal function established to independently and objectively examine and evaluate the company's activities as a service to the board in particular as well as to management. The board requires that the internal audit process takes account of significant strategic and business risks, thus ensuring that internal audit plans are appropriately risk focused.

Internal audit is responsible for:

- appraising the procedures and management controls of business units throughout the group;
- assisting the board and management in the monitoring of the risk management process;
- reviewing systems and operations to assess the extent to which organisational objectives are achieved and the adequacy of controls over activities leading to such achievement;
- evaluating the reliability and integrity of management and financial information;
- appraising the utilisation of resources with regard to economy, efficiency and effectiveness;
- assessing the means of safeguarding assets and verifying their existence;
- ascertaining the extent of compliance with established policies, procedures and instructions;
- recommending improvements in procedures and systems to prevent waste and fraud;
- advising on appropriate systems of controls, as well as accounting and operational matters;
- drawing management's attention to any failure to take remedial action;
- carrying out any other appraisals, inspections, investigations, examinations or reviews required by the board or management; and
- co-ordinating with the external auditors to ensure that the audit programmes are complementary.

The internal auditor co-ordinates the internal audit function throughout the Barloworld group. His duties include, inter alia, liaison with the relevant businesses and their external auditors in order to monitor the performance and recommend improvement of internal audit. He reports to the main audit committee on the effectiveness of internal audit. He has unrestricted access to the audit committee and its chairman. Subordinate internal audit reports are submitted to the audit committees of the respective divisions. Any major issues arising are referred to the main audit committee.

Audit plans are drawn up from time to time to take account of changing business needs. Follow-up audits are planned in areas where weaknesses are found. Internal audit plans are based on risk assessment, as well as on issues highlighted by the audit committee and management and are of an ongoing nature so as to identify residual, existing and emerging risks.

The audit committee approves the internal audit plan.

Risk management

In terms of a written risk management philosophy statement issued by the chairman of the board and endorsed by the directorate, the company is committed to managing its risks and opportunities in the interests of all stakeholders. Every employee has a responsibility to act in this manner.

An ongoing systematic, multi-tiered and enterprise-wide risk assessment process supports the group's risk management philosophy. This ensures that risks and opportunities are not only adequately identified, evaluated and managed at the appropriate level in the organisation, but also that their individual and joint impact on the group as a whole is taken into consideration.

The risk management strategy committee, which includes representatives of all divisions, reviews the activities and effectiveness of the risk management function twice yearly. Divisional boards and senior managers carry out an annual self-assessment of risk. This process identifies the critical business, operational, financial and compliance exposures facing the group and the adequacy and effectiveness of control factors at all levels.

The top 20 risks of the group are reported to the board.

The annual risk assessment process is conducted at business unit, division and main board levels. This process ensures management awareness of risk throughout the organisation.

The group risk management department oversees the process from the perspective of strategic direction, technical assistance and management supervision. The facilitation of the overall process is alternated every second year between the risk management department and an external service provider, Marsh Inc., for the sake of transparency. Both independent external auditors and internal auditors check for robustness and thoroughness in their audit of the assessment process.

The risk tolerance levels are set at these organisational levels, and vary depending on the nature, scope and size of the business. The tolerance levels are based not only on financial impact, but also on the potential threat to the integrity of the business as a going concern, its reputation and the wellbeing of employees and other stakeholders.

Development of the risk management website into a knowledge repository assists this process. It also provides an information database for risk management and risk control practitioners throughout the group.

As the company expands into new markets and territories, it is faced with increasingly complex and changing environments. By linking the risk management process to the principles of Value Based Management, the risk-return trade-off is optimised, thereby enhancing competitive advantage, growth and the employment of capital.

Third-party management

No part of the company's business was managed during the year by any third party in which any director had an interest.

Employment equity

The directors believe that economically viable and self-sustaining employment equity is an essential and integral part of corporate governance within any Barloworld business units operating in South Africa. All such units have employment equity programmes, which receive regular management attention. The Employment Equity and Skills Development Acts have provided a useful framework for formalising our approach. The formal employment equity plans comply with the objectives and requirements of the legislation.

Employee participation

Encouragement of employee participation is a high priority. The company's diverse nature, allied to its philosophy of operational decentralisation, makes it desirable that each business unit executes this in a manner best suited to its own circumstances.

Good progress has been made with the 'Building Barloworld' programme. Under the supervision of senior managers, a process of improved communication throughout the group has increased employee awareness of worldwide business activities and their counterparts at various operations. Employees in the programme have generated many innovative solutions that add value or conserve resources. They have also posed a wide range of searching questions and concerns, and executive directors have addressed these issues timeously where appropriate.

Value Based Management, derived from an internationally recognised model, has been adopted by all business units. Virtually all employees are engaged in implementing this process.

Communication

The company subscribes to the principles of objective, honest, timeous, balanced, relevant and understandable communication, of both its financial and non-financial matters. The focus is on substance, not form, and communication with stakeholders with a legitimate interest in the company's affairs is done sensitively and systematically. The company regularly enters into dialogue with institutional investors having due regard for statutory, regulatory and other directives prohibiting the dissemination of unpublished price-sensitive information by the company and its directors and officers.

In October 2001, Barloworld commenced non-certificated dealings under the Share Transactions Totally Electronic programme on the JSE Securities Exchange South Africa. All shareowners were assisted with the implementation processes of the new system. In line with our vision to constantly improve our service to all our stakeholders, Barloworld introduced online receipt by shareowners of electronic communication for the first time.

Code of ethics

A corporate code of ethics, which outlines the ethical and professional management practices that Barloworld upholds, has been adopted. Individuals and entities dealing with our organisation are expected to demonstrate the same level of commitment to organisational integrity.

The integrity of new appointees to the group is assessed by our selection and promotion procedures. Due care is exercised in delegating discretionary authority to individuals.

All employees are expected to adhere to the group's values, standards and compliance procedures.

An independent and confidential system is provided by which employees can report unethical or risky behaviour. Such reports can be submitted to:

Deloitte & Touche
Tip-Offs Anonymous

Telephone

South Africa	0800 004832
	0800 007788
International	+27 31 508 6371

Fax

South Africa	031 508 6760
International	+ 27 31 508 6760

Postal address

Tip-Offs Anonymous
Free Post DN298
Umhlanga Rocks
KwaZulu-Natal
4320
South Africa

Tip-Offs Anonymous is an independent body within the Deloitte & Touche organisation, which provides an opportunity to anyone wishing to report unethical activities or dishonest behaviour that affects the Barloworld group. Total anonymity, if desired, is assured.

The code of ethics is enforced with appropriate discipline on a consistent basis and action is taken to prevent a re-occurrence of an offence.

Our code of ethics

Obey the law
Be fair
Be honest
Respect others
Protect the environment

Board of directors

Non-executive

WAM (Warren) Clewlow
OMSG CA(SA), DEcon (hc), Chairman
Warren (66) joined Barloworld in 1963. Within 20 years he was CEO of Barlow Rand Ltd (now Barloworld Ltd). He joined the board in 1974, was appointed deputy chairman in 1985 and chairman in 1991. He is on the boards of several major South African and international companies and is a past chairman of the State President's Economic Advisory Council. His civic responsibilities include his involvement in the Carl and Emily Fuchs Foundation, the African Children's Feeding Scheme, the South African Trust and the Nelson Mandela Children's Fund. He is a fellow of the Duke of Edinburgh's Award World Fellowship and chairman of the Duke of Edinburgh's South African Foundation.

RKJ (Russell) Chambers
FCIS
Russell (63) retired in 1999 after a long executive career with Barloworld during which he reached the position of chief operating officer. He is chairman of the audit committee and a member of the general purposes and remuneration committees. Russell is also a non-executive director of Pretoria Portland Cement Company Ltd, where he is chairman of the compliance committees and a member of the audit and remuneration committees. He has been a director of Barloworld since 1989.

MJ (Mike) Levett
BCom, DEconSc (hc), FIA, FFA
Mike (63) is chairman Old Mutual plc and deputy chairman of Mutual & Federal Insurance Company Ltd. He was appointed to the Barloworld board in 1985. He is a director of the Central Africa Building Society (Zimbabwe), SABMiller plc and Nedcor Ltd. Mike is a life governor of the University of Cape Town Foundation, founding patron of the Red Cross Children's Hospital Trust and a trustee of the Nelson Mandela Children's Fund, The College of Medicine Foundation and the World Wide Fund for Nature (South Africa).

DB (Dumisa) Ntsebeza, LLB, BProc, BA
Dumisa (52), who joined the Barloworld board in 1999, completed his studies for a law degree while serving a long prison term for political activism in the mid-70s. He was admitted as an attorney in 1984 and practised in the Eastern Cape, mainly in the area of human rights. He represented a number of political prisoners throughout the 80s and early 90s. In 1995 he served as a commissioner on the Truth and Reconciliation Commission. He is the founder and former president of the South African National Association of Democratic Lawyers and a past president of South Africa's Black Lawyers Association. While still an attorney, he was appointed acting judge of the High Court of South Africa. In March 2000, he entered the bar and took chambers as a member of the Cape Bar. He has worked in private practice in Cape Town as an advocate since July 2000. He is currently a distinguished visiting professor of Political Science and Law at the University of Connecticut – Storrs and Hartford campuses.

SB (Steve) Pfeiffer*
BA, MA (Oxon), JD (Yale)
Steve (55) is partner in charge of the Washington office and head of the international department of Fulbright and Jaworski LLP, the international law firm he joined in 1976. He is a non-executive director of Riggs National Corporation (the oldest and largest bank holding company based in Washington, DC), the non-executive chairman of Riggs Bank Europe Ltd in London, chairman emeritus of Wesleyan University in Middletown, Connecticut, USA, a director of The Africa-America Institute and a director of Project Hope. He has had a number of articles published on a range of business-related and legal topics, is prominent in civic and professional organisations and served in the US Navy, from where he retired as Commander, US Naval Reserve. He was appointed to the Barloworld board in 2001.

Graham Ross Russell#
MA (Cantab), MBA (Harvard)
Graham (69) is currently the founder chairman of the UK Centre for Business Incubation, an initiative aimed at helping start-up and early-stage companies grow. He was also the founder chairman of the Securities Institute, the chairman of EMAP plc, a deputy chairman of the London Stock Exchange and senior partner of Laurence Prust and Co. His current non-executive roles include chairman of Foreign and Colonial PEP and ISA Investment Trust, as well as Advent Venture Capital Trust. Besides Barloworld Ltd, where he was appointed a director in 2001, he is on the boards of UK Select Investment Trust and Bamboo Investments. He is a member of the Market Authority for Nasdaq (Europe) and a trustee of the National Endowment for Science, Technology and the Arts (Nesta). Graham is chairman of governors for Suttons Hospital in Charterhouse and an Honorary Fellow of Trinity Hall, Cambridge.

LA (Louise) Tager
BA, LLB, HDip Tax Law, LLM (Harvard)
Louise (66) has been a director of Barloworld since 1992. Rising to prominence as executive director for a decade from 1985 on the groundbreaking Law Review Project, she now serves, and has served, on numerous bodies in both the public and private sectors. She has been recognised for her many achievements across a broad spectrum of activities in public and private sector business, as well as in academic life, where she has published extensively. She was the first woman to be appointed dean of any faculty in a South African university and the first to head up a parastatal enterprise in South Africa.

EP (Eddie) Theron
BCom, LLB, FIBSA
Eddie (61) played a major role in banking in South Africa during his career. He was one of five executives involved in the formation of Standard Merchant Bank and retired as group chief executive of Standard Bank Investment Corporation Ltd in 1995, following which he was appointed as a non-executive director. He was appointed to the Barloworld board in 1996 and also holds non-executive directorships on the boards of The Standard Bank of South Africa Ltd, Mutual and Federal Insurance Co Ltd, and Pretoria Portland Cement Company Ltd.

RC (Robert) Tomkinson#
MA, FCA, FCT
Robert (61) has been a non-executive director of Barloworld since 2001. He was group finance director of Electrocomponents plc, the major electronic and electrical distribution group, from 1986 until his retirement in 1997. Prior to that he was group finance director of Automotive Products plc. His earlier career was spent in the energy industries and merchant banking. He is the non-executive chairman of Pittards plc, of KIG Holdings Ltd and of the Council of the University of Buckingham and a non-executive director of UGC Ltd (The Unipart Group of Companies).

Executive directors

AJ (Tony) Phillips#
BSc (Eng), Chief Executive Officer
Tony (56) joined Barloworld in 1968 and has spent most of his career in the capital equipment business, initially in Africa and then in Spain. He made his mark when between 1992 and 1995, he led the turnaround to profit of the then listed Spanish subsidiary, Finanzauto SA. He was appointed to the Barloworld board in 1995 and became CEO on 1 August 1999. He is a trustee of the Jane Goodall Institute (South Africa), the Bright Kid Foundation (Edutainers) and Business Against Crime. Tony is on the board of governors of Michaelhouse in Balgowan, KwaZulu-Natal, the Advisory Council of the University of the Witwatersrand School of Civil and Environmental Engineering and is a director of NOAH (Nurturing Orphans of AIDS for Humanity).

DC (Des) Arnold
CA(SA), FCMA, AMP (Wharton), Executive Director, Finance and Administration
Des (62) joined Barloworld in 1967 and held a number of senior financial positions which culminated in his appointment to the board in 1993. He has been a leading light in the accountancy profession in South Africa for many years, is a past president of the South African Institute of Chartered Accountants (SAICA) and has been awarded honorary life membership in recognition of his services to the profession. Internationally he has represented SAICA on the Financial and Management Accounting Committee of the International Federation of Accountants and is a past president of the East, Central and Southern African Federation of Accountants.

Ken Brown*
Chief Executive Officer, Industrial Distribution
Ken (60) joined Barloworld in 1967 and rose through the Materials Handling business in the United Kingdom before being transferred to the United States in 1980. There he has played a major role in the development of the US Materials Handling business, managing a series of acquisitions. In 1992 he was appointed chief executive of the Materials Handling Division of Barlow's then UK-listed subsidiary, J Bibby and Sons, joining the Barloworld board in 1997. He has served three terms on the Hyster Dealer Council and is a past director of the US Materials Handling Equipment Dealers Association, a member of the Advisory Board, British American Business Council of North Carolina and the Charlotte (NC) Chamber of Business. He is also a past chairman of the Piedmont Employers Association.

*# British, * American*
For ease of cross-reference, all Barloworld-related companies referred to in these profiles have been incorporated using the current names of the businesses rather than the names in use at the time.

MD (Mike) Coward
CA(SA), Chief Executive Officer, Steel Tube
Mike (49) joined Barloworld in 1977 and worked on the financial side of the business, in the mining, electronics, steel and ferro-alloys disciplines, before moving across into an operational management role in 1990. In 1992 he was appointed to head the Steel Tube operations of the company as managing director of Barloworld Robor and was appointed to the Barloworld board in 1995.

LS (Lester) Day#
CA(SA), Chief Executive Officer, Capital Equipment – Southern Africa, Bulgaria and Siberia
Lester (56) joined Barloworld in 1973 and worked in the capital equipment operations in South Africa, Zimbabwe and the United Kingdom, as well as holding a senior financial role at the Barloworld head office. In 1994 he was appointed financial director of Barloworld Equipment. A year later he was appointed managing director of the same business unit and joined the Barloworld board in 1998.

BP (Brandon) Diamond
ACIS, MBA, Chief Executive Officer, Motor
Brandon (51) joined Barloworld in 1970. He initially worked in the Capital Equipment business fulfilling various roles in accounting and finance. In a varied career he has been managing director of Barlow Shipping Services and later Circle Freight as well as Barloworld Namibia. He was appointed chief executive officer of Barloworld Motor in 1994 and his appointment to the Barloworld board took effect in 2001.

Ramon Fernandez-Urrutia†
Doctorate in Industrial Engineering, Chief Executive Officer, Capital Equipment – Spain and Portugal
Ramon (64) joined Barloworld in Spain in 1965 and was appointed after-sales area director (parts and service) in 1970. In 1981 he was appointed as general manager and in 1989 he was designated as head of the subsidiary companies in Spain and Portugal. In 1994 he returned as Barloworld Finanzauto´s deputy general manager, remaining as head of the subsidiaries. In 1996 he was appointed Barloworld Finanzauto´s managing director, president of Barloworld STET and a board member of Barloworld plc. His appointment to the Barloworld board took effect in 2001.

JE (John) Gomersall#
CA(SA), Chief Executive Officer, Cement and Lime, and Chairman, Barloworld Logistics
John (56) joined Barloworld in 1971 and has completed 30 years in capital intensive commodity businesses. He started his career in the stainless steel and ferrochrome industries, culminating in his appointment as group managing director of Middelburg Steel and Alloys (Pty) Ltd in 1986. He joined the Barloworld board in 1989 and moved into the Cement and Lime business segment as group managing director of Pretoria Portland Cement in 1992. In 1990 he led the business team that created the Middelburg Peace Forum, which was the role model for the National Peace Accord in South Africa. He is a past deputy president of the International Chrome Development Association, headquartered in Paris, and past chairman of the South African Cement and Concrete Institute.

AJ (André) Lamprecht
BCom, LLB, PED – IMD, Executive Director, Namibia, Botswana, Human Resources and Social Investment
André (50) practised as an advocate of the High Court of South Africa prior to joining the company in 1981. From 1983, he played a leading role in steering the company through a turbulent decade of political transition into a post-apartheid South Africa. He was appointed to the Barloworld board in 1993, assuming responsibility for the company's interests in Namibia and Botswana in addition to human resources, social investment and other responsibilities. He has served on numerous public bodies and is a past chairman of Business South Africa, immediate past president of Die Afrikaanse Handelsinstituut, and member of the Standing Committee on Economic Policy and a member of the Minister of Finance Retirement Funds Advisory Committee. He is also a director of the National Business Initiative, trustee of Business Trust, business convenor of the Trade and Industry Chamber of the National Economic Development and Labour Council (Nedlac). He is a longstanding senior member of the Standards Committee of the International Labour Organisation.

 # British, † Spanish

For ease of cross-reference, all Barloworld-related companies referred to in these profiles have been incorporated using the current names of the businesses rather than the names in use at the time.

PJ (Peter) Maybury#
MA (Oxon), MCom, Chief Executive Officer, Scientific
Peter (58) was educated at Oxford and Birmingham universities and spent the early part of his career with Turner and Newall plc, the engineering and automotive group, in a variety of commercial and general management roles. He joined Barloworld in 1984 as commercial director of the Laboratory business and was appointed managing director in 1985. He has been chief executive officer of the Scientific division since 1998 and was appointed to the Barloworld board in 2001.

PM (Peter) Surgey
BA, LLB, Chief Executive Officer, Coatings
Peter (47) joined Barloworld from the legal profession in 1983 and worked in the human resources and industrial relations arenas until his appointment as managing director of Plascon Inks and Packaging in 1990. In 1992, he became chief executive officer of Barloworld's Coatings business and was appointed to the Barloworld board in 1995. He is a board member of the Business Against Crime initiative in South Africa and a past president and current board member of the NOVA Paint Club, an alliance of international paint manufacturers.

Global management

Capital Equipment

SOUTHERN AFRICA, BULGARIA AND SIBERIA

Peter Bulterman (47), HND Mech Eng, Group Operations Director. *27*

Anton Fourie (44), MDP, General Parts Manager. *24*

Kenny Gaynor (44), CA(SA), Financial Director. *10*

Chris Gibb (53), EDP, Managing Director, Mining. *33*

Gordon Hall (61), NTC Mech, General Manager and Director, Siberia. *34*

Jackie le Roux (44), BCom, Human Resources Director. *9*

John McCarthy (59), CA(SA), Financial Director, Barloworld Equipment, UK. *33*

Charles Nell (45), MBA, Chief Information Officer. *22*

Geoff Tucker (51), CA(Zim), Managing Director, Handling and Energy. *21*

Rodney Wainwright (51), HND Mech Eng, Managing Director, Construction and Africa. *33*

SPAIN AND PORTUGAL

Graeme Lewis (42), MA, ACA, Financial Director, Spain and Portugal. *7*

Alfonso Moraga (62), Business Admin, Development Director, Spain. *48*

Fernando Pastor (61), Degree in Law and Politics, Power Systems Director, Spain. *35*

Alberto Garcia Perea (51), Degree in Law, Human Resources Director, Spain. *30*

Guillermo Romero (61), Degree in Law, Large Machine Sales Director, Spain. *32*

Santiago Salazar Coronado (51), BCom, General Director, Portugal. *26*

Luis Salgado (64), Business Admin, General Machine Sales Director, Spain. *40*

Victor Salzmann (56), BCom, After Sales and Information Systems Director, Spain. *33*

Fabriciano Velasco (60), Industrial Eng, Materials Handling Sales Director, Spain. *35*

Industrial Distribution

Keith Hay (54), CA, Managing Director, Barloworld Handling UK. *28*

James Holmes (42), BSc Business Administration, Vice-president, Corporate Services. *11*

Robert Russell (42), BSc Accounting, CPA, Group Director of Finance. *15*

Stan Sewell (47), BA, President, Barloworld Handling Inc, USA. *17*

Scott Simmons (46), BSc Accounting, CPA, President, Barloworld Freightliner. *22*

Rob Tennant (45), BSc, MSc, CPIM, APICS, Chief Information Officer. *23*

Motor

Rocky Cloete (58), CA(SA), Group Financial Director. *26*

Martin Laubscher (42), BCompt (Hons), CTA, MCom Bus. Management, Director, Franchise Operations. *15*

Bob Smith (53), BEcon, CA(SA), Director, Non-franchise Operations. *9*

Note: The first figure after each name (in brackets) is their age at date of publication of this report. The second figure is the number of years' service they have with Barloworld.

Global management continued

John Smith (60), Non-franchise Director. 20

Andrew Weight (56), CPA, FAICD, FCIS, Chief Executive Officer, Australia. *17*

Chris Whitaker (45), BCom, LLB, Director, Strategy. *14*

Cement and Lime

John Blackbeard (45), BSc (Mech) Eng (Hons), Dip Bus Man, Chief Operating Officer. *6*

Rod Burn (48), BProc, BA (Hons) Psych, Director Organisational Performance. *15*

Harley Dent (51), BSc (Hons), BCom, Data-metrics Diploma, Director Strategic Projects. *24*

Deon Heyns (46), BEng (Mech), Managing Director, PPC Lime. *18*

Peter Nelson (48), BCompt (Hons), CA(SA), Director Finance and Administration. *2*

Tony Parry (42), BA (Hons), MBA, Chief Information Officer. *13*

Scientific Products

Blake Fennell (37), MBA (Pepperdine Univ), Chief Executive Officer, Melles Griot. *12*

Phil Horsfield (55), BA (Hons), ACMA, Finance Director. *15*

Eugene Smith (41), MA (Cantab), ACMA, Chief Financial Officer, Melles Griot. *20*

John Whitehouse (54), FMS, MCMI, Managing Director, laboratory products. *13*

Ed Wynn (46), BSc, MBA, Dip CIM, Sales and Marketing Director, laboratory products. *8*

Coatings

Mike Christie (46), BA, MBA, Nat Dip Cost Acc, Managing Director, Barloworld Plascon SA. *13*

Peter Esterhuysen (46), BCom, BAcc, CA(SA), Group Financial Director. *6*

Ebrahim Mohamed (48), BA, STD BCom, Executive Director, Barloworld Plascon SA and Managing Director, Barloworld Plascon Africa. *20*

Garth Smart (45), BA, LLB, MBA, Managing Director, Barloworld Coatings Australia. *15*

Doug Swanson (50), BA, MBA, Managing Director, Barloworld Plascon Automotive. *27*

Steel Tube

Charles Bester (46), BA Soc Sc (GPP), Human Resources Director. *16*

Geoff Colloty (54), BEcon, Group Marketing Director. *30*

Ben de Klerk (48), CA(SA), BCompt (Hons)/ CTA, Managing Director, Barloworld Robor Tube. *6*

Rex Hilligan (53), Managing Director, Barloworld Robor Open Sections. *8*

Pieter Liebenberg (56), BCom, MBA, Managing Director, Barloworld Robor Pipe Systems. *30*

Geoff Pallister (60), MSc (Eng), Pr Eng, Group Projects Director. *29*

Bill Skillicorn (52), CA(Zim), MDP, Managing Director, Barloworld Robor Precision Tube. *22*

Alwyn Smith (37), BAcc, MPhil (Oxon), Managing Director, Barloworld SST. *7*

Ian Stevens (52), BCom, CA(SA), Group Financial Director. *18*

Ian Walters (53), BCom, MBA, Information Systems Director. *21*

Logistics

Barry Saxton (59), PMD (Harvard), Marketing Director. *1*

Paul Stuiver (45), BEng (Met), Chief Executive Officer. *19*

Mark Tarlton (43), BSc Eng, MBL, Director, Supply Chain Technology. *15*

Francois van Rensburg (37), CA(SA), Financial Director. *6*

John Williamson (57), CA(SA), Director, Supply Chain Management. *1*

Corporate Operations and Financial Services

Paul Acott (57), BA (Hons), FCA, Group Internal Auditor. *21*

Andrew Bannister (45), BBusSci(Hons), CA(SA), ACA, Finance Director, Barloworld Holdings Plc. *17*

Charles Barnard (38), Manager Business Development and Corporate Social Investment. *8*

Mike Barnett (60), H Dip Tax Law, H Dip Co Law, Group Company Secretary. *22*

Gary Berndt (43), BA, LLB, MBA, Group Legal Adviser. *14*

Tim Bird (56), BSc (Econ), Managing Director, Paper. *20*

Arthur Christie (60), CA(SA), Group Retirement Benefits Manager. *34*

Terry Dearling (43), BA, Head of Internal Communication. *8*

Liz Dougall (45), BCom, PGDip Tax, CA(SA), Group Taxation Manager. *3*

Mark Drewell (40), MA (Oxon), Head of Corporate Communication. *12*

Mike Fahy (49), FCIS, Company Secretary, Barloworld Holdings. *15*

Pieter Haasbroek (59), PhD (Econ), Group Economist. *14*

Anthony Hardwick (42), CA(SA), Acting Managing Director and Finance Director, Barloworld Namibia. *8*

Alan Knight (56), FCCA, Managing Director, Barloworld Finance. *27*

Terry Knight (55), CA(SA), Managing Director, Barloworld Equipment Finance. *27*

Clive Manby (52), BCom, CA(SA), Head of Corporate Planning. *25*

Ivan Martin (61), ACII, CIP, Group Risk and Insurance Manager. *8*

Jim Murphy (49), BSc, MBChB, DOH, Occupational Health Manager. *18*

Marshall Murton (61), FCIS, HDip Tax Law, FSRM (SA) Group General Manager, Administration. *43*

Dave Powell (56), BSc, Chief Information Officer. *29*

Frank Pretorius (49), CA(SA), Director, Barloworld Leasing. *21*

Clive Thomson (36), BCom (Hons), CA(SA), MPhil (Cantab), Group Financial Manager. *5*

Peter Stevenson (50), CA(Zim), FPCA (Bots), Managing Director, Barloworld Botswana. *23*

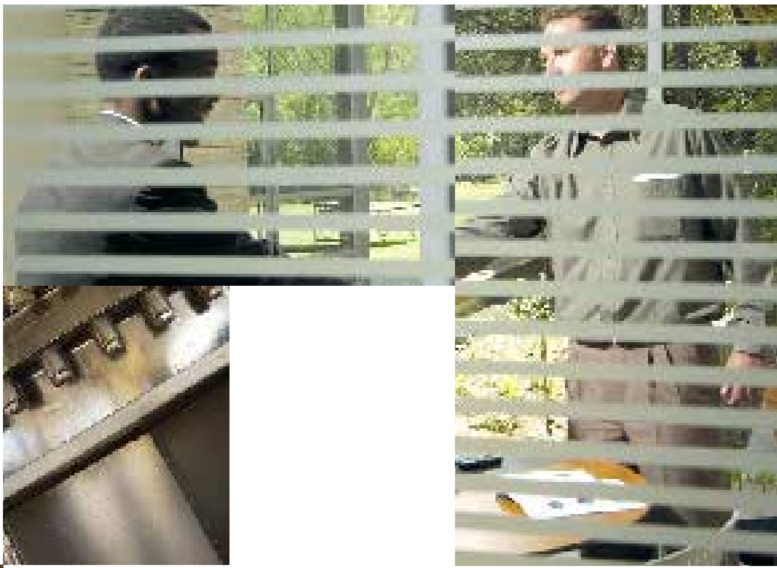
Pieter van Dam (46), BSc (Civil) Eng, MBA, Group Strategy Facilitator. *3*

Johan van Wyk (39), CA(SA), Group Financial Controller. *12*

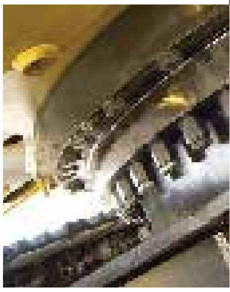
Willie van Zijl (49), Executive: Employment Law. *14*

Note: The first figure after each name (in brackets) is their age at date of publication of this report. The second figure is the number of years' service they have with Barloworld.

Impact and responsibility report



The goodwill of our customers, principals, employees, intermediaries, and other stakeholders surrounding them, was vital to our past success and will remain so.



Economic reconstruction after World War II and subsequent development generally towards a more widely prosperous world have been enhanced through sensible application of the principles of the United Nations Universal Declaration of Human Rights. These principles have been complemented by many other international and national conventions. Together, these affect all aspects of human existence. However, the world has seen that, inevitably, there have been, in some quarters, various practices that undermine human dignity and ravage irreplaceable natural resources.

There is growing awareness that a concerted effort is needed to minimise or eliminate unnecessary harmful effects on human life and the environment, now and in the future. The United Nations is the main sponsor worldwide of what has become known as Sustainable Development. The South African Constitution enshrines the concept and the South African Human Rights Commission has a monitoring role. In addition, the JSE Securities Exchange South Africa, on which the company has its primary listing, requires compliance with the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance in South Africa issued in March 2002. In turn, this code has endorsed the Global Reporting Initiative guidelines on sustainable development.

As a multinational company headquartered in South Africa, Barloworld accepts that good corporate governance includes an imperative to demonstrate to those impacted by the conduct of its business that it is a good corporate citizen at home and abroad. Like other responsible multinationals, the company will observe the Global Reporting Initiative guidelines. These are achieving wide international recognition.

Most of the core indicators in those guidelines are addressed below as the first stage in meeting the company's obligation to report fully under them by 2003. In doing so, operations generating at least 85% of turnover in each division are discussed.

Initially the emphasis has been placed on description and the creation of understanding of how each division interacts with the world around it. As more detailed information becomes available and statistics are collated, the impact and responsibility reporting will be enhanced until conformity with the Global Reporting Initiative guidelines has been accomplished.

The Barloworld Code of Ethics, policies, procedures and, where applicable, details of agreements with trade unions are communicated to employees. This is to assist in ensuring that fundamental human rights and principles of the core labour conventions of the International Labour Organisation are upheld. Consequently in the group, inter alia, freedom of association is protected and promoted while discrimination, child and forced labour are not tolerated. These principles apply equally to the supply chain.

In support of the Barloworld Code of Ethics, policies against conflicts of interest and acceptance of bribes are enforced.

Capital equipment

The division has two operations:

- Southern Africa and Central Europe, directed from Johannesburg; and
- Spain and Portugal, directed from Madrid.

Products and services are provided mostly to corporate and private retail customers, for purposes of mining, public works, construction, marine, transport and agricultural applications,

Impact and responsibility report continued

as well as prime and stand-by electrical power generation.

The southern African and central European operations are conducted in Angola, Botswana, Bulgaria, central Siberia in Russia, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

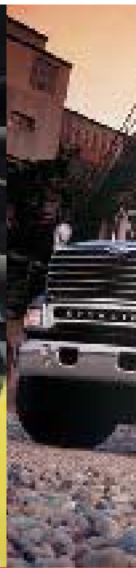
Communities with an interest in, or who might be affected by, the division's activities are predominantly in urban or mining areas.

The division's products in southern Africa include Caterpillar earthmoving and electrical power generation equipment, Hyster materials handling equipment, Perkins diesel engines, Ingersoll rotary blasthole mining drills, Dezzi articulated dump trucks, Bitelli vibratory compactors, Circon power systems, Massey Ferguson tractors, Claas harvesters and combines, and Flemingo compressed air product rentals and services. In Siberia, Caterpillar earthmoving, power generation and marine equipment is distributed.

Caterpillar handling equipment is also distributed in Spain and Portugal; Atlet, OMG and Quadra handling equipment in Spain only and Mitsubishi handling equipment in Portugal only. In Spain and Portugal Fantuzzi and Reggiane container and port handling equipment and Mak marine and terrestrial engines are distributed.

As a dealer in these products, which are sourced from original equipment manufacturers, the company provides full back-up to the equipment by providing parts and maintenance services. There is little reliance on outsourcing of services.

Comprehensive hand-over procedures are followed on delivery of equipment. Training is given to operators of such equipment. A 24-hour back-up service is provided. Technical staff are permanently based on mining properties and marine applications of some customers.



Customer satisfaction is measured through periodic independent surveys. Although operations are geographically fragmented, any complaints are dealt with expeditiously and monitored by management.

The original equipment manufacturers are mostly of international repute and comply with international standards and norms. Proper pre-delivery inspections and servicing ensure that customers receive reliable products.

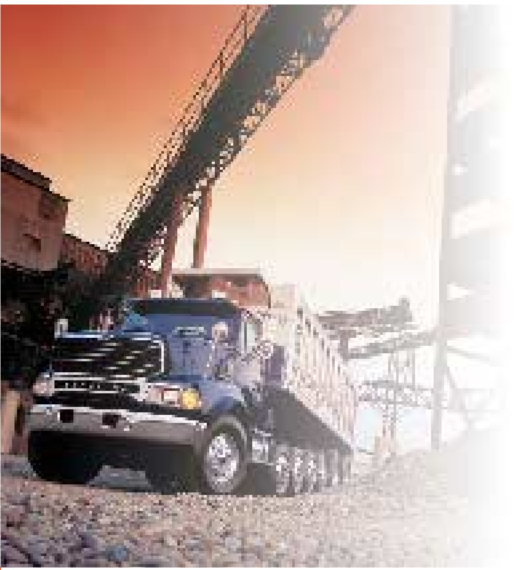
The division has established long-term relationships with the main original equipment manufacturers. In respect of more recently acquired distributorships, relationships are at various stages of development. Contractual terms are believed to be fair to both Barloworld and the manufacturers. Terms of payment vary but mostly the division pays within 30 days of receipt of the products. All manufacturers are fully paid in terms of the relevant contract conditions.

Ongoing liaison with manufacturers assists with product improvement or development.

The workforce in the division comprises 4 980 people.

In South Africa, levies are paid under the Skills Development Act. To the extent that a statutory skills development plan has been developed, implemented through the adoption of learnerships and updated for further action in the subsequent year, grants are paid by the government. These amounted to R1,75 million during the year.

The division has engaged in the following social upliftment activities in areas of South Africa where operations are undertaken:



- An emerging contractors programme
- Street Children Programmes in New Germany, KwaZulu-Natal (and also in Malawi)
- Distribution, through the Nelson Mandela Children's Fund, of 160 personal computers to disadvantaged schools
- Training, as artisans and machine operators, of dependents of employees
- A bursary scheme for children of staff

Formal health and safety committees, comprising management and worker representatives, exist at major operations in South Africa. Their activities are conducted in accordance with the requirements for IS0 9002 and IS0 14001 accreditation. Several sites are IS0 9002 accredited and one is working towards IS0 14001 accreditation. The regulations of the National Occupational Safety Association are also complied with in South Africa.

All local health and safety regulations in Spain and Portugal are managed and observed through a joint management and employee committee which also includes union representatives.

Within the Barloworld policy on HIV/Aids, 30 employees have been trained as in-house counsellors for patients. Advice on preventing infection and personal management of the condition is communicated to all South African employees in terms of a programme conducted annually. Approximately 90% of employees belong to a medical aid scheme/health insurance that provides anti-retroviral medication.

The division conducts its operations mostly in industrialised or urban areas. These operations have minimal impact on terrestrial, fresh water and marine environments.

In southern Africa, some 800 000 litres of oil are used annually in respect of products sold or serviced, while 2,4 million litres of water are used for cleaning and domestic purposes. There have been no significant discharges of used water. Through its service function, the division receives used oil. This is disposed of to a registered oil disposal company in southern Africa. Sludge is removed to a designated waste dump by an outside transporter. Scrap metal is sold to dealers. Disposal of consumables, clothing and packing materials is also undertaken.

The equivalent details for Spain are:

Oils	178 800 kg
Batteries	44 919 kg
Tyres	22 350 kg
Filters	22 955 kg
Effluents	745 280 kg
Scrap metal	726 006 kg
Other	45 529 kg

All items arising from servicing activities in Spain and Portugal are disposed of in compliance with relevant legislation. There have been no significant spills of either oil or sludge.

Electricity for operations is obtained from Eskom in South Africa. Electricity is provided by local suppliers in Spain and Portugal.

Diesel generating sets are rented to customers for prime or stand-by power purposes.

No fines were imposed for non-compliance with relevant international, national, regional or local regulations in respect of environmental matters.

Industrial distribution

The division distributes mainly industrial equipment and long-haul trucks to a broad range of customers in the United States and the United Kingdom. Many are Fortune 500 corporates and other relatively small independent owner or operator type businesses.

Operations are conducted in the United States, the United Kingdom and Belgium. Some 25% of sales in the United States and about 75% of sales in the United Kingdom are financed through a finance company operated by the division.

Products distributed include Hyster materials handling equipment, Freightliner and Sterling trucks, Ditch Witch trenching equipment and Lamson vacuum conveyance systems. In respect of each product, the division is awarded a dealership by the manufacturer. The area covered by such dealership is determined by the manufacturer. There are no joint ventures or outsourced operations.

As a dealer in these products, which are sourced from the manufacturers, the division ensures full back-up to the equipment by providing parts and service. Safe usage by the customer is supported by reference to the manufacturer's comprehensive operating

Impact and responsibility report continued

guidelines distributed with each product. For industrial products, such as lift trucks, comprehensive operator training is provided for customers who choose to use it.

All advertising is done within legally accepted bounds for ethical behaviour.

Guarantees in respect of each product are fulfilled by the respective manufacturers. In addition, customers can expect and obtain prompt and reliable service in terms of guarantees given by the division.

Various methods measure customer satisfaction. These include independent surveys commissioned by the relevant manufacturer. Semi-annual meetings are regularly held with major customers identified by volume of annual sales. This is additional to day-to-day contact by management with customers. Complaints may be received in partnership meetings with some customers or be received directly. These also reflect the level of satisfaction and are monitored to ensure quick and full resolution.

Dealership agreements with manufacturers establish clear expectations for supply of products. The division pays, in accordance with the respective agreements, within 30 to 45 days of receipt of the products. The division participates in dealer groups sponsored by manufacturers to provide feedback on possible product enhancements.

The division employs 3 122 people.

Occupational deaths, injuries and other incidents are reported in the United States to the Occupational Health and Safety Administration. In the United Kingdom, these are reported to the health and safety executive. In conjunction with independent consultants, annual audits are conducted to identify where safety practices might be deficient.

Training of employees is conducted in the division, with emphasis on technical skills. Each business has between two and five technical trainers. They conduct sessions that facilitate the acquisition by employees of the skills necessary for effective performance of the service business. Training resources of the division's suppliers and local technical schools are used to provide training for non-technical staff. In the materials handling operations in both the United States and the United Kingdom, this averaged 20 hours per employee during the year. Technical employees received between 24 and 26 hours and others 16.

A formal programme for up to 35 apprentices at one time is conducted in the United Kingdom. A local technical college has been contracted by the Freightliner business to train apprentices. The first course will have 10 participants.

Direct training costs in the past year amounted to £1,4 million in the United Kingdom and $416 000 in the United States.

The division regularly reviews the practices of competitor dealers and participates in trade association surveys to ensure that employee benefits are in line with competitive and national norms. In the United States, annual executive, management and worker pay average $125 000, $50 000 and $31 000 respectively.

Complementing the Barloworld policy, the division has its own equal opportunity policy. This is designed to comply with United States governmental requirements for employment and employment practices towards minority groups and women. In the United States reports showing current employment by ethnicity and gender are filed annually with the government.

Each employee receives an employment handbook containing an overview of employment policies. These include equal employment opportunities, anti-discrimination and human rights policies and guidance on their enforcement. New employees attend orientation and induction programmes. Appeal practices available to an employee are also included. No retaliation may be taken against an employee who files a complaint.

Each employee who might possess confidential information signs an agreement governing dissemination of that information. This includes customer confidentiality.

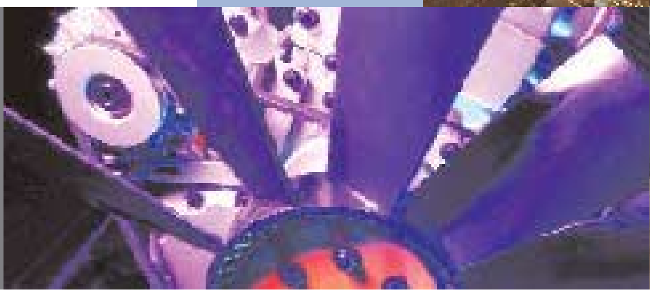
Employee benefits within operations in the United States include a retirement savings plan, health and life insurance, sick pay provisions, holiday and vacation allowances, uniform allowances for hourly paid workers and tool insurance for the technical workforce. A tuition reimbursement programme, established in 1995, is offered for employees who choose to further their education in anticipation of improving their current work performance or moving into positions of greater responsibility. Employees are reimbursed for 80% of tuition costs of classes or work completed at accredited institutes of higher learning.

In the United Kingdom, all employees earn well above the statutory minimum wage. A pension scheme, sick pay provisions and a holiday entitlement are also provided.

Employee surveys are conducted by independent contractors on site. Compensation








and benefits, working conditions, safety, supervision, senior management and communication are covered.

The division strongly supports activities where employees involve themselves in community assistance or involvement in public schools with their children. Contributions are made towards community service projects and many employees volunteer to serve in such projects.

The division conducts its operations in industrialised or urban areas. These operations have minimal effect on any biodiversity-rich habitats, fresh water or marine environments. Certain of the products sold to customers emit greenhouse gases. The emissions are not measured.

Waste arises from servicing of manufacturers' products and consists mainly of used motor oil and fluids, scrap tyres and batteries. Certified waste management companies are contracted to remove and discard such waste in a manner conforming to all legal requirements. During the year, expenditure by the materials handling operation on waste disposal amounted to £55 750 in the United Kingdom for general items and £292 350 for tyres; \$25 000 in the United States for Freightliner fluids; and \$34 000 by the materials handling operations in the United States. No spills of oils or fuel occurred during the year. Water is used for cleaning and domestic purposes. The quantity is not significant and usage is not measured.

In the United States, the materials handling operation incurred a fine from the US Environmental Protection Agency on two occasions as a result of mishandling of waste oil by contracted waste management companies. Each contractor had filed for bankruptcy, causing the authorities to seek restitution for clean-up from customers of those contractors.

Motor

Corporate and retail customers, mostly in urban communities, acquire motor vehicles and related services provided by the division.

The division operates more than 55 motor retail outlets in South Africa, Botswana and Namibia. In addition, there are a number of motor retail operations such as parts distribution centres and sites for the sale of used motor vehicles. It also operates a substantial truck hire business and has coachworks operations. These are complemented by the provision of significant finance and insurance services. Its dealerships, the truck hire business and nine approved coachworks operations are located in the major cities in southern Africa. Three motor dealerships are also operated in Melbourne and one in Sydney, Australia. A 26% shareholding in Avis Southern Africa is a strategic investment that also has significant synergies with the motor retail operations.

Impact and responsibility report continued

A wide variety of motor manufacturers' brands are represented. These include: Alfa Romeo, Audi, BMW, Chrysler, Fiat, Ford, Freightliner, Holden, Isuzu, Land Rover, Lexus, Mazda, Mercedes-Benz, Mini, Mitsubishi, Nissan, Opel, Subaru (sole importer to South Africa), Suzuki, Toyota, Volvo and Volkswagen. A finance and insurance package is available and marketed under the brand name 'Optimum'. All of the represented manufacturers are based outside South Africa. Some have manufacturing or assembly facilities in South Africa.

These manufacturers are of international repute. They comply with international standards and norms. Supply of vehicles is largely at the discretion of the relevant manufacturer. Proper pre-delivery inspections and servicing confirm that customers receive reliable products. Product development or improvement suggestions are transmitted through dealer councils. Dealer influence on the manufacturers is limited.

Although these products are sourced from the original equipment manufacturers, the division ensures full customer care by providing parts and maintenance services. There is little reliance on outsourcing of services.

Customer satisfaction is measured by independent surveys, mostly sponsored by the manufacturers. Any complaints are dealt with forthwith and are monitored by management.

Longstanding relationships exist with some manufacturers. Relationships established more recently are at differing stages of maturity. In a very competitive sector, contractual terms favour the manufacturers. Most supply contracts require payment within 30 days of delivery or, in some cases, on delivery. All manufacturers have been fully paid in terms of the respective contracts.

The workforce comprises 4 369 people. Total training costs in the division were approximately R5,6 million.

Health and safety committees, comprising management and worker representatives, exist at all South African operations, in terms of applicable legislation. No work-related deaths occurred during the year, nor were there any serious injuries in the division.

In South Africa, there is an industrial council dispensation governed by statute. Overall, 55% of the motor industry is unionised. In the division, 85% of the workforce is unionised.

The SA Motor Industrial Council agreements regulate working hours, minimum wages and conditions of employment. Qualifications for a position are also regulated.

South African business units are encouraged to enter into recognition agreements with unions in respect of members at each such unit and collective agreements exist at a number of dealerships within the division.

Minimum wages and conditions of employment are regulated by law as well as industry institutions in Australia. In Botswana and Namibia legislation on basic terms and conditions of employment is in place.

In addition to the training costs mentioned previously, in South Africa, levies are paid under the Skills Development Act. These amounted to approximately R3,65 million. To the extent that a statutory skills development plan, including targets, has been compiled and lodged with the authorities, implemented through the adoption of learnerships and updated for further action in the subsequent year, grants are claimed from the government. Such claims amounted to around R2,4 million during the year.

Training also takes place in Australia, Botswana and Namibia. In Australia 1% of such costs are recovered.

In addition to the general principle of being an equal opportunity employer, the South African and Namibian operations, in line with legislative requirements, have formal employment equity plans in place which are submitted to the relevant authorities. Such plans include targets, review mechanisms and appropriate structures and committees.

Existing grievance and dispute procedures may be used to regulate all work-related complaints.

As the division conducts operations in urban areas, there is no impact on sensitive terrestrial, fresh water and marine environments.

Approximately 1,1 million litres of waste oil, as well as rags, broken or replaced parts and packaging accrue each year. Energy use is negligible and there are minimal discharges of waste water. No greenhouse gases, ozone-depleting substances or pollutive air emissions arise from the retail processes. Most air-conditioning unit gases are reprocessed.

No fines were incurred in respect of non-compliance with relevant international, national, regional or local regulations in respect of environmental matters.

The effects of the worldwide motor industry are various. Most manufacturers are using materials in vehicles that result in a high rate of reclamation. Against this are engine emissions, demand for fossil fuel and physical waste like tyres, old parts and vehicles without reclamation value.

Cement and Lime

The division supplies cement and lime related products to the building and construction, steel manufacturing, chemicals, pulp and paper, sugar and mining industries, as well as some retail outlets.

Interfaces with customers, external market surveys, and toll-free lines are used to measure customer satisfaction. A retail training programme was conducted for 756 customers and sales staff to improve understanding of different uses of cement products. The course was conducted by correspondence. Those with average marks of 50% or higher received certificates. There were 201 certificates awarded. Sales consultants who generated support for the programme were awarded prizes.

Tankers, silos and packaging are labelled to explain use and any safety precautions.

The division operates in South Africa, Botswana and Zimbabwe. Its manufacturing processes use cementitious and lime raw material inputs. These are extracted in mining operations. Factories are established near or with convenient access to the relevant ore bodies.

The division has 3 300 employees.

Sustainable development is about ensuring a better quality of life for everyone, now, and for generations to come.

The division is committed on an ongoing basis to sustainability by the implementation of an integrated proactive systems approach to environmental management. It increasingly broadens its efforts to include social and economic considerations and is building a culture to improve competitiveness, increase internal efficiencies, gain regulatory advantage and enhance stakeholder relationships.

The division considers it imperative to reduce the negative impacts of its business activities on employees, the environment and society at large. Regular assessments continually re-examine key performance areas.

Sustainable use of non-renewable resources

The division constantly strives to create wealth from mining and processing of minerals whilst minimising environmental effects along the entire value chain. By adopting a responsible materials management approach, including avoiding waste and finding ways of recycling, it aims to preserve the ability of future generations to also meet their needs.

- The Environmental Management Programme Report amendments for mining extensions at the Riebeeck and Dwaalboom factories have been approved by the Department of Minerals and Energy as a means of better meeting closure and rehabilitation commitments.

- The closure and rehabilitation commitments and end-use objectives for the Pienaars River operation have been met. These included making safe and rehabilitating the mining areas, demolition of mining infrastructure, upgrading the residential infrastructure and application for the proclamation of the village. A closure certificate has been issued in terms of section 12 of the Minerals Act. This is a first for the division.
- An extensive redesign and upgrade of the fresh water dam wall and spillway at Laezonia was done to ensure dam safety and to protect an asset for the community after the life of the mine.
- Closure and decommissioning of the Loerie operation is progressing. Rehabilitation is 90% complete. This includes demolition of the mining infrastructure, combating invasive vegetation, site rehabilitation, drainage and run-off control, riverbank protection, an extensive revegetation programme and maintenance of buildings and infrastructure required in terms of the end-use plan. Financial and environmental consultants have been commissioned to formulate a sustainable end-use and business plan for the site after closure. The project has been nominated for an Excellence in Mining Environmental Award in the category of mines in the decommissioning and closure phase.

Energy efficiency and recycling

During the year, the division utilised as fuel for kilns at various locations some 60 000 tons of secondary materials, which would have been landfilled as waste. This resulted in removal of waste from the environment, and a reduction in coal consumption. There was a reduction in carbon dioxide emissions.

Use of extenders, such as fly ash and slag, adds value and lengthens the life of the mines, simultaneously absorbing industrial wastes from the environment. While producing the required tons of finished product, some 55 000 tons of alternative raw materials have been used to replace limestone as a raw material in the manufacturing process.

With the introduction of each secondary material, extensive trials are conducted to ascertain the nature of the environmental impacts and to ensure that the quality of products is not negatively affected. Authorisations for the use of secondary materials are obtained after significant input from stakeholders.

Health and safety in the workplace

The division's health and safety facilities operate in South Africa under the framework of either the Mine Health and Safety Act or the Occupational Health and Safety Act and company operating requirements. An in-house joint audit process, carried out annually, ensures compliance. Baseline health and safety risk assessments have been conducted and are reviewed annually. Health and safety agreements are in place with representative labour bodies.

All health and safety programmes are based on the National Occupational Safety Association management system. The Lime Acres operation has received certification with the Occupational Health and Safety Assessment Series (OHSAS) 18001. It is planned to implement the OHSAS 18001 standard for health and safety management throughout the division within the next four years. All programmes encourage employee participation at all levels. Employees receive regular training on their legal responsibilities by accredited service providers.

Regular occupational health surveys are conducted to identify the health risks to which employees may be exposed. These include surveys for noise, heat, stress, ventilation and illumination levels. Identified risks are engineered out where possible, as the first choice. Should this not be possible, management controls are implemented and the use of personal protective equipment becomes mandatory.

Clinics at all operations have trained occupational health nurses and medical practitioners in attendance. These clinics also provide primary health care programmes for local communities. Employees working in risk areas undergo annual medical examinations to ensure their health is not adversely affected by working conditions and further examinations on resignation or retirement from service. Contractors working for the company may use the clinic facilities.

The majority of employees belong to medical aid schemes. In these cases the division contributes to their medical care.

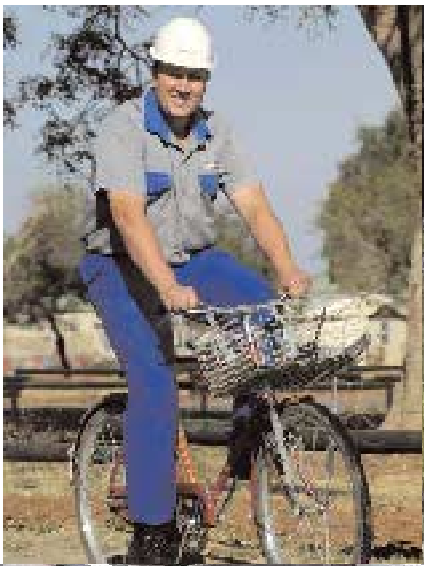
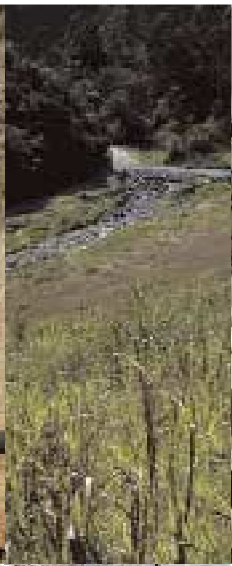
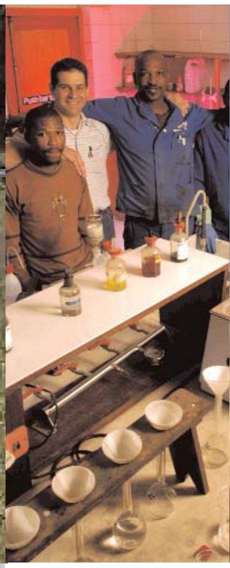
There were no fatalities in the workforce during the year. Injury frequency rates are low.

The fight to beat HIV/Aids

Over many years, the division has implemented initiatives aimed at minimising the consequences of HIV/Aids to its businesses, employees and, where practical, to the communities impacted by operations.

Voluntary, consensual anonymous prevalence studies have been conducted at a number of sites with trade union support. Prevalence rates range from 0% to 11%. These rates are lower than those expected for the relevant regions.

Nearly 50 peer educators were trained during the past two years to disseminate information both to employees and the local community.

A number of the occupational health nurses are also actively involved in local communities.

Some 75% of the division's employees in South Africa are members of medical aid schemes that provide antiretroviral medication.

Condoms are distributed free of charge. Awareness initiatives include talks by people living with Aids and experts in the field. Annual medical examinations include optional voluntary HIV/Aids testing.

The division has implemented an employee assistance programme for employees and members of their direct family.

Accountability for environmental performance

Much effort in the past two years centred on the development and implementation of environmental management systems, which could be certified to International Standards Organisation requirements. All the cement manufacturing operations and both lime operations have acquired ISO 14001 certification.

Pursuing further progress, the division has embarked on a programme, together with Sasol and Engen, to systematically introduce ultra-low sulphur diesel at its northern operations. In addition, it has engaged its fuel and lubricant suppliers to expand its empowerment procurement of fuels and lubricants. Primary consideration for this initiative was the environmental gain from reducing emissions of harmful exhaust gases to 0,05% sulphur content by mass. More efficient combustion of this type of diesel results in improved performance of the vehicles, longer engine life through reduced wear and longer intervals between oil drainage made possible by reduced soot formation and lubricant oil breakdown. The Mooiplaas operation is already fully functional using ultra-low sulphur diesel.

At the Hercules operation a target for stack emissions better than its permit requirements was set to not exceed 120 milligrams per normal cubic metre for more than 1% of its operating time. In order to achieve this stringent target in a plant with old technology, many engineering changes were made such as the replacement of the pump and nozzle modifications in the conditioning tower, installation of a water spray system at the raw mill inlet and improvement of the cold air damper control. Emission monitoring results have been well within the 1% limit over the past six months, demonstrating the effectiveness of this initiative.

Introduction to the Port Elizabeth factory of limestone from Grassridge caused a high number of plant stoppages. The flow characteristics of the new material were different from those of previously used limestone from Loerie. It was decided to change the entire limestone delivery route to the raw mills. A simple conveyor belt from the limestone weigher to the inlet chute at the mill was installed. By modifying the existing double-flap valve at the entrance to the mill, choking and build-up of material in the buckets of the elevator feeding limestone to the mills were eliminated. This project was cited for and finally won the Barloworld CEO Award in 2002. Participation is open to every Barloworld employee. The award programme seeks to identify employees who have gone beyond the call of duty to create value.

The Slurry operation experienced problems with de-dusting of a clinker bin. Clinker falling from a conveyor into the bin caused rapid displacement of large quantities of air. This caused dust to be released from all openings. By fitting dust collectors to the openings on top of the clinker bin, the dust is captured inside the bin and cleaner air can now escape.

Initiatives at the De Hoek plant have set an example to the rest of the operations by importing maintenance information from the BaaN™ maintenance management programme into the environmental management system. In this way, scheduled maintenance activities, as well as maintenance non-conformances, can be monitored as part of environmental performance. This has the potential to include health and safety and quality monitoring. It will become the benchmark for best practice in the company.

All operations regularly set improvement objectives and initiate new projects to improve efficiencies and environmental performance.

Measuring and monitoring

Consumption of resources is monitored monthly. Raw materials, coal and water consumption all decreased during the year.

Continuous monitoring of dust emissions takes place from kiln stacks. The CODEL™ monitors are calibrated at regular intervals to ensure efficient and accurate operation. All cement operations have complied with or bettered their permit conditions.

Phased concurrent rehabilitation targets were set to complete previously neglected rehabilitation by 2006. The last aerial survey showed that every mine has exceeded the targets set for the year, as well as completed the rehabilitation required for current mining activities. In this way, the division has been able to reduce its environmental footprint.

Extensive baseline assessments of releases to the environment, prior to the introduction of secondary materials into the manufacturing process are completed for the relevant operation. Independent external consultants determine the nature and extent of health, safety, quality and environmental impacts by introducing secondary materials during a trial period. Once these results have been reviewed by the relevant government authorities, application is made for continued use of such materials and amendment to the operating permits. Performance is monitored through various ISO-certified management systems.

All management systems at operations are externally assessed at least annually during surveillance audits. The management systems are effective.

Environmental audits are used to influence future training programmes. The division endeavours to build environmental awareness amongst employees and in the communities in which it operates. Stakeholder forums ensure constant feedback on performance and awareness of the drive to improve the quality of life and to provide lasting benefits for those communities.

Preserving biodiversity

With the exception of the Loerie, Grassridge and Riebeeck operations, the division does not have operations in ecologically sensitive areas. Where the biodiversity on mining ground has been identified as sensitive or threatened, the division has preserved this biodiversity.

The Renosterveld biome in the Western Cape now occupies less than 8% of its original area. The mine plan for the Riebeeck operation has been modified, and overburden dump positions moved to preserve the two hectares of renosterveld on site. The Riebeeck operation has been nominated for an Excellence in Mining Environmental award in the category for large open-cast mines.

The Grassridge quarry was opened in the Bonteveld biome of the Eastern Cape. A demanding environmental management programme ensures that anthills, threatened succulents, bonteveld bush clumps, tortoises and even the rare Albany adders are preserved. Mining activities involve the removal to nurseries of sensitive vegetation from areas to be mined, and their translocation to rehabilitated areas afterwards. Fences have been erected to prevent electrocution of tortoises venturing towards the secured crushing plant area. Anthills are relocated to ensure that the biodiversity of invertebrate species, which are dependent on the anthills for their survival, remains intact. Albany adders, which were last sighted some 60 years ago, have been sighted three times in the past year. Snakes have been captured and taken to the snake park in Port Elizabeth for safekeeping. It is envisaged that a breeding programme should be established on the Grassridge property, where specimens would be tracked and monitored using microchips. Funding is currently being sought to initiate this programme. The Grassridge quarry has been nominated for an Excellence in Mining Environmental award in the small mining category.

Fynbos vegetation, which remained undisturbed during mining activities, formed an integral part of the end-use objectives for the Loerie mine.

The lime facilities were successfully re-certified to ISO 14001 in 2002. Commitment to the policy of continual improvement includes construction of a slurry dam using overburden from a new mining area. Slurry is formed




from fine wastes and pumped into the dam. Water evaporates and the residue hardens, thereby reducing air pollution. The pumping plant has been commissioned. Effectiveness of the project will be assessed during the forthcoming year.

Social upliftment of communities

The division supports the empowering of employees to be homeowners. Where practical, the ownership of company villages and residences has been transferred to employees who previously occupied these homes.

At Riebeeck, the village is now effectively part of the Riebeeck West council. The Pienaars River village was upgraded in regard to utilities and services and transferred to the Bella Bella municipality in terms of an end-use plan approved by the Department of Minerals and Energy.

The Lime Acres village was transferred to employees who bought homes. A Homeowners Association is well established and several small businesses provide maintenance and garden services.

Following the cessation of mining activities at Loerie in the Eastern Cape, it is proposed that infrastructure ownership will be transferred to the community.

Empowerment procurement initiatives

Contributing to upliftment

The division remains committed to Government's programme of transformation and has continued to implement its nation-building and affirmative empowerment policies in many ways during the course of the year.

Affirmative procurement policy

Commitment to procurement from small, medium and micro enterprises (SMMEs) and black economic empowerment (BEE) businesses grew during the year. This is supported by respect for the individual, non-discriminatory practices and care for the communities where operations are conducted. Relationships that satisfy customer needs by supplying quality products and reliable services are supported in a manner that adds lasting value to the partnership. Every six months, results are reported at executive level.

Empowerment procurement spend

The division procures services and commodities ranging from the outsourcing of cleaning and security services to engineering spares and services, production goods, health care, information technology and printing.

Total empowerment procurement expenditure has increased by 29% from R62 million to R80 million. The supplier base has increased by 158% with emphasis on organisations capable of meeting exacting quality standards, service and financial requirements.

Achievements during the year include the appointment of the following empowerment partners:

- Polipak as sole provider of woven polypropylene cement sacks;
- Seekers-Lesedi as sole provider of travel management portfolio services;
- Sasol's empowerment partner, Exel, to provide ultra-low sulphur TurboDiesel™; and

Impact and responsibility report continued

- Ilanga Printing to provide all corporate stationery.

Developing the broader SMME community
The division remains active on the board of the Corporate SMME Development forum which is supported by many blue-chip South African companies. The purpose of the forum is to procure goods and services from historically disadvantaged small businesses and to bring them into the mainstream of the economy.

Benchmarking and business linkages initiative
A number of high-profile corporates, including the division, participate in a project sponsored by The Africa Project Development Facility, GTZ, Ntsika Enterprise Promotion Agency and Umsobomvu Youth Fund, and facilitated by Gestalt Corporate Engineers. The project aims to benchmark empowerment procurement practices and policies and to strengthen programmes aimed at providing financing and capacity building for SMME suppliers.

Support to emerging contractors
Training in contractor development for 36 members of South African Women in Construction was facilitated and sponsored. The training was conducted by an empowerment training company – Milcorp Construction Management – and covered contract documentation, tendering, costing, pricing, managing materials and using cement in construction.

The division co-sponsored the training of 63 emerging building contractors from the North West province in contractor entrepreneurial skills. These will assist them to successfully tender for and manage building projects in the future. Participants were awarded Construction Development Programme certificates which are accredited by the Construction Education and Training Authority.

Sponsored workshops for Women for Housing
In conjunction with the Women for Housing organisation, the division facilitated 12 workshops covering topics related to the building and construction industry. These provided female contractors with valuable information about developing construction businesses within the housing sector.

Business opportunities for emerging entrepreneurs
The role of affirmative cement retailers was successfully applied with regard to the Luvuvhu Dam in the Limpopo province, utilising the services of an empowerment company, Mangoedi Products & Project Managers. Cement sales through SMMEs and historically disadvantaged South Africans have risen to R220 million per annum.

Scientific

The division has two constituent parts:
- A Laboratory business which markets a wide range of individually branded products; and
- Melles Griot which distributes photonic components.

The branded laboratory products business manufactures and supplies scientific equipment to laboratories engaged in food analysis, clinical microbiology, environmental and other scientific research via multinational or domestic retailers of the products.

Operations are conducted in the United Kingdom, the United States, France, Spain, Italy and Germany. Glass, plastic and equipment products are manufactured under brands that include Pyrex, Sterilin, Azlon, Quickfit, Emil, Techne, Jenway, Stuart and Carbolite. All products are made to internationally recognised standards. All electrical products must conform to CE standards. These are independently validated through application of ISO 9000. All advertising is approved by senior management and conforms to legal and ethical advertising standards in all countries in which operations are conducted.

Products designed, manufactured and distributed by Melles Griot comprise photonic-related components and subsystems that create light, control its efficient use and reliably hold or position photonics devices. Such products include gas and solid state lasers, optics and optical assemblies, optical hardware and tables, nanopositioning equipment and optomechatronic assemblies. The Melles Griot business is conducted in the United States, Japan, the United Kingdom, Netherlands, France, Germany, Sweden, Canada and Singapore.

The Laboratory business has grown strongly this year, as a result of acquisitions. However, the underlying markets served are low growth and not generally subject to significant swings in demand. The Melles Griot products are mostly utilised by other manufacturers in

creating further marketable items. Economic difficulties in these markets prevailed during the year and had an adverse effect on Melles Griot. In helium-neon laser items, Melles Griot has market shares exceeding 25% in the United States, Canada, Europe and Japan.

Many of the division's products contribute significantly to the furthering of human knowledge and aid in the diagnosis and treatment of human disease.

Extensive customer training on use of products, especially on electrical equipment, is provided. Product labelling and instructional materials are approved by in-house technical specialists before being issued. These technical specialists are present, in the case of the Laboratory business, on key international standard-setting bodies, for instance the relevant organs of the International Standards Organisation. Current catalogues also contain sections on safe use of products, principally glass, electronic and electrical equipment. Contractual arrangements with customers are believed to be fair. All terms of trade have been reviewed for conformity with competition law. Contract behaviour is governed by a formal compliance procedure.

When appropriate, in order to ensure high quality and to improve communication and service, joint meetings are held with customers. Mutual needs are met only when products are consigned to customers at the required quality standards, delivered at the correct place and time and the correct value has been charged. The outcomes of such meetings are transmitted to relevant employees, who are all responsible for achieving customer satisfaction, for implementation.

Service performance and customer satisfaction are measured by analysis of on-time delivery, credit notes issued, formal surveys, face-to-face meetings and e-mail contact with customers. The Melles Griot business also evaluates customer turnover statistics and has toll-free contact lines in the United States and Canada. In the Laboratory business, policy is implemented through ISO 9001 and applies to the United Kingdom, Europe and the United States. Complaint systems conform to ISO 9000 and are independently audited. Supply chain and service aspects are managed in the Melles Griot sales office and warehouse in Holland under ISO 9000 and in Japan under ISO 14001.

The Laboratory business received the Logistic Supplier of the Year award from its largest domestic customer. Customers regularly make awards to Melles Griot. The Carlsbad laser factory received awards from Niocolet and Xerox.

Fair contractual terms have been agreed with the division's suppliers. Standards of materials and services are controlled by written specifications, with agreed drawings where appropriate. Incoming goods are sampled against the relevant standards. If controls are breached, goods are checked to the extent of 100%, and returned after discussion with the supplier. Deliveries are recorded in a vendor control system and monitored. Vendor performance is reviewed when appropriate and internal satisfaction is evaluated monthly. Terms of payment agreed with suppliers range from 30 to 90 days from date of delivery in the Unites States and the United Kingdom and 120 days in Japan. Payments conform to these terms.

The division has 2 016 employees.

About half of the United Kingdom workforce are represented by independent trade unions and are covered by collective agreements. In Europe, employees have legally enforceable minimum entitlements derived from national collective agreements. All European Union countries have minimum legal requirements for individual and collective consultation where employees are affected by operating changes.

The workforce in Melles Griot declined by 182 as a result of market conditions during the year, of which 122 redundancies occurred in North America. The remainder comprised 48 in Europe and 12 in Japan and resulted from voluntary decisions.

Salary levels are regularly compared with survey data to ensure that they are in line with competitive and national norms. Employment benefits, including pension, sick pay, holiday and maternity entitlements, are better than the legal minima.

In the United Kingdom operations, annual executive, management and worker pay averages £51 000, £24 000 and £13 000, respectively. Competitive remuneration packages are paid by Melles Griot. Reviews and upgrades became necessary in the recent buoyant photonics market. Packages exceed the statutory minimum in the United States and Europe. Executive pay averages $165 000 per annum and non-executive pay $50 000.

Each business unit has a training and development manager. The two major plants in the Laboratory business have a lifetime learning policy that encourages and funds employees to learn new skills. They also have dedicated employees who conduct on-the-job training to achieve skill standards necessary for the business. Additionally, off-the-job training is provided by local colleges. Many employees have externally verified national vocational qualifications. Training expenditure during the year was £55 000 for executives and £31 500 for other employees.

On average, annual hours of training are 40 for senior managers, 16 for middle managers, 24 for administrative staff, 8 for production employees and 20 for maintenance personnel. Sales office training by Melles Griot in Sweden averages 43 hours per annum and 14 in Germany. In the United Kingdom, it averages 5 hours, in Japan 35 hours and in the United States 15 hours for sales and factory training.

Complementing the Barloworld policy, the division has its own equal opportunity policy. This is designed to comply with governmental requirements for employment of and employment practices towards minorities and females. Reports showing current employment by ethnicity and gender are filed annually with the respective governments. This information is compared with population census data for the regions where operations are conducted. The division also has an anti-harassment policy.

All employees are accountable for adherence to equal opportunity and anti-discrimination policies published by the division. They provide steps to be taken if an employee feels that the letter and intent of the policies are broken. No retaliation may be taken against an employee who files a complaint.

All business units have policies to ensure adherence to human rights legislation. Employees are given information and advice to support compliance.




Each employee signs an agreement regulating how confidential information is used. No employee may perform work for a competitor.

Information about disciplinary practices is available to all employees. Encouragement is given to solving problems at source but disputes may be referred to higher management, with or without personal or trade union representation.

Employee opinion surveys are conducted on site by independent contractors. All aspects of employment, including compensation and benefits, working conditions, safety, supervision, senior management and communication are covered.

Melles Griot has no trade union representation. However, collective works council regulations are observed in respect of 14 employees in Germany and 11 in Sweden. Rules and regulations differ between countries regarding individual and collective consultation where employees are affected by operating changes.

The division supports activities where employees are involved in community projects. Many employees participate in such projects and sometimes funds are contributed.

Reportable accidents are advised to the health and safety executive in the United Kingdom and the Occupational Safety and Health Administration in the United States. In the United Kingdom operations, health and safety meetings are convened under the Safety Representatives and Safety Committees Regulations 1997. These are held quarterly and cover the total workforce.

Donations totalling £10 000 were made by the Laboratory business during the year, mainly to local charitable organisations. Slow-moving optics and hardware items, valued at $700 000, were donated by Melles Griot to certain universities and academic institutions in the United States. Minor charitable donations were made in Canada.

The Laboratory business annually uses some 2 000 tons of glass, 5 506 tons of polymer, 850 tons of cardboard and 30 tons of wood. Under 3% of this becomes waste but, in the case of wood, wastage is about 5%. Annual electricity and gas consumption are 14,5 million and 9,0 million kilowatt-hours, respectively, while 42 000 cubic metres of water are also used. Owing to the high-tech nature of nearly all of the products, quantities of materials used in manufacture by Melles Griot are relatively small. It is not meaningful to measure these in terms of weight. Approximately 22 000 Gigajoules of electricity and 11 million US gallons of water are used annually in production processes.

Products sold have no significant environmental impact, except that one optomechatronics product manufactured in Japan contains barium and is subject to control through registration with the relevant authorities.

About 60 acres of land are occupied by the Laboratory business for production and supporting activities. Some 75% is covered by impermeable surfaces. Within the remainder, approximately 5% was utilised for a licensed waste-tip. This has now been removed and the underlying area returned to a natural state. The Carbolite operation is located at Hope in the environmentally sensitive Peak District National Park in northern England. The division otherwise has no operations in any protected or sensitive areas or biodiversity-rich habitats nor any impact on fresh water and marine environments. All Melles Griot plants and offices together occupy approximately 340 000 square feet and are subject to local zoning and noise requirements. About 85% is covered by impermeable surfaces. There are no other sensitive issues.

The use of ozone-depleting substances has been banned in Melles Griot since 1993. Gas and other air emissions are minimal and not measured, except in Japan where the measurement showed a decline over the past year.

In Japan, electricity use efficiency improved by 8,7% over the past year. Renewable energy opportunities and energy efficiency are not measured.

Waste glass and plastic arising from the Laboratory business are either recycled or used for landfill. General waste is used for landfill. Some oil and insulation materials used in certain science equipment products are returned to the suppliers. Residual asbestos has been removed from one building and disposed of. All waste disposal is approved by local waste authorities. In respect of products accounting for some 30% of Melles Griot sales, helium-cadmium content and argon can be reused to the extent of 50% and 90%, respectively, in the case of the new laser ranges. Unregulated waste such as glass, plastic and recycled cardboard, non-regulated non-hazardous waste which is treated, and regulated but treated liquid waste are disposed to public landfill. Hazardous solid waste is disposed of at hazardous waste landfill sites, while hazardous liquid waste is fuel blended. Acetone waste, some glass and polishing sludge are recycled by outside contractors.

There have been no spills of oils, chemicals or fuels, nor any discharges of greenhouse gases or ozone-depleting substances.

Impact and responsibility report continued

There have been no incidents, prosecutions or fines in connection with advertising, confidentiality, non-compliance of products, employment, health or safety and environmental issues.

Coatings

In southern Africa, the division is the major supplier to the automotive industry and panelshops of solvents, primers, basecoats, topcoats, electrocoats, clearcoats, hardeners and thinners. It is also a leading supplier of decorative products to the homecare market through chainstores and independent retailers. Etch primers and paint are also supplied for industrial and furniture manufacturing purposes. Products distributed include the Plascon, Aerolak, Buffalo, Crown, Polycell, Professional and Woodcare brands. Decorative paints are manufactured in Australia under the Taubmans and Bristol brands, as well as White Knight speciality paints. Chain stores and independent retail outlets distribute Taubmans products, with some sales directly to the trade. Independent retailers distribute White Knight products while Bristol retails its products through its own stores.

In the production process, the division annually uses some 105 million kilograms of solvents, paint filler, raw resin, acids, binding and pigment material, as well as a variety of other compounds. Approximately 74 million litres of water are consumed, together with about 50 million Megajoules of electricity and 432 000 Megajoules of gas. Some 25 million metal cans and pails, plastic bottles and pails, paper labels and cartons are used to transport paint and solvents to the consumer.

There are no known impacts of any product on the environment. Consumer warnings are displayed on all product packaging. In Australia, the division is a signatory to Coatings Care, an international programme of best practice in the industry. Of the four codes of practice, two relate to product stewardship and community care. Adherence to these practices is audited every six months.

The total workforce is 2 526 made up as follows:

	Australia	Southern Africa	Total
Total	823	1 703	**2 526**

Within the supply and distribution chains, it is estimated that there are 831 jobs supporting 3 324 dependants.

In southern Africa, a recognition agreement with the Bargaining Council for the Chemical Industry defines a process of notice and consultation. Information will be shared as contemplated by the principles in the latest legislation.

Federal industrial relations law in Australia governs conduct regarding information, consultation and negotiation. The division negotiates collective agreements every two years. The majority of the workforce participate in two-way communication sessions about the business. Performance management for employees also results in sharing information and performance perceptions.

In South Africa, the division supports Business Against Crime and the chief executive officer serves on its board. Managers participate in various community forums. Paint is donated or sold at reduced prices to schools, hospitals or other institutions in need of assistance. Financial support is given to the Topsy programme, which supports Aids orphans.

In terms of training, average annual hours were 23 for senior officers and managers, 24 for professionals, 39 for technicians, 28 for administrative and clerical workers, 30 for sales and service workers, 10 for craft workers and 30 for plant and machine operators and assemblers.

There is no employment equity legislation in Australia. Within South Africa, the Employment Equity Act promotes the employment of women and Asian, black or coloured and disabled people. Divisional policies ensure equal opportunity employment and development. Employment equity forums in each region monitor recruitment and selection, training and development, remuneration, performance management and harassment.

Management is conducted in terms of clear policies and procedures, accessible to




all employees, that accord with company policy and labour legislation.

At this stage, no portion of any product can be recycled or reused. Some 287 000 kilograms of waste from sources external to the division, such as inward and outward packaging, arise annually. A project is being pursued in Australia to explore recovery of paint and packaging.

Annually, approximately 14 000 kilograms of plastics, 85 000 kilograms of waste paper, 27 000 kilograms of scrap metal and 2,1 million litres of liquid waste materials are recycled. In addition, some 3,2 million kilograms of solids and 1,9 million litres of liquid waste are disposed of by way of landfill. Run-off of water is estimated at 8 324 kilolitres.

No known ozone-depleting substances are used in the production processes or contained in the products. There are no fluorocarbons used in spray packs.

In Australia, emissions of carbon dioxide from electricity sources approximate 5 000 tons annually. Emissions from benzene and fine particulates are required to be reported in New South Wales, Australia, but the measurements fall below the thresholds set by the Environmental Protection Agency. The effect in South Africa has not been measured. No other significant air emissions occur.

No significant spills of chemicals, oils or fuels occurred during the year.

The division has no operation in any biodiversity-rich habitats nor any known impact on terrestrial, freshwater or marine environments.

There were no incidents or fines involving non-compliance during the year with any applicable international, national, regional or local regulation associated with advertising, customer health and safety, environmental issues, or labelling and product information.

Steel Tube

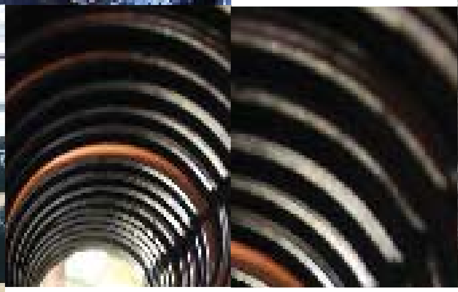
The division provides tube and pipe solutions to the mining, construction, water supply, automotive and petrochemical industries. Locally there are over one thousand customers and more than 50 internationally.

Apart from the usual marketing methods, an Internet website is used to communicate details and benefits of the division's products to existing and potential customers.

In terms of a 5-Star Customer Value Programme, which has been in existence for a number of years, the business units in the division are rated against world-class criteria. This ensures constant attention to solutions that create value for customers. It achieves a constant flow of communication with customers on their changing needs and includes independent surveys at least annually. Customers are active participants and are the final judges of performance levels. Conditions of business are concluded with customers and monitored to ensure compliance by both parties.

A separate unit researches new uses for existing products. Any product proven to be commercially viable is absorbed into the product line of the appropriate existing business unit.

Product workshops for customers are held regularly. Uses and features of the products are demonstrated. Technical staff are available at all times.



Carbon steel coils, used in the production process, are supplied by Iscor and Highveld Steel. Stainless steel coils are obtained from Columbus. Terms of supply are agreed with all suppliers. These are rigorously monitored to ensure compliance by both parties. Steel products supplied are manufactured to international standards. Credit terms are generally between 30 and 60 days. Regular discussions are held with suppliers on quality, delivery and payment issues.

Productivity targets are agreed with each business unit annually. These and other targets are communicated to the workforce and increasingly pursued through mission directed work teams in the factories.

Meetings involving both suppliers and customers are held regularly.

The division employs 1 353 people in South Africa. There are also 484 people in co-employment relationships. Over the past few years, the division has become increasingly efficient in the use of its workforce.

Annual employee value surveys are conducted by independent contractors. Progress in employment equity and skill development matters is reported and monitored monthly.

Employee newsletters are published quarterly. An internal intranet is employed to keep staff abreast of news and other developments as they occur.

An average of 45 hours of training was received by employees during the year.

Health and safety committees covering all employees exist at every site.

In the supply and distribution chain, there could be an estimated 20 000 jobs, supporting as many as 100 000 people.

There have been no significant spills of any chemicals or fuel. No fines have been imposed by any environmental regulatory authority.

Logistics

With effect from 1 October 2001, Barloworld Limited purchased Barloworld Logistics (previously named PPC Logistics) from Pretoria Portland Cement Company. At the same time, Barloworld Logistics acquired the logistics business of Barloworld Motor. Other acquisitions made during the year further increased the capacity of the business to provide logistics solutions.

Although the business is still relatively small, its vision is to become:

- a significant, international provider of supply chain solutions;
- the preferred provider in southern Africa;
- the partner of choice; and
- the employer of choice.

Logistics, or supply chain management, is a service completely reliant on clients outsourcing some of their traditional in-house activities. Services offered by Barloworld Logistics are: procurement, inbound logistics, transportation, transportation management, warehousing, inventory management, outbound logistics, electronic data interchange and connectivity, supply chain modelling and design. The aim is to create innovative solutions or improvements to existing logistical systems.

Current focus is on corporate clients in southern Africa, the United Kingdom, the United States, Australia and Western Europe. Services are already being provided to clients in South Africa, Botswana, Namibia, Mozambique, the United Kingdom, Germany and the United States. It is believed that, worldwide, logistical services span all industries and are estimated to generate some 10% of global gross national product.

Customer health and safety are an integral part of the services offered. Customer privacy is observed.

Customer satisfaction is measured through independent surveys and further needs are identified. Non-conformance and complaint systems are operated to ensure proper follow-up that results in corrective action and feedback to the customer.

With the exception of transportation, logistics operations are environmentally clean.

At the end of the year, 935 people were employed.

Extensive labour laws and prescribed practices apply in South Africa. Bargaining council agreements, procedures and processes, including consultation, operate within this dispensation. Employer and union collective agreements prescribe further procedures and processes.

Approximately 60% of employees are covered in The National Bargaining Council (Road Freight Industry) Agreement.

External surveys are used to ensure that remuneration levels are competitive. All employees enjoy retirement benefits and participate in an annual incentive scheme. They also have voluntary access to a medical scheme.

Each business unit has established a health and safety committee, in terms of the Occupational Health and Safety Act, comprising employer, employee and union representation. All branches record occupational issues in accordance with that Act. Non-conformance is captured on a database. Annual audits are conducted through independent consultants to ensure adherence to legal requirements.

In South Africa, employment equity plans, including targets, are submitted to the Department of Manpower. A committee meets regularly to review progress against targets, as well as workplace skill plans, and any related issues. Progress against targets is satisfactory. Grievance and dispute procedures exist to address any work-related complaints.

Where joint decision making occurs, employee representative bodies exist at the relevant business units. Induction and climate creation sessions outlining rights and obligations of the employer and employees have been conducted for about 400 employees.

Impact and responsibility report continued

Training programmes with universities, business schools and consultants are at an early stage of development. A group training and development manager and four regional driver trainers have been appointed to ensure that skills necessary to successfully conduct the business are assimilated by employees. Costs of training in the year amounted to R1,1 million. Hours of training have not been recorded.

In addition, an internal study assistance policy encourages employees to continue learning and study to improve their skills. There is also an owner-driver scheme that empowers employees to become entrepreneurs.

Approximately 300 vehicles are operated. In a year, they travel approximately 30 million kilometres and consume some 16 million litres of diesel fuel, 63 000 litres of lubricants, 2 000 tyres and incur over R20 million on spares. Considerable quantities of stationery and electricity are also utilised.

Typical emission from heavy duty vehicles is 0,18 kilograms of sulphur dioxide per 100 kilometres travelled. A joint experiment is being conducted with Sasol and DaimlerChrysler to monitor the effects of using ultra-low sulphur diesel fuel in place of the normal product. This is expected to reduce emission levels to 0,08 kilograms per 100 kilometres. Any other emissions are insignificant.

Water is used for washing vehicles (this is re-cycled and impurities removed) and human consumption. The quantities are small and discharges are minimal. No significant spills of chemicals, oils or fuels occurred during the year.

Fuel is obtained from Sasol and Shell, both of which are known for a responsible and sensitive approach to environmental matters.

Transportation of material classed as hazardous waste from BHP Billiton operations at Richards Bay for disposal at sites operated by Pretoria Portland Cement at Dwaalboom and Port Elizabeth is undertaken. A full environmental impact assessment was completed before commencing these activities.

No fines were imposed for non-compliance with relevant international, national, regional

or local regulations in respect of environmental matters.

Many transportation requirements of clients are also outsourced to third-party operators. The extent of fuel and other consumables used is not known. Waste comprises used lubricants, tyres and paper.

All vehicles are maintained by outside workshops. Maintenance spares and tyres are mostly disposed of after having been replaced. Proper disposal of by-products and waste is a pre-qualification for contractors undertaking these services.

Transportation operations are conducted mostly on main roads and in urban areas. These activities have no impact on bio-diversity-rich habitats, freshwater or marine environments.

Corporate office

The corporate office provides leadership through the executive directors of Barloworld Limited. Delegation of authority by the board of directors to the chief executive officer and the other executive directors to run the day-to-day affairs of the company is explained under 'Board accountability and delegated functions' in the section on corporate governance.

These directors are supported by professional staff in the fields of finance, financial control, planning, human resources, tax, treasury, legal, industrial health, communication, risk management, internal audit, information technology and company secretariat. A total of 174 people are employed at corporate office.

Electronic communications take place between the corporate office and worldwide business units. A secure network, accessible only to pre-determined users, exists for transmission of sensitive information. Information of interest to all employees is shared on an interactive worldwide Barloworld Intranet. There is also an integrated e-mail, internet, telephone and voicemail system.

Provision of these services involves no gas emissions. Garden, medical aid, office cleaning and security services have been outsourced.

The corporate office (and other offices on the same site occupied by business units) is situated in a 10,5 hectare park, owned by the holding company, near the Sandton business district. The buildings are surrounded by well-maintained gardens. Electricity is obtained from Eskom but, owing to interruptions from time to time, stand-by generators and ancillary equipment ensure uninterrupted power supply. Water is used for gardening and domestic purposes. Paper and staff canteen supplies are the main consumables.

Waste paper is sold to the main paper manufacturers and metal cans to a recycling organisation. Glass and computer cartridges are sold to a recycling enterprise and the proceeds donated to charity. Domestic refuse is collected by a private contractor on behalf of the local authority. No incidents or fines have arisen in connection with any environ-mental matters.

People and community

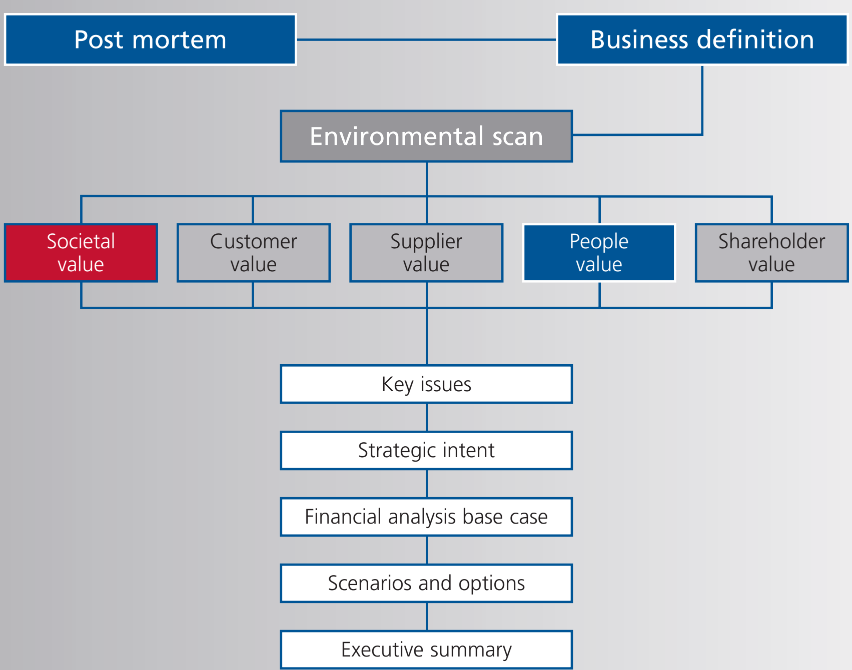
In Barloworld we follow a socially responsible approach in our dealings with employees and labour unions.

We are committed to not only receiving value from employees, but also delivering value to them.

For many years we have approached human resource management as an integral part of our general management philosophy. For this reason the human resource discipline has also been a regular source for general management appointments. It was therefore natural to treat people management as an integral component of our approach to Value Based Management when it was introduced in 1999. It is also an integral part of our strategic management process, as can be seen from the diagram below which shows the format of our strategic planning process.

Since its introduction in July 2000, and in particular during the last year, significant progress has been made in transferring these principles into our business practices, to the extent that profit improvements have often become directly attributable to gains in this respect. Our Cement and Lime business, which served as an initial pilot is a case in point, deserves particular credit. This experience, along with that of other business units, has been used to create a uniform employee value model which incorporates best practice experience for roll out throughout our operations worldwide in the year ahead. This will guide our human resource practice in the year ahead and ensure ongoing improvements in aligning company direction with employee performance and rewards.

Strategic planning process



Our approach to social issues has been endorsed by various external bodies.

In September 2002 we were selected for the second successive year as a member of the prestigious Dow Jones Sustainability Global Index. For further information on this index visit www.sustainability indexes.com.

Similarly, in December 2001 the South African Labour Research Service (LRS) listed the company as socially responsible in the context of their work to evaluate companies for the community growth fund universe, a fund for socially responsible investors.

Both of these listings involved extensive audits on the work, employment and environmental practices of the company. The LRS report noted that the company was accepted 'for their excellent environmental practices, good conditions of employment and corporate governance'.

Barloworld and the ILO

We also endorse the concept of decent work as promoted by the International Labour Organisation (ILO) as well as its core labour conventions. These are reflected in our approach to employment and industrial relations. In this regard the group benefits from the fact that one of our executive directors is a longstanding senior employer member of the ILO conference committee on the application of labour standards in the world, and a member of the small group that settle that committee's report.

Industrial relations in 2002

During the year under review we experienced no significant industrial action in the company.

In South Africa for example, where over half of our 12 496 employees are unionised, we have 44 trade union recognition agreements in place and we did not lose a single man-day due to internal industrial relations strife. The labour stability enjoyed in Australia this year contributed to the business turnaround there.

The COSATU-led national stay-aways in South Africa had minimal impact and we only lost a total of 27 man-days to these issues in 2002.

Employment equity in South Africa

Compliance, not only in the letter but also in the spirit of the law, with local legislation and with such legislation in the employment field is a basic principle for Barloworld in all the countries in which we operate.

In the South African context employment equity provisions are legislated and the company is fully committed in all its South African businesses to compliance. All relevant businesses have compiled and submitted employment equity reports to the Department of Labour since the inception of the legislation in 2000. The approach generally followed is to treat business units as independent reporting units for purposes of employment equity promotion. These businesses accordingly set numerical targets in consultation with the appropriate committees and take responsibility for their implementation. Through this approach we are able to achieve a close fit with the specific demographics of the geographic areas within which each business operates. The numerical targets and progress are also reviewed regularly by the various boards of management and directors and form an integral part of the annual strategic planning process. We also have training and development programmes for the advancement of employees in this context in order to ensure that over the medium to long term we have the required skills and competencies in the designated groups.

Developing our global management team

During the past year we introduced a global senior executive programme designed to enhance the strategic abilities of the participants in addition to our existing senior and middle management programme.

Both these programmes are organised by the Gordon Institute of Business Science in Johannesburg, South Africa, under the direction of Professor Nick Binedell and senior academics from across the world.

General skills and functional development take place in all business units in line with their businesses' requirements.

In 2002 Barloworld CEO Tony Phillips led a group of 27 executives comprising the executive board and senior executives on a 10-day South American business research and development programme to Argentina, Brazil and Chile. This programme was facilitated by senior academic staff of IESE Business School, University of Navarra, based in Barcelona, Spain.

Providing safe and healthy working environments

We provide safe and healthy working environments because we believe it is both right and sound business sense. This approach strengthens morale and improves quality and efficiency. We also provide a number of services to help promote employee wellness. Examples include:

- Medical aid/medical insurance in the various countries where we operate (subject to local health regimes)
- Twenty on-site clinics in southern Africa that provide a comprehensive service including occupational health and primary health care to employees and in many instances their dependants
- Employee Assistance Programmes (EAPs)

Facing the challenge of HIV/Aids in southern Africa

HIV/Aids is a strategic business issue within our southern African operations. Our aim is always to prevent new infections, provide appropriate care and treatment for people living with HIV/Aids, manage the business risk and financial impact and engage in community outreach where feasible.

For many years we have implemented initiatives in South Africa to minimise the impact of HIV/Aids on our employees and businesses. These continue.

HIV/Aids is managed like other chronic or life-threatening conditions, with due regard to the magnitude of the pandemic.

The provision of antiretroviral medication is just one aspect of our strategy. All our South

People and community continued

African employees are eligible to be members of medical aid/health insurance schemes – over 60% have access to medical aid/insurance schemes that provide highly active antiretroviral medication – HAART, both for employees and their dependants. The provision of HAART in a cost-effective manner to employees who do not belong to these schemes is under consideration.

Extensive anonymous HIV prevalence testing on a voluntary basis has been conducted at a number of our South African businesses with the consent of employees concerned and co-operation of the relevant unions. Early indications are that overall HIV prevalence in our South African operations is less than half the national average quoted adult rate with further significant decreases in the infection rate in the ranks of managers and skilled employees.

Social investment in the communities in which we operate

We subscribe to the philosophy that no business can operate in isolation from the communities and societies in which it operates. A business cannot only derive value from its broad environment, it must also play its part in creating a better milieu by adding value to it.

At the heart of Barloworld's strategy to create value for its suppliers, customers, shareholders and employees lies this general philosophy and our approach to Value Based Management (VBM).

The external environment in which we function needs to be conducive to business, which provides another reason why we invest in it so as to help secure long-term growth and sustainability for the company. Just as there are internal value drivers within the company that have to be managed, there are also external value drivers which affect the entire value equation. A key element of this approach to the external environment in southern Africa is our Corporate Social Investment (CSI) programme.

We direct our social investment in areas where it can make a difference and ultimately have a positive impact on external value drivers.

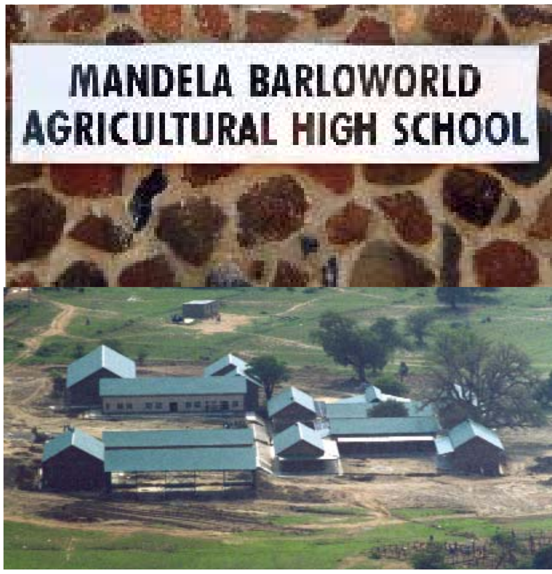
We played a significant role during the transitional years in South Africa as the country sought a way out of the apartheid system. During that period, we directed our social investment to support and assist in guiding that process. We estimate that over the years up to 1994, we dedicated some R110 million to that cause.

When South Africa became a true democracy in 1994, it went through major changes which affected the external business environment for Barloworld. We had to reassess where it would be most appropriate for us to invest and then direct our CSI spend in those areas.

The projects that we support and the extent of our investments are proportionate to the size of our presence in a society. Where the company has a greater presence, the impact of our involvement will obviously be more significant. Barloworld is a big player in South Africa and southern Africa as a whole and, accordingly, the degree to which we get involved is greater than in other parts of the world.

In other regions such as the United Kingdom and the United States, corporate social investment initiatives are undertaken at a more local level. Our operating divisions initiate ventures that demonstrate our commitment to investing in the community, and which also meet the expectations of, and create value for, our employees.

In a sense CSI is however a self-imposed tax and the way in which the money is spent is



crucial. We have historically focused in Africa on the following key areas:

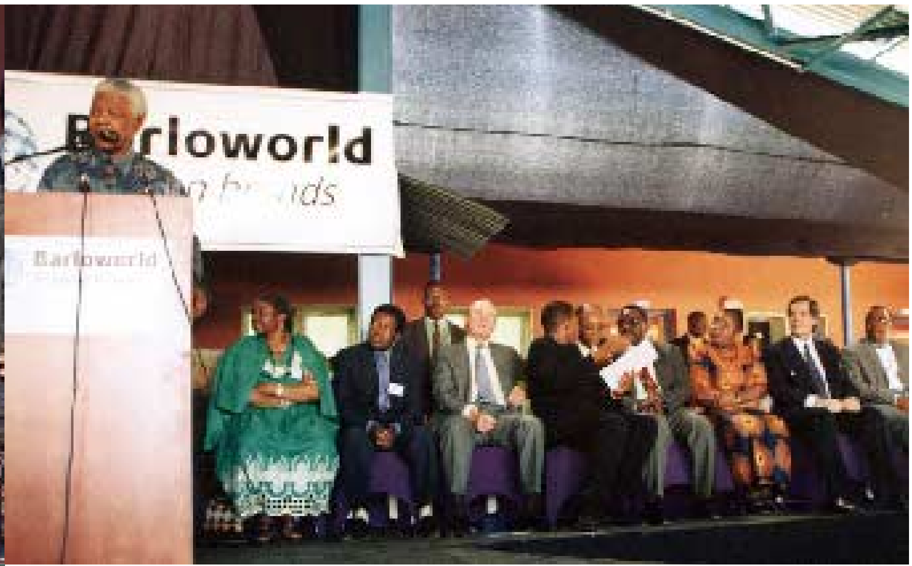
- Education
- Employment creation
- Youth development
- Policy formation
- Business development
- Assisting and guiding business institutional life

While our CSI activities touched all these areas in the past year, the following areas were of particular note:

Mandela Barloworld Agricultural High School

We funded and oversaw the construction and development of the prestigious Mandela Barloworld Agricultural High School and connected Modjadji Clinic cum day hospital in the area of the late Queen Modjadji V near Tzaneen in the Limpopo province of South Africa. In the past year R8 million was dedicated to the completion of this project.

The school will, through maths, science, agricultural science, general subjects and also



through its hands-on approach, prepare students for tertiary education, any career in general as well as for careers in the agribusiness of the area, or to become skilled self-employed farmers.

The process followed in the erection of the school was based on development principles and extensive consultation with and involvement of the local community leadership, the relevant provincial MECs and senior staff as well as the Premier and Minister of National Education took place. It is envisaged that in time to come the school and clinic can operate as a base for a local economic development programme.

Youth development in Botswana

In Botswana our social investment strategy is aligned to the Botswana National Vision 2016. In the context of this our CSI is geared towards youth development at national level. As a result of this philosophy, in addition to short-term benefits, most of the initiatives that we are involved with are medium to long term in nature, at a high level and designed over time to have a large impact on the nation as a whole.

In line with this approach most of our initiatives are with national structures that are tasked with the responsibility of youth development in various forms. We have strategic linkages with the Botswana National Youth Council (relating to out of school youth projects), Junior Achievement Botswana (aimed at young entrepreneurs), Botswana National Sports Council (awards for sporting excellence), Childline Botswana (centre for youth counselling and families of abused children), the Ministry of Education (sports development for youth), the Ministry of Labour and Home Affairs (between the ages of 6 and 12) with the Australian Sports Commission.

Other social investment programmes in South Africa

Barloworld participates on a significant ongoing basis in youth development in sport in South Africa, in particular with development cricket.

For multinationals such as Barloworld that are domiciled in South Africa it is also important that the professional life in South Africa does not lag behind international developments and to this end we committed in the past year to sponsor the newly established Barloworld Chair of Intellectual Property at the Mandela Institute in the School of Law at the University of the Witwatersrand.

In the past year Barloworld has joined the Proudly South African campaign as a founder sponsor. We are one of the founding donors and trustee member of the Business Trust, a R1 billion initiative to assist in lasting employment creation, and we remain involved with many development initiatives including the renowned Stutterheim Development Foundation.

We are also active in governing structures of the Centre for Development and Enterprise (CDE), National Business Initiative (NBI), South African Foundation (SAF), and a variety of business bodies.

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Understanding cash flow return on investment (CFROI®)

Over the past three years, Barloworld has embarked on an intensive focus to apply Value Based Management (VBM) throughout the company. A key component of the financial aspect of VBM is the use of CFROI® as a performance metric. This section provides technical information on CFROI®, explaining how it is calculated and how it is used in the business.

The CFROI® valuation model was developed by HOLT Value Associates (now CSFB HOLT) and has as its foundation the concept of a net present value based on discounted expected cash flows.

A company's warranted value is driven by a forecast net cash receipt stream which is translated into a present value by use of the investors' discount rate.

The rate at which cash is generated is reflected by CFROI®, a return metric that measures economic performance, eliminating accounting distortions and dealing with real or inflation-adjusted magnitudes.

CFROI® calculation

CFROI® essentially represents an internal rate of return calculation for the business as a whole. It uses the following components:

- current operating after tax cash flows or gross cash flow (Pmt)
- recurring annually over the life of the asset base (n)
- plus working capital and other non-depreciating assets realised at the end of the life (Fv)
- expressed as a return on current inflation adjusted gross assets or gross investment (Pv)

Gross cash flow

Gross cash flow is the amount of after tax cash flow resulting from the company's business operations, prior to the impact of financing activities. It consists of accounting operating profit before depreciation, amortisation and other non-cash items, and is adjusted for the add back of lease costs (including properties) in order to arrive at operating cash flow generated from the assets employed in the business.

Asset life

This represents the estimated average economic asset life for property, plant, equipment, leased assets, and capitalised research and development costs, where applicable.

The economic life of each asset category is estimated from the ratio of its original cost, to related depreciation expense.

Non-depreciating assets

Non-depreciating assets represent the asset items of the gross investment that will not wear out. These non-depreciating assets include land, inventories which can be liquidated, receivables which can be collected, estimated residuals on rental assets and cash. Because these items still remain at the end of the project(s), they are presumed to be released when the project(s) terminate.

Gross investment

This is made up of depreciating assets and non-depreciating assets (see above).

Depreciating assets represent the asset items of the gross investment that will wear out (depreciable/amortisable) and are presumed to have no value at the end of their asset life.

Gross assets are typically defined as total assets from the balance sheet plus accumulated depreciation, less non-debt current liabilities and include operating leases capitalised at today's real interest rate, over the full economic life of the leased assets. Gross assets are adjusted for inflation so as to ensure that they are measured in units of the same purchasing power as the related gross cash flows which they are employed in generating. An adjustment is also made to eliminate the translation impact of currency movements on the value of gross assets.

Cost of capital

In terms of the CSFB HOLT methodology, the discount rate (cost of capital) is a market-derived weighted average of a real debt and real equity rate, and it is directly comparable with the CFROI® performance metric.

A company-specific cost of capital is calculated based on adjustments made for size and financial leverage differentials.

Within Barloworld, we have adopted an 8% real cost of capital hurdle rate for performance management and target setting in each of our global business units. This hurdle rate is used as follows:

- It is the minimum rate of return the company requires to adequately reward capital providers.
- It is the minimum hurdle rate by which acquisitions and capital expenditure projects are evaluated.
- It is the discount rate generally used in discounted cash flow (DCF) calculations for valuation purposes. In some cases upward adjustments may be made to take account of higher levels of risk.
- It is the real cost of capital against which our CFROI® returns are measured.

Understanding CFROI® continued

Barloworld's shareholder value creation record

Since the adoption of VBM within the group, the following shareholder value creation measures have been achieved:

	2002	2001	2000
Total shareholder return*	**21,7%**	15,0%	43,1%
CFROI®	**8,5%**	8,3%	6,6%
Components of the CFROI® calculation:			
Gross cash flow (Rm)	**3 610**	2 584	2 126
Gross investment (Rm)	**28 611**	21 693	19 729
Non-depreciating assets (Rm)	**8 363**	6 643	5 390
Asset life (years)	**11**	12	12

* *Total shareholder return is the return on investment for equity holders of the business and represents capital appreciation in the share price plus dividends paid expressed as a percentage of the share price at the beginning of the year.*

CFROI® performance has continued to improve from 8,3% in 2001 to 8,5%, notwithstanding a decline in the estimated average economic asset life from 12 to 11 years. This is largely due to the expansion of shorter asset life business activities, including rental.

For further authoritative reading please refer to the book *CFROI VALUATION – A Total System Approach to Valuing the Firm* by Bartley J Madden published by Butterworth – Heinemann Finance (ISBN 0 7506 3865 6)

CFROI® is a registered trademark in the United States of Credit Suisse First Boston or its subsidiaries or affiliates.

Report of the independent auditors

for the year ended 30 September 2002

TO THE MEMBERS OF BARLOWORLD LIMITED

We have audited the annual financial statements and the group financial statements of Barloworld Limited, set out on pages 60 to 63 and 78 to 137 for the year ended 30 September 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and of the group at 30 September 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton
13 November 2002

Directors' responsibilities and approval

for the year ended 30 September 2002

A separate directors' report has not been prepared as full details of Barloworld group operations are contained in the reviews by the chairman, the chief executive officer and the financial director. Other statutory requirements and disclosures are reflected in the annual financial statements, the notes thereto and the statement of corporate governance.

The directors of the company are responsible for the integrity and objectivity of the annual financial statements, as well as for all other information contained therein. The financial statements have been prepared in accordance with International Financial Reporting Standards (and they also comply with Statements of Generally Accepted Accounting Practice in South Africa).

The group maintains suitable internal control systems to provide reasonable assurance that all assets are safeguarded and that transactions are executed and recorded in accordance with group policies.

The group internal auditors independently evaluate the internal controls and the implementation of group policies. The internal audit coverage is co-ordinated with that of the external auditors.

The directors, supported by the audit committee which consists of non-executive directors, are satisfied that the controls, systems and procedures in place minimise the possibility of material loss or misstatement. The external auditors, who have unrestricted access to all records and information as well as the audit committee, concur with this statement.

The directors believe that the group has adequate resources to continue in operation for the foreseeable future and, accordingly, the financial statements appearing on pages 60 to 137 have been prepared on a going concern basis. The group external auditors concur with this statement.

The above statements were approved by the board of directors and were signed on its behalf by:

WAM Clewlow
Chairman

AJ Phillips
Chief Executive Officer

DC Arnold
Director, Finance and Administration

Sandton
13 November 2002

Certificate by secretary

for the year ended 30 September 2002

In terms of section 268G(d) of the South African Companies Act, 1973, as amended (Act), I certify that Barloworld Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act. Further, that such returns are true, correct and up to date.

MJ Barnett
Secretary

Sandton
13 November 2002

Value added statement

for the year ended 30 September 2002

A measure of the wealth created by the group is the amount of value added by its diverse manufacturing, distribution and other businesses to the cost of raw materials, products and services purchased. This statement shows the total wealth created and how it was distributed.

	2002 Rm	%	2001 Rm	%
Revenue	**35 999**		27 945	
Paid to suppliers for materials and services	**26 281**		21 249	
Value added	**9 718**		6 696	
Income from investments*	**277**		196	
Total wealth created	**9 995**		6 892	
Wealth distribution				
Salaries, wages and other benefits (note 1)	**5 834**	**58**	4 366	63
Providers of capital	**1 050**	**11**	741	11
Interest paid on borrowings	**401**		305	
Dividends to Barloworld Limited shareholders	**459**		381	
Dividends to outside shareholders in subsidiaries	**190**		55	
Government (note 2)	**762**	**8**	526	8
Reinvested in the group to maintain and develop operations	**2 349**	**23**	1 259	18
Depreciation	**1 305**		1 023	
Retained profit	**1 044**		236	
	9 995	**100**	6 892	100
Value added ratios				
Number of employees (30 September)	**23 192**		23 233	
Revenue per employee (Rand)#	**1 550 845**		1 236 400	
Wealth created per employee (Rand)#	**430 587**		304 962	

Notes

	2002 Rm		2001 Rm
1. Salaries, wages and other benefits			
Salaries, wages, overtime payments, commissions, bonuses and allowances	**4 717**		3 538
Employer contributions†	**1 117**		828
	5 834		4 366
2. Central and local government			
Current taxation	**588**		397
Regional Service Council levies	**29**		32
Rates and taxes paid to local authorities	**63**		56
Customs duties, import surcharges and excise taxes	**76**		33
Skills development levy	**8**		8
Cash grants and cash subsidies granted by the government	**(2)**		
Gross contribution to central and local government	**762**		526

* *Includes interest received, dividend income and share of associate companies' retained profit*
\# *Based on average number of employees*
† *In respect of pension funds, retirement annuities, provident funds, medical aid and insurance*

Financial director's review

for the year ended 30 September 2002

Group operating performance

Worldwide revenues grew 29% to R35 999 million. Trading conditions in Europe and Australia were good, and in South Africa markets improved. By contrast, demand for our products and services in the United States remained depressed and business in parts of the rest of Africa slowed slightly.

Operating profit rose 39% to R2 067 million, the increase in margins being supported by the continued implementation of value-based management initiatives in all segments with favourable effects on costs and productivity. All business segments improved their results except Industrial Distribution and Scientific Products, both of which have major operations in the United States and suffered from the prevailing recessionary conditions.

Finance costs increased from R305 million to R346 million, whilst interest cover (excluding leasing operations) improved to 6,1 times (2001: 5,4 times).

Income from investments of R253 million is in line with R254 million in the previous year. Dividends received from associates and joint ventures have been included with income from associates on the face of the income statement in the current year, whereas they were previously included in income from investments. Comparatives have not been restated as there is no impact on bottom-line profits or earnings per share.

Amortisation of goodwill increased from R88 million to R116 million. This was due to the full-year amortisation of goodwill on the Protean and Motor Australia acquisitions as well as the impact of the weakening rand.

Taxation rose from R383 million to R636 million. The current year's effective tax rate, excluding exceptional items, secondary tax on companies, and goodwill amortisation, increased to 28,5% (2001: 24,5%), with the prior period being favourably impacted by a release of over-provisions.

Income from associates and joint ventures increased from R31 million to R119 million. This was mainly attributable to a strong performance from Avis and the Coatings joint ventures as well as the inclusion of R37 million in dividends received from associates and joint ventures on this line in the current year (see above).

The minority interest in profits, which comprises mainly the PPC minorities, increased from R101 million to R207 million. Of this amount, R89 million relates to the minority share of the profit on sale of Natal Portland Cement (NPC).

Profit before exceptional items increased by 38% from R1 348 million to R1 858 million.

Net profit for the year increased by 144% from R617 million to R1 503 million.

Exceptional items

There were exceptional profits in the current year amounting to R369 million compared to exceptional costs in the prior year of R278 million. The major items were as follows:

- Impairment losses of R131 million which comprise mainly an amount of R102 million in respect of the write down of the goodwill arising on the PPC acquisition of Portland Holdings in Zimbabwe and R13 million relating to the impairment of Laezonia quarry.
- Profit on the disposal of properties, investments and subsidiaries amounting to R352 million. The significant items included R263 million on the sale by PPC of its stake in Natal Portland Cement and R51 million on the sale of Plascon International in the United Kingdom.
- A profit of R201 million resulting from the realisation of foreign currency translation reserves on the liquidation of offshore subsidiaries. The other side of this is reflected as a transfer out of non-distributable reserves.
- A charge of R100 million (R70 million net of deferred tax) in respect of a provision for pension fund closure costs.
- A profit of R60 million accruing to Barloworld Limited as a consequence of the issue of shares by PPC to acquire Portland Holdings.

Earnings per share

Earnings per share, excluding exceptional items, increased 31% from 452 cents to 592 cents while headline earnings per share increased 25% from 499 cents to 622 cents. The lower percentage increase in headline earnings per share is principally as a result of the fact that the once-off exceptional charge relating to the closure of the pension fund is required to be adjusted for in the headline earnings calculation.

The weighted average number of shares in issue for the year was 195,3 million. This was down from last year's 195,6 million due to the buy-back of shares during the early part of the previous financial year.

Dividends

Dividends totalling 275 cents per share were declared in respect of the 2002 year. This gave a dividend cover of 2,2 times based on earnings per share excluding exceptional items, which falls within our policy of between two and two and a half times cover. A special centenary dividend of 100 cents per share was also declared.

Cash flow

Cash flow from operations continued to be strong, increasing 49% from R1 487 million to R2 209 million. After dividends paid, net cash from operations was R1 560 million (2001: R1 051 million).

Financial director's review continued

Net cash utilised in investing activities of R1 793 million (2001: R2 004 million) included the acquisition of subsidiaries and investments of R431 million, capital expenditure of R1 281 million, investment in leasing and rental assets of R1 041 million, and proceeds on disposal of fixed assets and investments of R960 million.

The net impact of the above was an overall cash outflow before financing activities of R233 million compared with an outflow of R953 million last year.

Balance sheet and gearing

Total assets, which included goodwill and intangible assets of R1 657 million (2001: R1 530 million), increased by R5 151 million to R27 097 million. The increase is due primarily to replacement and expansion capital expenditure, acquisition of subsidiaries and investments, increases in rental assets, and the impact of the weakening currency on the translation of international assets.

Total interest-bearing borrowings increased to R7 188 million from R6 222 million last year. The debt-equity ratio (excluding leasing operations) improved to 23,3% from 31,1% and remains well within the upper limit of our target range, namely 40%. Including the leasing debt, the debt-equity ratio improved to 59,8% (2001: 64,1%), which is also comfortably below the upper limit of our target range, namely 70%. If the group's motor leasing book (to be sold in 2003) had been disposed of at 30 September 2002 it would have reduced the debt-equity ratio (including leasing operations) by 6,9% to 52,9%.

The group's debt covenants in the United Kingdom were renegotiated to take into account the growing finance business. The banks participating in the bilateral facility have agreed to apply different covenants to the trading and finance segments.

The finance book in the United States and United Kingdom is funded in part in terms of a securitisation facility. Included in interest-bearing liabilities in the group's balance sheet are loans to the value of R1 137 million (2001: R374 million) which are secured over specific lease receivables.

Value Based Management

In focusing on the Value Based Management approach, the key indicator of annual performance is cash flow return on investment (CFROI®). Each operating division is required to demonstrate it can achieve a CFROI® in excess of the real cost of capital of the group over a business cycle. The group achieved a CFROI® of 8,5% in 2002 which was above the previous year's 8,3% and also above the real cost of capital hurdle rate applied by the group of 8,0%.

All proposed acquisitions and major capital expenditure projects are also evaluated on a CFROI® basis. Some new investments impact negatively on CFROI® in the short term but their longer-term prospects are taken into account in the evaluations.

Acquisitions and disposals

The more significant acquisitions during the year included:

- Portland Holdings in Zimbabwe through Pretoria Portland Cement Company Limited (PPC) for R428 million
- 1 518 153 additional shares in PPC for R98 million
- A Sterling Truck dealership in Memphis, Tennessee, through the purchase of its stock for R9 million
- 50% of Execulink (now Barloworld Optimus) and 100% of Supply Chain Solutions (SCS), both logistics companies, for R10 million and R16 million respectively
- 10,83% of Energyst BV, a company dedicated to the rental of Caterpillar generator sets in Europe for R33 million
- 50% of Finaltair Barloworld, a joint venture to exploit the production and sale of energy in Europe by the use of biomass, for R25 million.

The following disposals took place during the year under review:

- PPC disposed of its 32,9% stake in Natal Portland Cement to the Portuguese cement company, Cimpor-Cimentos de Portugal SPGS, S.A., for R328 million.
- PPC disposed of its 25% stake in Ash Resources for a consideration of R8 million.
- Barloworld Robor disposed of its 50% share in Stemcor (South Africa) for R13 million.
- The Mitsubishi operations of the Motor business in Australia were disposed of for a consideration of R16 million.
- The business of Plascon International in the United Kingdom was sold in June 2002 for R64 million.
- The disposal of the steel distribution branches of Robor Stewarts & Lloyds was substantially completed at year-end.

Adoption of IAS 39

During the year the group adopted IAS 39 Financial Instruments: Recognition and Measurement. This standard significantly increases the use of fair values in accounting for financial instruments. The impact on the income statement in the current year decreased reported profits before tax by R15 million. Further details are set out in note 30 to the financial statements.

For internal management control and reporting purposes the group still continues to account, where applicable, for its inventory and cost of sales using the rate of exchange in the forward cover contracts that have been entered into to hedge the exchange risk. This rate ultimately reflects what the enterprise is going to pay for its inventory, and pricing to customers is determined accordingly. However, for half yearly and year-end reporting purposes, an adjustment is made to the financial statements in order to comply with IAS 21 and IAS 39. This results, inter alia, in an adjustment to operating profit to record cost of sales at the average spot rate at transaction date and a corresponding adjustment to finance costs which represents the gain or loss on the underlying forward exchange contracts.

Post-retirement benefits

The group's retirement benefit funds comprise a number of defined benefit and defined contribution funds throughout the world. All these funds are in a sound financial position.

After careful consideration of the latest trends and developments in the provision of retirement benefits, including the move away from defined benefit funds to defined contribution funds, the board has approved the principle of winding up one of the group's pension funds. A gross provision of R100 million (R70 million net of deferred tax) has been raised to cover additional costs projected to arise on the closure of this fund. This represents 3,3% of the value of the fund's assets, which amount to approximately R3 billion. Individual annuities will be purchased for pensioners whilst active and deferred members will have their benefits transferred to a new fund.

Inflation accounting

Due to the hyperinflationary environment that has prevailed in Zimbabwe, the group has applied IAS 29 Financial Reporting in Hyperinflationary Economies to its subsidiaries and associates that operate in this country. Accordingly, the financial statements of Portland Holdings Ltd and Barzem Enterprises (Pty) Ltd have been restated for the decrease in the general purchasing power of the Zimbabwe dollar. The change in the producer price index in the financial year has been 143%.

Elsewhere in the group, cash flows and results are analysed to monitor the effects of inflation. The emphasis throughout is on achieving inflation-adjusted cash flow return on investments (CFROI®) which exceed the real cost of capital.

In order to give an added appreciation of our financial statements, a review is published for convenience in US dollars, euros and pounds.

Share buy-backs

No further shares were repurchased in terms of the share buy-back programme during the current financial year.

Authority from shareholders to re-commence buy-backs, depending on circumstances, will be renewed at the forthcoming annual general meeting.

Post-balance sheet event

Agreement has been reached for the sale of the third-party South African motor vehicle finance book to WesBank, a division of FirstRand Bank Limited, for an estimated gross consideration of R830 million. The final consideration will be determined by the value of the finance contracts at the effective date. The deal will be effective on the first day of the month following granting of approval by the competition authorities. Proceeds from the sale will be used to retire the external debt used to fund the leases and will have a positive impact on the gearing of the group balance sheet.

Capital Equipment

Year ended 30 September (R million)	Revenue 2002	2001	Segment result* 2002	2001	Net assets 2002	2001
Europe	**6 472**	4 629	**553**	415	**1 777**	1 518
South Africa	**2 790**	2 065	**88**	73	**1 197**	749
Rest of Africa	**868**	1 266	**103**	130	**190**	377
Total	**10 130**	7 960	**744**	618	**3 164**	2 644
Share of associate income				(3)		

** The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

Public sector investment continues to drive demand in Spain as Portugal slows

Supported by European Community funding and the government's seven-year investment programme, the trading environment in public works in Spain remained extremely strong during the past year with revenues up 3% in euros from an already high base.

In Portugal, by contrast, a slowdown in activity has resulted from public sector spending cut backs following a change of government and the requirements for Portugal to reduce its public sector deficit to stay within the guidelines required in the euro monetary zone. Customers have put a hold on investment plans, but demand in the after market for parts and service confirms that major projects that are currently under way are continuing.

Against this background our focus has been to develop a broader spread of business to make our operations less reliant on public sector infrastructure spending in both Spain and Portugal.

The engine market demand is returning to normal levels after a downturn in the previous year. This has been enhanced by the continued trend in Spanish government policies to encourage moves towards environmentally friendly solutions. We have entered into this segment through the creation of a joint venture, Finaltair Barloworld, which should offer attractive opportunities for the future.

Our start-up rental store was profitable in its first full year of operation.

The VBM programme continued to ensure that costs remained well controlled, with, for example, wage increases agreed in the region of 3%. As a result, operating margins rose to 9,3% (2001: 9,2%).

A property in Málaga, Andalucia and another in Barcelona were sold and rented back. The rental periods are six and five years respectively, giving us greater flexibility in the medium term. We also sold a smaller property in Málaga and two in Tarragona, Catalonia.

Our workforce remained extremely stable and is projected to increase marginally during 2003 to accommodate the requirements of succession planning.

Siberia moves to profit while the Bulgarian market is affected by poor copper prices

Our operations in Siberia continued to develop with revenues rising to US$19 million. This was achieved despite low demand from the coal sector (which accounted for 53% of revenues) due to the mild Russian winter. We now have 75 employees servicing a growing customer base which includes Norilsk, the world's largest Nickel mine.

The Bulgarian operations struggled because of poor copper prices.

Smart Partnerships™ point the way in South Africa

In South Africa, revenues rose 35% to R2 790 million in the year in which we celebrated our 75th anniversary as a Caterpillar dealer.

Smart Partnerships™ (see page 13) forms the basis of our strategy and growth and were a significant contributor to the improvement in segment result which rose 21% to R88 million. Our mining business grew as a result of the start-up of several greenfield projects and further growth in both existing and new maintenance and repair contracts (MARCs).

Our ongoing partnership with Ingersoll-Rand produced positive results this year and we formed a strategic alliance with Boart Longyear. The alliance, based on natural synergies between the two companies, provides new marketing opportunities in the southern African mining industry for both partners. It aims at leveraging the distribution and servicing of Boart Longyear's specialised underground product range and significantly increases the range of solutions available under the Barloworld banner for this segment of the mining market which accounts for approximately 50% of machine demand in South Africa.

In South Africa, the construction and industrial markets for our Caterpillar and Hyster ranges remained largely flat. Exchange rate weakness and interest rate increases softened what had looked like a more buoyant market earlier in the year. In order to provide customers with an alternative solution to their earthmoving equipment requirements, a Smart Partnership™ agreement was established with the industry leader in used equipment. This alliance enables us to supply customers with quality low-hour Caterpillar equipment and provides an alternative to lower priced new machines offered by our competitors.

First Cat Rental Store in Africa

A worldwide trend in the construction industry towards tighter asset management has created a growth opportunity for us in the rental sector. We have built on our involvement in this market by joining forces with selected rental partners. In October, this resulted in the opening of the first Cat Rental Store in southern Africa with the philosophy of meeting customers' rental requirements from a one-stop shop. Our move into the rental of construction and related equipment is a continuation of a proven Barloworld formula utilised over many years in our lift truck and warehousing products business unit. In South Africa, 80% of our Materials Handling's Hyster equipment unit deliveries are accounted for by rental.

Energy and agriculture businesses in southern Africa merger

Both the Caterpiller and Perkins engine businesses experienced growth in market share, particularly in the marine and industrial markets. The Circon operation continued to struggle in difficult market conditions coupled with the disruption of moving the manufacturing operation onto the Boksburg site in Gauteng, South Africa. This move, however, has resulted in further synergies with the other energy businesses which will improve market focus and reduce costs in the future.

With the rapid growth in the agriculture machinery markets, Massey Ferguson tractors and planters and Claas harvesters experienced much higher volumes. Claas in particular grew market share in all sectors of the market. The integration of the energy/agriculture businesses at the beginning of the year proved to be difficult with problems with accounting systems and parts distribution. The required restructuring has taken place and all businesses should be in a position to capitalise on future growth in the markets.

Africa: poised for further growth

Both Botswana and Namibia continued to produce good results and remain stable and significant contributors to profits. Our success in this sector was bolstered by significant contracts in Namibia with Namdeb Diamond Corporation's Daberas Mine and Anglo American Corporation's Skorpion Zinc Mine. Angola is benefiting from the end of the civil war with a steady increase in infrastructural development activity. These areas of strength naturally offset the drop in the Zambian market where the low copper price has reduced activity. In Mozambique, where a shortage of cash – other than donor funding – is keeping the opportunity for growth minimal, there is some promise for development in the year ahead.

2003 outlook: benefits ahead with SAP

In Spain the order book for the first quarter of our 2003 financial year remains strong despite the possibility of a slowdown in the construction sector. The order book is strong and several significant deals have been closed with major customers such as Victorino Alonso and EPSA. In Portugal, which accounted for 16% of 2002 revenues, the slowdown has not yet shown any signs of sliding into a recession.

The order book in South and southern Africa is also strong for the first half of the 2003 financial year.

Our focus on efficiency will be further enhanced through the introduction of a SAP ERP system in 2003 in Spain and Portugal following on from its implementation in southern Africa where it was successfully piloted in Namibia in May 2002. Implementation in the southern African mining and construction business units started in late October 2002. Benefits from the integrated system are expected to begin materialising in 2003.

Overall we anticipate a further improvement in profits next year with a possible slowdown in new and used equipment sales in Spain and Portugal being offset by the development of new markets and continued strength in the demand for higher-margin parts and service, combined with a general improvement in all sectors in southern Africa and a further improvement in the contribution from Siberia.

Industrial Distribution

Year ended 30 September (R million)	Revenue 2002	2001	Segment result* 2002	2001	Net assets 2002	2001
Europe	**2 202**	1 684	**95**	75	**946**	728
North America	**3 812**	3 367	**28**	86	**1 545**	1 527
Total	**6 014**	5 051	**123**	161	**2 491**	2 255
Share of associate income				(8)		

* *The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

US materials handling: recession bites deep

The market for materials handling equipment in the United States remained in a recession in the year under review. As a consequence, the market in the southeast United States declined a further 22% to 25 994 units in 2002 (2001: 33 412 units). This followed a 30% decline in 2001 compared with the previous year. The key factor was the manufacturing slowdown, with recessions in the paper, telecoms and textile industries having the largest impact on our business. Our market share fell half a percent to 14,7% as prices were aggressively discounted by competitors to gain what little business was available. In the face of these difficult conditions, we continued to reduce costs and streamline the organisation. Four non-performing small branches were closed, adding to the two closed last year. The number of employees has also been reduced by 24% over the last two years. Annual operating expenses were reduced by $5,7 million and, as a result of lower inventories, smaller short-term rental fleets and better management of receivables, capital employed was reduced by some $18 million.

Despite the recession we have continued to invest where it made strategic sense for the longer-term positioning of the business. In this context the Nashville, Tennessee branch was relocated to a new purpose-built facility. Nashville is an expanding market where we have been successful in growing the Hyster lift truck population with the consequent growth in after-market (parts and service) sales.

Thirty percent of all deliveries were made with long-term maintenance agreements benefiting both the Materials Handling business unit and Barloworld Fleet Leasing, the results of which are reflected under the 'Financial Services, Logistics and Other' operational reviews on pages 76 to 77. This reflects our strategy of providing total service solutions to our customers. Major maintenance contracts were signed with larger companies such as M&M Mars, FedEx Supply Chain and Quebecor Printing as part of our global goal of building Smart Partnerships with our larger customers.

VBM in the US: focused commitment brings results

Employee communications in the United States through the Value Based Management (VBM) programme were greatly improved, with all employees involved in review meetings to determine how to improve value delivery. Some 28 000 hours of training were provided this year, further developing our employees and reflecting our emphasis on the learning and growth segment of VBM. A focus on employee benefits and safety resulted in a 36% reduction in related medical costs and a 28% reduction in employee accidents respectively.

Our Logistics Support Centre (LSC) in Atlanta developed further during its second year and helped reduce parts inventories significantly. The LSC, along with the centralisation of branch administration, is moving management into a more customer-facing environment by reducing administration functions. This has released valuable management time in the branches to focus on marketing activities.

Ditch Witch in the US: finds it tough in the trenches

Ditch Witch of Georgia experienced a most difficult year as the telecommunications industry sector remained extremely weak. This, coupled with the general slowdown in economic activity, resulted in a 50% market decline for Ditch Witch products. The market for high-revenue directional drilling products was particularly soft and the after market suffered through general lack of activity. The rental market also proved to be very difficult with very low utilisation. This was especially true of the rock-trenching business, and the fleet has been reduced by 50% during the year. Overall the business made a loss.

A highlight of the year was our selection as the sole supplier of trenching machines for electricity utility Georgia Power Companies in an agreement which runs through to 2005. The product range was strengthened through the introduction of a new

RT Trencher series with hydrostatic transmission. Aimed primarily at the utility installation industry, this product will be more manoeuvrable and will improve user productivity.

Barloworld Freightliner in the US: competitive pricing

The recession also impacted the Freightliner business with very difficult market conditions continuing throughout our territory. The market declined 20% from the prior year and we sold 950 Class 8 trucks to our retail and fleet customers. Our Class 8 market share declined slightly due to aggressive competitor pricing and the marked reduction in owner/operator purchases which have traditionally been a strong market for us. However, our share in the Class 6 and 7 markets increased from 18% to 26%. This was achieved by better marketing, giving more focus to these products through dedicated sales people in this sector which is not as volatile as the Class 8 market.

Used truck sales showed an improvement over 2001 and we sold 779 units, an increase of 8,5% on the previous year. However, the value per unit was depressed by the market glut of used trucks and revenues remained static.

Both new and used truck sales continue to be restricted by the tightening of credit markets. This particularly impacted the owner/operator market where customers found it increasingly difficult to borrow money to finance purchases and, where funding was available, interest rates were excessively high. In this environment, the ability to offer finance to our customers through Barloworld Fleet Leasing proved to be a competitive advantage

After-market sales revenues (parts/service/body shop) for the year showed an increase of 1,0% over the previous year. This was against a backdrop of reduced revenue from warranty as customers have been keeping units beyond their warranty period due to the recession. A Smart Partnership™ initiative, providing large fleet users with specialist parts support, also contributed to the growth in the after market. This support function will continue to be developed and offered to other customers.

The new US Environmental Protection Agency (EPA) statute for cleaner emissions for over-the-road diesel engines became law on 1 October 2002. This created a slight increase in demand in the fourth quarter of the financial year, as many fleet buyers preferred to take trucks with the previous engine, which has a proven track record for reliability and fuel efficiency. The first quarter of the 2003 financial year is likely to be negatively impacted due to this 'pre-buying'. However, as the US economy pulls out of recession, freight will need to move and demand for our products should pick up markedly.

An aggressive direct marketing programme has been undertaken with renewed emphasis on lower capacity units and also on the after-market opportunity as the population of trucks in our territory continues to age. Personnel have been realigned to bring a more customer-facing focus to the business.

The Sterling Truck line was added through a February 2002 dealership acquisition with sales outlets in Memphis, Tennessee, Jackson, Mississippi and Jonesboro, Arkansas. This is an opportunity for future growth in our business, as these vehicles operate in the speciality market of vocational vehicles (eg dump trucks), where we have not had a strong presence in the past.

Costs continue to be monitored closely and two underperforming branches were closed during the year leaving eight in operation at the end of the period.

Europe Handling: finishes strongly

The UK manufacturing sector continued in recession this year but our focus over past years on new markets has paid off with growth in sales to retail and distribution industries. Consequently, our UK handling business had an all-time record in booked units with a 22,5% increase over last year, and we finished the year with a strong order book.

Another significant achievement in the UK was the winning of the Ministry of Defence (MOD) Pathfinder contract. This contract, together with the Ministry of Defence Tri-Service contract (won in 2000), means we are now managing a total fleet of 4 500 units for the MOD. Further significant achievements were our winning of key contracts in diverse market sectors: retail with Focus Do It All, ports with Port of Tilbury, and auto manufacture with MG Rover. All these contracts provide long-term relationships and revenue generation as part of our Smart Partnership™ strategy.

Our continued focus on generating efficiencies in the structure of the business resulted in the closure of six branches and their replacement by two modern custom-built facilities at Leicester and Thurrock.

The introduction this year of Hyster's first 'all new European' reach-truck opens up the opportunity to improve penetration into the retail and distribution industries. This product is key to breaking into a market where we have traditionally had a low market share and affords us a significant opportunity to broaden our customer base over the coming years.

Barloworld Fleet Rentals continued to be an important part of our customer offering in the UK with over 75% of all units delivered on rental contracts. This ensures an income stream from those contracts which ranges from 36 to

72 months as we support this equipment throughout the contract term. We also benefit from the stream of used equipment when these contracts finish; some going into short-term hire and some into the used equipment market.

In Belgium, conditions were much more difficult. In common with the economic environment in the surrounding countries, the market declined by more than 25%. Even in this difficult environment, we held our market share while managing our business to reflect the current environment by reducing costs throughout the business.

Barloworld Vacuum Technology had a difficult year, as the major market for the industrial vacuum cleaning equipment is the UK manufacturing sector. The Vacuum Conveying business continued to perform at a satisfactory level, mainly in the area of retail customers.

2003: focus on people development

The continuing recession in the US has had a significant impact on our business. Current projections suggest a pick-up in our US markets in the third quarter of our 2003 financial year and this would indicate a difficult first half with continued rationalisation of overheads and tight cost controls. We do believe, however, that once the economy turns, there will be significant pent-up demand for all our products. The European economies remain a cause for concern but we believe our UK Handling business is well positioned to cope through the whole economic cycle due to the large number of long-term contracts we manage.

The continued development of our people to generate shareholder value is our highest priority and we are cautiously optimistic that the overall result of the division in 2003 will show an improvement over the current year.

Motor

Year ended 30 September (R million)	***Revenue* 2002**	2001	***Segment result** 2002**	2001	***Net assets* 2002**	2001
South Africa	**6 851**	5 805	**146**	79	**799**	735
Rest of Africa	**357**	281	**10**	7	**24**	30
Australia	**1 656**	460	**28**	7	**472**	414
Total	**8 864**	6 546	**184**	93	**1 295**	1 179
Share of associate income			**46**	29		

* *The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

South Africa: strong results in a changing motor environment

The market proved remarkably resilient in the first half of 2002, withstanding the severe depreciation of the rand and the resulting interest rate increases. However, a slowdown in the second half resulted in total South African new vehicle sales for the year to September 2002 declining by 2,4% to 266 865 units. The dealer share of this market was 78,6% compared with 81,2% in 2001 as the hosting of the World Summit on Sustainable Development in Johannesburg resulted in manufacturers supplying greater numbers of units directly into the market and to car rental companies.

Despite significant price increases the luxury car market performed exceptionally well. Our mix of product is weighted toward the luxury end and this helped increase our share of the overall dealer market to 9,1% (2001: 8,8%). Within this figure, we also increased our share in each market sector – passenger, light and heavy commercial vehicles.

Revenue grew by 35,4%. Price increases influenced both new vehicle and parts turnover, but used vehicles showed significant growth with an 8,1% increase in retail units sold to 15 418 units. Higher volumes, a major focus on costs, initiated through our Value Based Management programme and the positive impact of price rises due to the depreciation of the rand resulted in operating margins increasing from 1,4% to 2,1%.

Reinforcing fewer, bigger, better

Last year mention was made of the change in manufacturers' policies toward dealers and their ongoing restructuring of retail dealer networks. This process continued during 2002 with DaimlerChrysler successfully applying to the Competition Tribunal to restructure its dealer network. The impact on Barloworld involves the sale of our passenger and commercial operations in Gauteng and the acquisition of the DaimlerChrysler passenger and commercial operations in Pinetown, KwaZulu-Natal from McCarthy Limited. The Pinetown operations will be consolidated with our own dealerships in Durban and combined with Durban South Motors, to form a black empowerment company covering the greater Durban area. This transaction commenced after the end of the period under review. BMW South Africa has also initiated a black economic empowerment exercise that will result in the sale of three of our dealerships during the first half of the current financial year. These are Auto Atlantic in Claremont, Cape Town, and Club Motors in Bruma and Selby, Johannesburg. These transactions are expected to result in appropriate compensation being paid to Barloworld.

As a result of these changes, and our strategy of focusing on fewer, bigger, better facilities Barloworld Motor will have 53 dealerships operating out of 80 sites by January 2003. This includes both retail and other motor-related operations.

The process of optimising our facilities continued in 2002. We sold a BMW dealership in East London and closed the Pretoria BMW and Germiston Delta dealerships in Gauteng. We opened a new panel shop in Pretoria. We relocated a Delta parts operation, one Delta and two Ford dealerships in Johannesburg, a Delta dealership in Pretoria and a Toyota dealership in Cape Town. Two new VW/Audi facilities are under construction in Durban and Cape Town.

Avis Southern Africa Limited, in which we have a 26% interest, performed well during the past year and our share of their income rose from R24 million in 2001 to R36 million. Dividends received from Avis during the year were R9,6 million (2001: R8,5 million). The investment in Avis is a strategic alliance and our relationship grew strongly during the year with the volume of business transacted between our two organisations trebling from R64 million to R193 million.

Africa: a satisfactory result

In Namibia, despite the loss of the Land Rover franchise as a result of the sale of the brand by BMW to Ford, our BMW operation performed strongly as a stand-alone dealership, our share of the passenger vehicle market rose to 7,7% (6,1% in 2001) and the profit contribution was marginally higher.

The Botswana operations, which comprise of VW/Audi and Ford/Mazda dealerships, had a strong year despite being hampered by inadequate facilities and increased operating profits by 50%. A new facility was approved and is currently under construction with occupation scheduled for March 2003.

Australia: attractive proposition

The Australian market remained buoyant and the total market for new units is expected to top 800 000 for the 2002 calendar year. The Holden brand maintained its market leadership position with a 24% national market share and our Ferntree Gully Holden dealership had a very satisfactory year performing ahead of expectations in its first full year as a Barloworld business. The Geoff Brady dealership had a slower start, but after internal reorganisation is now positioned to perform to its potential. Our Melbourne-based Mercedes-Benz operation had a very strong year. Overall operating profits quadrupled to R28 million on revenue growth of 360%. The underperforming Mitsubishi dealerships were sold in June 2002.

2003: interesting prospects ahead

Further interest rate increases in South Africa could put a damper on prospects for growth in the retail motor industry next year. In this context and as a result of a reduction in the overall size of the business due to the disposal of some of our BMW dealerships, we anticipate lower profits from the region in 2003.

By contrast, the Australian market remains an attractive proposition for further growth and we are once again actively seeking expansion possibilities. The profit contribution from the region should accordingly increase.

The overall result should be a modest growth in the profit contribution of the total motor business in 2003.

Cement and Lime

Year ended 30 September (R million)	*Revenue* 2002	2001	*Segment result** 2002	2001	*Net assets* 2002	2001
South Africa	**2 226**	1 771	**586**	406	**2 591**	2 106
Rest of Africa	**345**	199	**44**	39	**635**	117
Total	**2 571**	1 970	**630**	445	**3 226**	2 223
Share of associate income			**34**	24		

** The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

Cement and Lime revenues increased by 31%, boosted by higher levels of domestic and export cement sales and the consolidation of Portland Holdings Limited Zimbabwe (Porthold) for the first time. Operating profit from continuing operations increased by 39%.

PPC Cement delivers strong performance

South African cement demand increased strongly in the second half of the year, with an overall industry increase of 4,3% for the year. Our cement volumes ended the year up 5%, with the main areas of growth in South Africa being the Gauteng, North West, Western and Eastern Cape provinces. Outside South Africa, there was strong demand in Botswana and Namibia. Export volumes increased and the weaker rand boosted our competitiveness. Suremix, the dry mortar mix product launched last year, has shown steady growth.

In October 2001 we acquired Portland Holdings in Zimbabwe. Domestic demand rose in that country by over 10% to 929 000 tons for the period under review and export sales also increased sharply. Despite the entrance of a new slag-blending competitor we retained a market leadership position. Government price controls were introduced on cement in November 2001. These imposed a 30% discount on the price of cement ruling at that time and since then only one price increase of 50% has been granted, in April 2002. At the same time, input costs have been subject to inflation of well over 100%. The introduction of improved operating practices and a strong emphasis on managing production efficiencies and reducing costs yielded margin benefits in the year. Notwithstanding these improvements, adjustments to the results for hyperinflation accounting in terms of International Financial Reporting Standards resulted in the business recording a loss.

The 'Kambuku way of life' approach to managing our people has been adopted throughout the business and continues to yield impressive improvements in customer service, environmental performance, efficiencies and cost savings. All major production units ran satisfactorily. Certain kilns at De Hoek, Hercules and Dwaalboom set new production records and are now performing above design specifications. All the South African factories are ISO 14001 accredited for environmental performance. A logistics optimisation project has been introduced in the Western and Eastern Cape and is showing benefits in both customer service and cost reductions.

Overall operating margins in the cement business increased to 27,2% (2001: 25,3%).

PPC Lime benefits from renegotiated agreements

While the steel sector, which is the largest user of lime in South Africa, increased output, this did not translate into additional demand for our lime products. This was due to the planned shutdown of the Corex plant at Saldanha Steel for nine weeks to effect repairs and lower lime consumption by customers who either experienced production problems or found ways to refine their processes to use less.

A number of long-term sales agreements were renegotiated at improved prices during the year. In certain instances these price increases were linked to producer price increases, which were higher on average than in 2001. The strong VBM focus on cost efficiencies continued throughout the year. The Lime Acres factory in the Northern Cape achieved its lowest ever level of energy consumption per ton through the burning of waste and improved utilisation of energy-efficient kilns. Lime capacity was reduced from 1,8 million tons to 1,5 million tons through the retirement of an older and less efficient rotary kiln.

Lime operating margins increased to 17,2% (2001: 13,6%).

Export revenues boost Packaging profitability

Business conditions improved markedly during the second half, resulting in a strong increase in volumes and revenues. The weaker rand improved our export competitiveness, contributing to a doubling of export revenues.

Sale of companies leads to industry restructure

Our 32,9% interest in NPC was sold to Cimpor-Cimentos de Portugal SPGS, S.A. for R328 million, and our 25% interest in Ash Resources was sold to Lafarge South Africa for R8 million. The effective date of both transactions was 30 August 2002. In concluding these sales we have led an industry restructure and facilitated the entry of a fourth major player into the South African cement industry.

2003: improved operating profits expected

An increase in gross fixed capital formation is evident in many sectors of the South African economy and consequently we expect modest growth in cement sales in the year ahead. Lime and burnt dolomite sales should also reflect similar growth, bearing in mind that the Corex plant at Saldanha Steel was shut down for nine weeks in 2002 for refurbishment. Our packaging business will benefit from increased cement bag sales and higher capacity utilisation.

Operating costs in South Africa will be negatively affected as the full impact of the weak rand and higher producer inflation comes through.

Porthold Zimbabwe is unlikely to contribute meaningfully to earnings in 2003 as hyperinflation, price controls and a shortage of foreign currency are expected to continue for some time. In the medium term, we remain well positioned to benefit from any economic improvement in Zimbabwe and from exports.

The share of associate companies' profits will fall in 2003 following the sale of NPC and Ash Resources.

No major capital expenditure is envisaged in 2003.

Notwithstanding these developments, improved operating profits are expected in all our businesses and we remain poised to benefit from any improvement in market conditions and opportunities that may arise.

Scientific Products

Year ended 30 September (R million)	***Revenue* 2002**	2001	***Segment result** 2002**	2001	***Net assets* 2002**	2001
Europe	**1 459**	903	**57**	68	**1 171**	929
North America	**720**	724	**(52)**	60	**601**	450
Asia	**157**	178	**4**	8	**133**	127
Total	**2 336**	1 805	**9**	136	**1 905**	1 506

* *The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

The Scientific segment experienced a significant reduction in profitability for the year, impacted by the severe downturn in technology markets and the overall weakness of the US economy. These factors contributed to losses within Melles Griot, which substantially offset a record performance from the Laboratory business.

The performance in North America was impacted by unprecedented turbulence in technology markets

The sharp downturn in global technology markets, which had already been seen in the second half of 2001, continued unabated throughout the year. The semiconductor industry remained moribund, causing major cutbacks in capital equipment spending, the main driver for Melles Griot sales into this sector. New projects amongst our customers were continually deferred throughout the year as they worked to reduce inventories and manage their cash flows.

Our principal customers in the telecommunications sector, which had seen extraordinary growth in the previous three years, implemented a virtual freeze on new spending. This reflected the impact of substantial overcapacity and underutilisation of newly installed fibre optic networks.

Whilst other market sectors, such as biotech, proved more resilient, they lacked the size to offset the substantial decline in overall revenue from our main customer bases.

The significant restructuring and cost-reduction programme, initiated in the previous year, was accelerated and major improvements in the cost effectiveness of the business were secured, with the breakeven being reduced by 30%. As part of this programme, the Photonics Components operation in Irvine outside Los Angeles was relocated to Carlsbad near

Operations review continued

San Diego and now shares a greatly improved facility with the Laser operation. This excellent facility will enable additional synergies to be secured as markets recover.

A new distribution centre in Holland was opened in September and this will enhance our service and support capability to our European market.

The reduction in sales volumes and the impact on gross margins, via the consequent underrecovery of fixed overheads, resulted in a trading loss for the year. Additional one-off restructuring charges and inventory provisions were also incurred.

Despite the above, a positive trading cash flow was secured via tight control of all elements of working capital and discretionary expenses.

Europe: a record performance in Laboratory dragged down by Melles Griot

The Laboratory business contributed a record performance reflecting strong results in most of the core operations. This was a creditable result against the background of a weak US market and uninspiring conditions in Europe. The Far East continued to recover strongly and the Middle East produced some significant gains, particularly from tenders.

The key focus throughout the year was on the integration of the businesses acquired from Protean plc in August 2001. It is pleasing to be able to report that their performance was ahead of expectations despite the considerable changes that have taken place. In the past year, much time has been spent optimising the synergies created by this acquisition, as these will support future performance. In particular, distribution arrangements for the acquired businesses have been reorganised to benefit from the strong local market operations already in place. The addition of three strongly branded equipment businesses (Jenway, Carbolite and Techne) has significantly enhanced the overall Laboratory product portfolio. Considerable work has taken place to ensure that the technologies, manufacturing skills and resources are shared effectively across the enlarged organisation.

The LIP plastics business was successfully relocated to the main plastics manufacturing facility in south Wales during the first half of the year. Good cost reductions and operational synergies have been secured. Improved manufacturing equipment and controls have enhanced product quality.

The Carbolite furnace business showed good progress in both its laboratory and industrial market sectors, and the US and German subsidiaries performed well. Investment in new manufacturing systems and controls, which is currently being implemented, will further enhance operating margins.

Techne (life sciences) and Jenway (pH and spectrophotometry) contributed good results in most of their major markets, although US sales were soft, particularly in the first half. A new management structure is improving synergies between the two businesses, and additional resources have been made available to support new product development.

In the Laboratory business as a whole, we continue to focus on providing improved levels of service and support to all our customers. This is particularly the case for the key markets of the US, UK, France, Spain, Italy and Germany, where we have our own operations. In the coming year, a number of initiatives will be launched to support our distributor partners around the world. This will include greatly enhanced provision of information and support through the internet.

The Laboratory business has had a strong year in challenging markets whilst managing considerable internal change. We are now well placed for the future.

2003: a gradual recovery in Melles Griot; continued growth in laboratory markets

Considerable uncertainty persists in regard to the timing of the recovery of the main market sectors for our Melles Griot laser and optics products. Semi-conductor markets remain fragile and recovery is not now expected until the second half of the financial year. Telecommunications markets are unlikely to show improvement before 2004. However, our much reduced cost base and a number of new product initiatives will give us the opportunity to show improved profits, notwithstanding modest increases in sales volumes.

Further growth is anticipated from our enhanced laboratory portfolio, despite some continuing sluggishness in European markets. Operational synergies will continue to accrue and the leveraging of our strong distributor partnerships will provide opportunities for selective volume growth and market share gains. This is expected to flow through to a growth in profits.

Overall the segment should see profitability improve in 2003.

Coatings

Year ended 30 September (R million)	*Revenue* **2002**	2001	*Segment result** **2002**	2001	*Net assets* **2002**	2001
South Africa	**1 071**	911	**78**	43	**445**	395
Rest of Africa	**114**	85	**14**	8	**23**	22
Australia and Asia	**1 235**	796	**36**	(44)	**312**	293
Europe	**81**	98	**3**	4	**16**	21
Total	**2 501**	1 890	**131**	11	**796**	731
Share of associate income			**28**	7		

* *The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

The improvements predicted in 2001 took place in all our markets and we are able to report an excellent year in all areas.

South Africa: a gentle upturn and VBM delivers a strong profit improvement

Paint demand grew by 2% in the decorative market during the year under review. Our market share increased and this, combined with the continued emphasis on margin management, new products and brand building, resulted in an excellent performance.

Only part of a 26% increase in key raw material prices could be passed on to the consumer; however, considerable success has been achieved in value engineering and raw material substitution to lessen their impact on costs.

Our market share increase was due in part to new products launched during the previous year and our seven-year product guarantee on premium products. This year has been characterised by further product innovation and new advertising support, which continue to deliver benefit.

In automotive coatings the strategic alliance with Dupont has seen continued growth in market share. During the year we won the supply contract for Nissan, adding to our already extensive customer base as we are the major supplier to the South African manufacturing operations of DaimlerChrysler, BMW, VW, Toyota and General Motors.

Profits rose 81% to R78 million.

Business robust in Rest of Africa

In Namibia, Botswana and Zambia profits from our businesses grew by 75% to R14 million. Market share gains and improved efficiencies contributed to the higher turnover, and profitability rose 75% to R14 million. A new joint venture in Malawi has started successfully.

Australia: a major recovery

In Australia, we built on the platform set up last year and achieved a significant turnaround in profitability. Our numerous initiatives, developed out of the application of Value Based Management (VBM), included increased advertising support, the introduction of new products, improvements in customer service, asset and margin management. We also benefited from increased demand due to a recovery in the housing market.

The benefit of being a supplier to Australia's two largest retail chains became evident, as through them we were able to fully capitalise on a paint market that was stronger than the previous year, although still not back to 2000 levels.

The contribution of the White Knight brand has been significant and the brand will also be sold in New Zealand from November 2002. The Bristol brand and the Superstore concept have been very successful in the contracting sector, whilst the Taubmans brand continues to add value to our retail customers. In addition we have reached an agreement to manufacture and market Disney-branded paint – a deal which will come into effect in the current financial year.

Export sales to China continue to increase and we now have a total of 20 franchise stores operating in that country. With the Australian business on a more stable footing, we have decided to actively develop the Chinese market. To this end we have opened an office in Shanghai.

United Kingdom: sale of business

Our UK speciality coatings business was sold to Akzo Nobel (at a substantial profit to book value) as it did not have the necessary critical mass to be developed as a growth area for the future.

2003: optimistic outlook

In South Africa, growth in the overall economy and specifically in fixed capital formation is driving increased demand for our products. Our businesses in the rest of Africa are also operating in increasingly benign climates. The market in Australia remains buoyant and, overall, our continued focus on implementing VBM should ensure that we build on our 2002 result and produce further profit growth in 2003.

Steel Tube

Year ended 30 September (R million)	*Revenue* **2002**	2001	*Segment result** **2002**	2001	*Net assets* **2002**	2001
South Africa	**1 720**	1 343	**84**	9	**486**	419
Share of associate income			**11**	7		

** The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

In the first half of the financial year international steel prices rose from their lowest levels in many years and were some 15% above their long-term average at the end of the year. Rand prices rose faster as a result of a rapidly weakening currency, particularly in the early part of the year. Demand for steel products in South Africa also improved.

These factors led to a less hostile market environment that, together with substantial improvements in productivity, produced the best result for the business since the South African fixed investment boom that briefly followed the 1994 elections.

Turnover rose by 28% as a result of higher prices and volume increases, particularly in exports. Export revenue increased by more than 70% in the year to over R400 million. These increases more than offset the loss of turnover arising from the sale of the Robor Stewarts & Lloyds (RSL) branch network.

The increased revenues, higher manufacturing capacity utilisation, improved productivity, stringent cost control and the elimination of losses incurred by RSL last year, resulted in the segment profit rising over nine times to R84 million.

Despite the high increase in turnover, net assets rose by only 16% to R486 million.

Steel tube manufacturing: increased productivity yields benefits

Productivity in the hot rolled tube operation increased sharply as extensive debottlenecking was achieved. This programme is now well under way and is expected to yield further improvements in 2003.

The team experienced a substantial improvement in morale that is leading to increased understanding of value creation, process re-engineering and innovation. Productivity improvements contributed to a significant drop in unit costs. These in turn opened up increased opportunities to export certain product lines. As a consequence export sales volumes doubled.

A dedicated export warehouse is being constructed to complement our domestic distribution centre and will streamline the supply chain.

The precision tube operation has been restructured into a domestic operation and a precision drawn-products and export operation, aimed at the automotive market. It is expected that this will improve focus and yield benefits next year.

The open sections and coldform operations both performed well generating higher profits.

Stainless tube manufacturing: exports lead the way

Further investment was made in this area as the plant remained at full capacity, operating 24 hours per day, seven days a week. A new, more effective and environmentally improved pickling plant was commissioned together with a pipe-packing and despatch facility.

A new mill is currently being commissioned and this will increase capacity by 20%.

Exports comprise the bulk of the business. Most of our exports are despatched on a regular basis to two or three customers in each of 15 countries.

This business unit increased profits.

Value-added products: very good results

The focus in recent years to move substantially up the value chain and offer a complete solution continued to deliver benefits and the value added operations had a very good year.

These businesses increase the value of our pipe offering by cutting and bending, adding flanges, coatings, linings, fittings and couplings as well as galvanising and providing project management, item identification and expediting services.

Further value added activities to provide a complete service to our customers are constantly being sought. New products are continually being developed and introduced to the market.

Distribution: disposals successfully concluded

The sale of Robor Stewarts & Lloyds was successfully concluded in the first half of the year. All the branches in South Africa were sold to four existing stockists of steel related products. A stake was retained in three branches in order to facilitate the disposal. All branches are performing well in the hands of their new owners. The four purchasers now operate 36 branches throughout South Africa and continue to offer strong support to the Robor tube mills, increasing offtake in this financial year by 16%.

The 50% investment in Stemcor was sold to our partners with effect from the end of May. Whilst the partnership was very successful, the disposal has enabled us to focus further resources on our wholly-owned operations.

Value creation: emphasis on training

We continue to place emphasis on the training and development of our people. All senior employees have been comprehensively assessed and all have attended value creation training. This will now continue at lower levels throughout the organisation with the objective of training all employees on their role in value creation by the end of next year.

Health and safety continue to receive attention. Our safety record has improved steadily and is now approaching world-class benchmarks. The safety committee is also responsible for environment management and is presently conducting a thorough environmental review of all operations. Thereafter a uniform environmental management programme will be implemented throughout the business.

The shared services facility consolidated its operations this year. As a result of the increased focus on tube making, further shared services such as logistics and industrial engineering are being created to facilitate the sharing of best practice throughout the operations.

With growing exports and increased quality demands further improvements in this area are planned for 2003.

2003: well positioned for possible decline in steel prices

Steel prices are unlikely to rise much further and a decline is conceivable next year unless the world economic outlook improves. A significant drop in prices would have a negative impact on results in 2003.

The business has substantially improved its competitive position with a lower cost base, a more diversified product and geographic base and a greater focus on value added. It is in a much better position than before to withstand a drop in prices.

In addition, as the steady change in the world steel competitive position moves in favour of the East and the South, southern Africa has become an increasingly more productive region for value adding in the industry. We, together with our customers, are slowly developing a base as a preferred global source that is crucial to the industry's future in South Africa.

Should international prices stabilise and the domestic economy remain resilient, our earnings will continue to improve as a result of our efforts in value creation.

Financial Services, Logistics and Other

Year ended 30 September (R million)	Revenue 2002	Revenue 2001	Segment result* 2002	Segment result* 2001	Net assets 2002	Net assets 2001
Leasing	**862**	629	**77**	(2)	**4 992**	3 455
Logistics and Other	**1 001**	751	**24**	(72)	**1 502**	1 895
Total	**1 863**	1 380	**101**	(74)	**6 494**	5 350

** The segment result stated in the table includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation so as to ensure comparability.*

The operating profit for this segment comprises the leasing operations in South Africa, Europe and the United States, the growing Spanish and South African logistics businesses, the corporate office, treasury, insurance and miscellaneous other activities not reported elsewhere in the segmental analysis.

Leasing operations

Our leasing operations form the nucleus of a broad range of financial services which include long-term rental, short-term hire and instalment sales.

Barloworld Finance, the offshore leasing arm, recorded a significant 33% growth in fleet size. The value of new business written exceeded £75 million (R1,2 billion) which included three major UK finance transactions at £12 million (R192 million). Good progress has been made in increasing the captive percentage of the UK materials handling operating lease business. The USA leasing and instalment sales book was first established in 2001 to provide finance for our Materials Handling and Freightliner customers. Satisfactory progress is reported in building a balanced book with minimal bad debt experience in a tough economic climate. In addition, high residuals which plague most truck finance companies are not a significant issue in our business due to the timing of our entry into this market sector. Fixed interest rates are charged to the customer and interest rate risk is managed through the use of derivative instruments linked primarily to funds sourced through a securitisation facility in the UK and USA. Strong profit growth with improving returns has been assisted by the locking in of historically low interest rates. This bodes well for the next few years.

The financing business in Spain, Mijares SA, includes rentals of Caterpillar machines, lift trucks and engines. The cost of rental assets under management has increased from € 14,6 million (R121 million) to € 45,7 million (R474 million).

Barloworld Equipment Finance, the southern African capital equipment leasing business, is a key component of the group's total solution-based offering to mining and construction customers. It returned to profitability during the current year and ended the year with a clean book. The growth in advances was pleasing and is expected to grow further with large operating lease transactions in the contract mining industry.

Barloworld Leasing operates primarily in a niche market servicing the motor vehicle financing needs of corporate customers. Advances grew from average levels of R877 million to R929 million, while operating profit increased. As set out in more detail in the financial director's review, a decision was taken to dispose of the third-party finance book to WesBank after the year-end. This business was neither generating sufficient returns as a stand-alone business unit, nor was it a strategic component of our product and service offering in motor vehicle distribution.

In view of the nature of the leasing business, these operations are highly geared and in this respect are different from the rest of the group. For this reason the group's debt-equity ratio is shown in two ways – including and excluding the leasing borrowings. The income received on the net assets (leasing and rental income) and the interest paid on the borrowings are regarded as operational items and are included in operating profits.

A summary of the group's balance sheet and income statement showing the trading and leasing operations separately is set out on pages 84 and 85.

Treasury operations

The treasury operations are managed on a co-ordinated basis in two centres – Johannesburg and London.

The South African operation accesses the money market as well as other longer-term borrowing markets to provide funds to our operating companies at competitive, market-related rates. To this end, the company entered into a successful commercial paper programme during the course of the current year. A centralised foreign exchange facility is also used by the local operations in order to hedge their foreign currency risk.

Our international operations are financed at keen rates out of a five-year bilateral facility which has a further two years to run.

No trading in financial instruments is undertaken, but derivative instruments are used to manage the currency and interest rate risk arising from the group's operations.

South African logistics: a new paradigm in integrated management

Established by the merger of two in-house logistics operations on 1 October 2001, Barloworld Logistics had, by the last quarter of the 2002 financial year, evolved rapidly to become a pre-eminent supplier of integrated logistics solutions in South Africa. With revenues of R642 million, the business now employs 935 people.

At inception it was recognised that transport was only one element, albeit the largest, of the integrated logistics offering. The major challenge has been to build a pre-emptive and competitive strategy in this fast-evolving industry, and to populate the business with world-class skills and experience.

In the practice of modern logistics, there are two major benefits for clients:

- A radical reduction in lead times and costs that can yield competitive advantage
- An improvement in service levels that can lead to competitive advantage, especially in mature markets

These advantages are not achievable unless the approach to the logistics problem is holistic. Also, the solution must be integrated across 'silos' of activity.

During 2001/2, we acquired SCS (Supply Chains Solutions), South Africa's leading integrated logistics management company; 50% of Optimus (formerly Execulink), one of the world's leading inventory optimisation specialists; and assets and staff of Incito, the network modelling and supply chain integration firm. These acquisitions, together with the transportation excellence that already lay within Barloworld, have enabled us to go to market with an integrated model that has considerable advantage over our competitors. The acquisitions also bring with them a level of skill and experience in holistic logistics practice that is unrivalled in South Africa. Individuals now employed by Barloworld Logistics have won the coveted Logistics Achiever Award in two of the last four years.

Core competencies in Barloworld Logistics now include lead logistics management, inventory optimisation, procurement, supply chain and freight auditing, demand forecasting, transportation optimisation, risk management, network modelling, warehousing, direct contract carriage, integrative IT, supply chain consulting and project management.

Logistics in Spain: good growth

The logistics business in Spain has continued on the expansion path forecast last year. Turnover has risen from € 9,7 million (R69 million) to € 28,7 million (R282 million), over 70% of which is to third parties. Operating profit has also increased commensurately and the business now employs 104 people. This result has been helped by continued growth in the international transport business segment, the continued strength of the warehousing contracts and the contract to distribute DaimlerChrysler passenger and truck parts won last year. Warehouse utilisation is around 90%. Further space will be added to the Arganda facilities outside Madrid as growth is expected in 2003 as a result of having won the contract for the warehousing and distribution of ExxonMobil oil products in Iberia.

Synergies realised with the Iberian Capital Equipment dealership businesses include managing the transportation of parts deliveries and machines. A 24-hour delivery truck service from Caterpillar's Grimbergen distribution centre has been set up, which has generated profits for the logistics business and a significant reduction in the airfreight cost for the dealership.

Corporate operations and other business activities

Corporate services and activities contained within this segment include legal and tax, company secretarial, economic forecasting, corporate finance, value based management and strategic planning, internal communication, investor relations, corporate brand building, as well as risk and insurance management.

Other business activities contained within this segment include Barloworld Concrete Industries which showed a satisfactory improvement in profitability in 2002. It is, however, not a core business for Barloworld and effective 1 October 2002, an 80% shareholding in this business was sold by way of a management buy-out, with the remaining 20% shareholding being held with a view to disposal to an empowerment company. Henry Cooke, the speciality papermaker based in the UK, had a successful year. The company manufactures a range of high-performance papers used for food and medical packaging. The business improved its profitability significantly, achieving an operating profit through a combination of mix enrichment and tight control of costs. This improvement was achieved against a background of weak paper demand in European markets and higher raw material prices.

2003: further growth in Financial Services and Logistics in South Africa and Europe

The remaining leasing operations, which support our core product and service offerings in capital goods in both South Africa and Europe, are expected to grow further in 2003.

The logistics businesses in South Africa and in Spain are also expected to expand and grow profitability.

Seven-year summary

for the year ended 30 September

	Annual compound growth %	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998# Rm	1997# Rm	1996# Rm
CONSOLIDATED BALANCE SHEETS								
Assets								
Non-current assets								
Property, plant and equipment		**7 811**	6 053	5 297	4 815	4 384	3 234	2 801
Goodwill and intangible assets		**1 657**	1 530	890	571			
Other non-current assets and Investments in associates and joint ventures		**4 019**	2 874	1 944	1 674	1 697	1 623	1 413
Deferred taxation assets		**385**	257	188	169	221	117	
		13 872	10 714	8 319	7 229	6 302	4 974	4 214
Current assets		**13 225**	11 232	8 419	7 891	8 237	7 182	6 865
Total assets	16,1	**27 097**	21 946	16 738	15 120	14 539	12 156	11 079
Equity and liabilities								
Capital and reserves								
Share capital and premium##		**682**	682	690	749	742	539	449
Reserves and retained surplus		**10 552**	8 395	7 208	6 495	4 431	3 835	3 506
Interest of shareholders of Barloworld Limited	19,0	**11 234**	9 077	7 898	7 244	5 173	4 374	3 955
Minority interest		**791**	625	556	554	555	510	680
Interest of all shareholders		**12 025**	9 702	8 454	7 798	5 728	4 884	4 635
Non-current liabilities	18,2	**5 195**	3 845	2 881	2 680	2 052	1 804	1 904
Deferred taxation liabilities		**617**	318	281	277	371	319	260
Non-current liabilities		**4 578**	3 527	2 600	2 403	1 681	1 485	1 644
Current liabilities	13,8	**9 877**	8 399	5 403	4 642	6 759	5 468	4 540
Total equity and liabilities	16,1	**27 097**	21 946	16 738	15 120	14 539	12 156	11 079

Refer note 12 regarding share buy-backs.

	Annual compound growth %	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998# Rm	1997# Rm	1996# Rm
CONSOLIDATED INCOME STATEMENTS								
Revenue	12,4	**35 999**	27 945	22 457	19 337	20 883	19 388	17 811
Operating profit	13,5	**2 067**	1 487	1 155	854	1 113	1 067	969
Finance costs		**(346)**	(305)	(247)	(293)	(190)	(16)	47
Income from investments		**253**	254	256	296	52	40	58
Goodwill amortisation		**(116)**	(88)	(47)	(34)			
Profit from continuing operations before exceptional items		**1 858**	1 348	1 117	823	975	1 091	1 074
Trading loss from discontinuing operations				(30)	(85)			
Profit before exceptional items		**1 858**	1 348	1 087	738	975	1 091	1 074
Exceptional items		**369**	(278)	668	951	96	140	(32)
Profit before taxation		**2 227**	1 070	1 755	1 689	1 071	1 231	1 042
Taxation		**636**	383	302	182	198	327	260
Profit after taxation		**1 591**	687	1 453	1 507	873	904	782
Income from associates and joint ventures		**119**	31	40	61	39	29	10
Attributable net profit		**1 710**	718	1 493	1 568	912	933	792
Minority interest and 6% preference shareholders in Barloworld Limited		**207**	101	87	73	94	124	125
Ordinary shareholders in Barloworld Limited	14,5	**1 503**	617	1 406	1 495	818	809	667
Attributable net profit excluding exceptional items and trading loss from discontinuing operations	10,1	**1 156**	884	766	613	655	685	648
CONSOLIDATED CASH FLOW STATEMENTS								
Cash flow from operations	25,6	**2 209**	1 487	1 423	1 445	1 220	957	564
Dividends paid (including outside shareholders)		**(649)**	(436)	(381)	(324)	(120)	(201)	(210)
Net cash flow from operating activities	28,0	**1 560**	1 051	1 042	1 121	1 100	756	354
Net cash flow (used in)/from investing activities		**(1 793)**	(2 004)	(1 693)	455	(1 314)	(1 601)	(1 408)
Net cash flow (used in)/from financing activities		**(24)**	1 625	411	(1 122)	(10)	993	769
Net (decrease)/increase in cash and cash equivalents		**(257)**	672	(240)	454	(224)	148	(285)

 # Not restated for accounting policy changes – IFRS adopted in 2000 financial year and 1999 restated accordingly – restatement of years before 1999 not practical.

Seven-year summary continued

for the year ended 30 September

	Annual compound growth %	2002	2001	2000	1999	1998#	1997#	1996#
ORDINARY SHARE PERFORMANCE								
Weighted average number of ordinary shares in issue during the period, net of buy-back (000)		**195 284**	195 613	205 594	214 234	211 497	206 557	202 231
Net profit per share (cents)		**769,6**	315,7	684,0	697,8	386,8	391,7	329,8
Earnings per share excluding exceptional items (cents)	10,8	**592,0**	452,0	372,6	285,8	309,7	331,7	320,3
Headline earnings per share (cents)	11,8	**621,7**	499,0	383,7	300,3	299,8	330,7	318,3
Cash equivalent earnings per share (cents)	6,5	**1 402,2**	961,3	1 130,3	1 088,1	600,8	604,7	476,0
Attributable cash flow per share (cents)	7,6	**1 020,6**	657,0	630,2	615,0	511,3	421,7	248,0
Dividends per share (cents)	17,4	**275***	220	180	141	124	124	105
Dividend cover (times)		**2,2**	2,1	2,1	2,0	2,5	2,7	3,1
Net asset value per share (cents)	15,3	**5 872**	4 774	4 081	3 833	3 453	2 932	2 493
PROFITABILITY AND ASSET MANAGEMENT								
Operating margin (%)		**5,7**	5,3	5,1	4,4	5,3	5,5	5,4
Net asset turn (times)		**2,0**	1,9	1,9	1,8	2,3	2,4	2,7
Return on net assets (%)		**12,8**	11,8	12,2	10,7	17,6	19,3	20,2
Return on total assets (%)		**9,6**	8,7	8,9	7,8	12,2	13,3	13,1
Return on ordinary shareholders' funds (%)		**14,8**	7,3	18,6	24,7	17,1	19,4	17,9
Return on ordinary shareholders' funds (excluding exceptional items) (%)		**11,4**	10,4	9,7	8,6	13,7	16,4	18,0
Replacement capex to depreciation (%)		**66,7**	61,5	62,9	26,8	77,8	86,1	98,9
Effective rate of taxation (%)		**34,0**	30,6	29,5	25,4	20,3	32,7	22,1
LIQUIDITY AND LEVERAGE								
Total liabilities to total shareholders' funds (%)		**120,2**	122,9	94,7	90,3	147,3	142,4	133,4
Total borrowings to total shareholders' funds								
– gross, including leasing operations (%)		**59,8**	64,1	43,7	42,1	68,2	72,9	54,1
– gross, excluding leasing operations (%)		**23,3**	31,1	12,6	11,6	32,9	41,0	22,4
Current ratio		**1,3**	1,3	1,6	1,7	1,2	1,3	1,5
Quick ratio		**0,7**	0,8	0,9	1,1	0,7	0,8	0,9
Interest cover								
– including leasing operations (times)		**3,8**	3,3	3,3	2,3	2,9	3,9	4,9
– excluding leasing operations (times)		**6,1**	5,4	5,4	3,7	3,5	5,7	8,4
Cash realisation rate		**0,7**	0,7	0,6	0,6	0,9	0,7	0,5
Number of years to repay interest-bearing debt – gross		**3,3**	4,2	2,6	2,3	3,2	3,7	4,5
Cash flow from operations to total liabilities		**15,3**	12,5	17,8	21,1	14,5	13,8	9,1

	2002	2001	2000	1999	1998#	1997#	1996#
VALUE ADDED							
Number of employees	**23 192**	23 233	21 966	22 148	27 804	29 681	30 740
Revenue per employee (R000's)	**1 550,8**	1 236,4	1 018,1	774,2	726,6	641,8	580,2
Wealth created per employee (R000's)	**430,6**	304,9	300,6	253,6	182,2	168,9	145,2
Employment cost per employee (R000's)	**251,3**	193,2	169,8	137,9	112,1	97,8	87,9
Ordinary shares – JSE Securities Exchange South Africa performance							
Closing market prices per share (cents)							
– year-end (30 September)	**5 900**	4 910	4 450	2 940	2 200	5 325	4 400
– highest	**7 300**	6 200	5 200	3 990	5 450	6 075	5 950
– lowest	**4 850**	3 550	3 125	2 130	2 000	3 965	3 975
Number of shares in issue at 30 September (million)##	**195**	195	197	214	214	208	206
Volume of shares traded (million)	**106**	97	129	140	104	92	39
Value of shares traded (Rm)	**6 414**	4 931	5 372	4 103	4 049	4 594	1 874
Earnings yield (%)	**10,5**	10,2	8,5	9,7	14,6	7,3	7,5
Dividend yield (%)	**4,7**	4,5	4,0	4,8	5,6	2,3	2,4
Price: Earnings ratio	**9,5**	9,8	11,7	10,3	6,8	13,7	13,4
Market capitalisation at 30 September (Rm)	**11 522**	9 588	9 537	6 301	4 708	11 087	9 048
Premium/(discount) over interest of shareholders of Barloworld Limited (Rm)	**288**	511	1 639	(943)	(465)	6 713	5 093

Not restated for accounting policy changes – IFRS adopted in 2000 financial year and 1999 restated accordingly.

* *Excludes special centenary dividend of 100 cents.*

The number of shares in issue has been reduced by 19 025 200 shares purchased by a subsidiary company in terms of a programme to buy back the company's shares (see note 12).

Refer to note 2 on pages 96 and 97 for a list of definitions.

Summary in other currencies#

for the year ended 30 September 2002

	DOLLAR		POUND		EURO	
	2002	2001	**2002**	2001	**2002**	2001
	$m	$m	**£m**	£m	**€ m**	€ m
CONSOLIDATED BALANCE SHEETS						
Assets						
Non-current assets						
Property, plant and equipment	**742**	672	**474**	457	**753**	733
Goodwill and intangible assets	**157**	170	**101**	116	**160**	185
Other non-current assets, investment in associates and joint ventures	**382**	319	**244**	217	**387**	348
Deferred taxation assets	**36**	29	**23**	19	**37**	31
	1 317	1 190	**842**	809	**1 337**	1 297
Current assets	**1 256**	1 246	**802**	849	**1 274**	1 362
Total assets	**2 573**	2 436	**1 644**	1 658	**2 611**	2 659
Equity and liabilities						
Capital and reserves						
Share capital and premium	**65**	76	**42**	52	**66**	83
Reserves and retained income	**999**	932	**638**	634	**1 013**	1 016
Non-distributable reserves – foreign currency translation	**3**	2	**2**	1	**3**	2
Interest of shareholders of Barloworld Limited	**1 067**	1 010	**682**	687	**1 082**	1 101
Minority interest	**75**	68	**48**	47	**76**	75
Interest of all shareholders	**1 142**	1 078	**730**	734	**1 158**	1 176
Non-current liabilities	**493**	427	**315**	290	**501**	466
Deferred taxation liabilities	**58**	35	**37**	24	**60**	39
Non-current liabilities	**435**	392	**278**	266	**441**	427
Current liabilities	**938**	931	**599**	634	**952**	1 017
Total equity and liabilities	**2 573**	2 436	**1 644**	1 658	**2 611**	2 659

	DOLLAR		POUND		EURO	
	2002	2001	**2002**	2001	**2002**	2001
	$m	$m	**£m**	£m	**€ m**	€ m
CONSOLIDATED INCOME STATEMENTS						
Revenue	**3 380**	3 499	**2 290**	2 424	**3 667**	3 921
Operating profit	**194**	186	**131**	129	**210**	209
Finance costs	**(33)**	(38)	**(22)**	(26)	**(35)**	(43)
Income from investments	**24**	32	**16**	21	**26**	35
Goodwill amortisation	**(11)**	(11)	**(7)**	(8)	**(12)**	(12)
Profit before exceptional items	**174**	169	**118**	116	**189**	189
Exceptional items	**35**	(35)	**23**	(24)	**38**	(39)
Profit before taxation	**209**	134	**141**	92	**227**	150
Taxation	**60**	48	**41**	33	**65**	54
Profit after taxation	**149**	86	**100**	59	**162**	96
Income from associates and joint ventures	**11**	4	**7**	3	**12**	4
Attributable net profit	**160**	90	**107**	62	**174**	100
Minority interest and 6% preference shareholders in Barloworld Limited	**19**	13	**13**	9	**21**	14
Ordinary shareholders in Barloworld Limited	**141**	77	**94**	53	**153**	86
Attributable net profit excluding exceptional items	**109**	111	**74**	77	**118**	124
CONSOLIDATED CASH FLOW STATEMENTS						
Cash flow from operations	**207**	186	**140**	129	**225**	208
Dividends paid (including outside shareholders)	**(61)**	(54)	**(41)**	(38)	**(66)**	(61)
Net cash flow from operating activities	**146**	132	**99**	91	**159**	147
Net cash used in investing activities	**(168)**	(251)	**(114)**	(174)	**(183)**	(281)
Net cash (used in)/from financing activities	**(2)**	203	**(1)**	141	**(2)**	228
Net (decrease)/increase in cash and cash equivalents	**(24)**	84	**(16)**	58	**(26)**	94

These schedules are provided for convenience purposes only. The measurement currency used for the financial statements and notes is South African rand.

Exchange rates used:						
Balance sheet – closing rate	**10,53**	9,01	16,48	13,24	10,38	8,25
Income statement and cash flow statement – average rate	**10,65**	7,99	15,72	11,53	9,82	7,13

Segmental analysis between leasing and trading businesses#

for the year ended 30 September 2002

	TOTAL GROUP		TRADING		LEASING*	
	2002	2001	**2002**	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
CONSOLIDATED BALANCE SHEETS						
Assets						
Property, plant and equipment						
Cost	**14 657**	11 700	**11 857**	9 585	**2 800**	2 115
Accumulated depreciation	**6 846**	5 647	**5 519**	4 583	**1 327**	1 064
Property, plant and equipment – Net book value	**7 811**	6 053	**6 338**	5 002	**1 473**	1 051
Goodwill and intangible assets	**1 657**	1 530	**1 657**	1 530		
Finance lease receivables – long term	**2 675**	1 723	**12**	8	**2 663**	1 715
Other non-current assets, investment in associates and joint ventures	**1 344**	1 151	**1 344**	1 151		
Deferred taxation assets	**385**	257	**385**	257		
Non-current assets	**13 872**	10 714	**9 736**	7 948	**4 136**	2 766
Current assets	**13 225**	11 232	**12 206**	10 374	**1 019**	858
Finance lease receivables – short term	**784**	434	**(154)**	(301)	**938**	735
Other current assets	**12 441**	10 798	**12 360**	10 675	**81**	123
Total assets	**27 097**	21 946	**21 942**	18 322	**5 155**	3 624
Equity and liabilities						
Interest of shareholders of Barloworld Limited	**11 234**	9 077	**10 759**	8 829	**475**	248
Minority interest	**791**	625	**791**	625		
Interest of all shareholders	**12 025**	9 702	**11 550**	9 454	**475**	248
Non-current liabilities	**5 195**	3 845	**3 455**	1 614	**1 740**	2 231
Deferred taxation liabilities	**617**	318	**538**	245	**79**	73
Interest-bearing non-current liabilities	**3 511**	2 636	**1 868**	478	**1 643**	2 158
Other non-current liabilities	**1 067**	891	**1 049**	891	**18**	
Current liabilities	**9 877**	8 399	**6 937**	7 254	**2 940**	1 145
Amounts due to bankers and short-term loans	**3 677**	3 586	**821**	2 456	**2 856**	1 130
Other current liabilities	**6 200**	4 813	**6 116**	4 798	**84**	15
Total equity and liabilities	**27 097**	21 946	**21 942**	18 322	**5 155**	3 624

	TOTAL GROUP		TRADING		LEASING*	
	2002	2001	**2002**	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
CONSOLIDATED INCOME STATEMENTS						
Revenue	**35 999**	27 945	**35 114**	27 280	**885**	665
Operating profit before depreciation	**3 372**	2 510	**2 933**	2 244	**439**	266
Depreciation	**(1 305)**	(1 023)	**(943)**	(755)	**(362)**	(268)
Finance costs##	**(346)**	(305)	**(346)**	(305)		
Income from investments	**253**	254	**253**	254		
Goodwill amortisation	**(116)**	(88)	**(116)**	(88)		
Profit before exceptional items	**1 858**	1 348	**1 781**	1 350	**77**	(2)
Exceptional items	**369**	(278)	**369**	(278)		
Profit before taxation	**2 227**	1 070	**2 150**	1 072	**77**	(2)
Taxation	**636**	383	**612**	384	**24**	(1)
Profit after taxation	**1 591**	687	**1 538**	688	**53**	(1)
Income from associates and joint ventures	**119**	31	**119**	31		
Attributable net profit	**1 710**	718	**1 657**	719	**53**	(1)
Minority interest and 6% preference shareholders in Barloworld Limited	**207**	101	**207**	101		
Ordinary shareholders in Barloworld Limited	**1 503**	617	**1 450**	618	**53**	(1)
CONSOLIDATED CASH FLOW STATEMENTS						
Cash flow from operations	**2 209**	1 487	**2 851**	1 862	**(642)**	(375)
Dividends paid (including outside shareholders)	**(649)**	(436)	**(649)**	(436)		
Net cash flow from operating activities	**1 560**	1 051	**2 202**	1 426	**(642)**	(375)
Net cash used in investing activities	**(1 793)**	(2 004)	**(1 181)**	(1 718)	**(612)**	(286)
Net cash (used in)/from financing activities	**(24)**	1 625	**(1 234)**	917	**1 210**	708
Net (decrease)/increase in cash and cash equivalents	**(257)**	672	**(213)**	625	**(44)**	47

These schedules are provided to assist users to gain a better understanding of the nature and structure of the group's businesses.

* *Leasing results are stated excluding consolidation adjustments and intergroup eliminations.*

Finance costs for leasing form part of cost of sales and hence operating profit.

Balance sheets

at 30 September 2002

	Notes	GROUP 2002 Rm	GROUP 2001 Rm	COMPANY 2002 Rm	COMPANY 2001 Rm
Assets					
Non-current assets		**13 872**	10 714	**2 762**	1 873
Property, plant and equipment	4	**7 811**	6 053	**231**	113
Other non-current assets	5	**971**	819	**2 464**	1 712
Goodwill and intangible assets	6	**1 657**	1 530	**33**	35
Investment in associates and joint ventures	7	**373**	332		
Finance lease receivables	8	**2 675**	1 723		
Deferred tax assets	13	**385**	257	**34**	13
Current assets		**13 225**	11 232	**107**	34
Inventories	9	**5 895**	4 771		
Trade and other receivables	10	**5 509**	4 641	**95**	24
Taxation		**67**	39	**12**	5
Cash and cash equivalents	11	**1 754**	1 781		5
Total assets		**27 097**	21 946	**2 869**	1 907
Equity and liabilities					
Capital and reserves					
Share capital and premium	12	**682**	682	**749**	749
Other reserves		**3 789**	2 319	**67**	63
Retained income		**6 727**	6 059	**1 535**	1 072
Equity portion of convertible bond	14	**36**	17		
Interest of shareholders of Barloworld Limited		**11 234**	9 077	**2 351**	1 884
Minority interest		**791**	625		
Interest of all shareholders		**12 025**	9 702	**2 351**	1 884
Non-current liabilities		**5 195**	3 845		
Interest-bearing	14	**3 248**	2 411		
Deferred tax liabilities	13	**617**	318		
Convertible bond	14	**263**	225		
Non interest-bearing	14	**1 067**	891		
Current liabilities		**9 877**	8 399	**518**	23
Amounts due to bankers and short-term loans	15	**3 677**	3 586	**496**	
Taxation		**479**	361		
Trade and other payables	16	**5 168**	4 113	**13**	16
Provisions	17	**553**	339	**9**	7
Total equity and liabilities		**27 097**	21 946	**2 869**	1 907

Income statements

for the year ended 30 September 2002

		GROUP		COMPANY	
		2002	2001	**2002**	2001
	Notes	**Rm**	Rm	**Rm**	Rm
Revenue	18	**35 999**	27 945	**14**	19
Operating profit	19	**2 067**	1 487	**1 012**	186
Finance costs	20	**(346)**	(305)	**(37)**	(9)
Income from investments	21	**253**	254	**6**	2
Goodwill amortisation	6	**(116)**	(88)		
		1 858	1 348	**981**	179
Exceptional items	22	**369**	(278)	**(38)**	(74)
Profit before taxation		**2 227**	1 070	**943**	105
Taxation	23	**636**	383	**(24)**	20
Profit after taxation		**1 591**	687	**967**	85
Income from associates and joint ventures	7	**119**	31		
Minority interest and 6% preference shareholders in Barloworld Limited		**(207)**	(101)		
Net profit for the year		**1 503**	617	**967**	85
Net profit per share (cents)					
– basic	24.2	**769,6**	315,7		
– fully diluted	24.3	**750,6**	310,5		
Earnings per share excluding exceptional items (cents)					
– basic	24.4	**592,0**	452,0		
– fully diluted	24.5	**578,7**	443,6		
Headline earnings per share (cents)	24.6	**621,7**	499,0		
Ordinary dividends per share (cents)	25	**275**	220		
Special centenary dividend per share (cents)	25	**100**			

Cash flow statements

for the year ended 30 September 2002

	Notes	GROUP 2002 Rm	GROUP 2001 Rm	COMPANY 2002 Rm	COMPANY 2001 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised by) operations	A	**2 832**	1 894	**(134)**	(33)
Finance costs		**(346)**	(305)	**(37)**	(9)
Dividends received from investments and associates		**67**	60	**1 008**	200
Interest received		**223**	194	**48**	17
Taxation paid	B	**(567)**	(356)	**(4)**	(26)
Cash flow from operations		**2 209**	1 487	**881**	149
Dividends paid (including outside shareholders)		**(649)**	(436)	**(504)**	(418)
Net cash from/(used in) operating activities		**1 560**	1 051	**377**	(269)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries	C	**(209)**	(982)		
Acquisition of property, plant, equipment and intangibles		**(2 322)**	(1 323)	**(126)**	(29)
Replacement capital expenditure		**(871)**	(629)	**(1)**	(13)
Expansion capital expenditure		**(410)**	(40)	**(125)**	(16)
Rental assets		**(1 041)**	(654)		
Acquisition of investments		**(222)**	(36)	**(27)**	(7)
Buy-back of shares in company			(90)		
Total proceeds		**960**	427	**10**	33
Proceeds from disposal of property, plant and equipment		**594**	303		22
Proceeds from disposals of investments and other movements		**366**	124	**10**	11
(Increase)/decrease in net amounts owing by subsidiaries				**(735)**	285
Net cash (used in)/from investing activities		**(1 793)**	(2 004)	**(878)**	282
Net cash (outflow)/inflow before financing activities		**(233)**	(953)	**(501)**	13
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from long-term borrowings		**1 777**	1 486		
Repayment of long-term borrowings		**(1 656)**	(1 057)		
(Decrease)/increase in short-term interest-bearing liabilities		**(145)**	1 196	**496**	(8)
Net cash (used in)/from financing activities		**(24)**	1 625	**496**	(8)
Net (decrease)/increase in cash and cash equivalents		**(257)**	672	**(5)**	5
Cash and cash equivalents at beginning of year		**1 781**	944	**5**	
Effect of foreign exchange rate movements		**230**	165		
Cash and cash equivalents at end of year		**1 754**	1 781		5

Amount of cash not available for use amounted to nil (2001: nil).

Notes to the cash flow statements

for the year ended 30 September 2002

	GROUP 2002 Rm	GROUP 2001 Rm	COMPANY 2002 Rm	COMPANY 2001 Rm
A. Cash generated from/(utilised by) operations is calculated as follows				
Profit before taxation	**2 227**	1 070	**943**	105
Adjustments for:				
Depreciation	**1 305**	1 023	**8**	7
Amortisation of goodwill and intangible assets	**119**	92	**2**	2
Profit on disposal of plant and equipment including rental assets	**(77)**	(26)		
Profit on disposal of property	**(32)**			
Dividends received	**(30)**	(60)	**(1 008)**	(200)
(Profit)/loss on disposal of investments	**(264)**	4		
Interest received	**(223)**	(194)	**(48)**	(17)
Finance costs	**346**	305	**37**	9
Impairment losses	**131**	207		
Realisation of translation reserves on liquidation of offshore subsidiaries	**(201)**			
Gain arising on Pretoria Portland Cement share issue to acquire Portland Holdings	**(60)**			
Other non-cash flow items	**3**	6	**4**	74
Operating cash flows before movements in working capital	**3 244**	2 427	**(62)**	(20)
(Increase)/decrease in inventories	**(187)**	90		
Decrease/(increase) in receivables	**172**	(365)	**(71)**	(12)
Increase in instalment sale and leasing receivables	**(828)**	(844)		
Increase/(decrease) in payables	**431**	586	**(1)**	(1)
Cash generated from/(utilised by) operations	**2 832**	1 894	**(134)**	(33)
B. Taxation paid is reconciled to the amounts disclosed in the income statement as follows				
Amounts unpaid less overpaid at beginning of year	**(322)**	(214)	**5**	5
Per the income statement (excluding deferred taxation)	**(606)**	(396)	**3**	(26)
Adjustment in respect of subsidiaries acquired and sold including translation adjustments	**(51)**	(68)		
Amounts unpaid less overpaid at end of year	**412**	322	**(12)**	(5)
Cash amounts paid	**(567)**	(356)	**(4)**	(26)
C. Acquisition of subsidiaries				
Inventories	**29**	493		
Receivables	**44**	253		
Payables, taxation and deferred taxation	**(192)**	(210)		
Borrowings net of cash	**(16)**	(580)		
Property, plant and equipment, non-current assets, goodwill and outside shareholders	**230**	723		
Net assets acquired	**95**	679		
Goodwill	**114**	303		
Net cash consideration	**209**	982		
Reconciliation to total acquisition cost				
Total cash consideration	**(220)**	(1 020)		
Bank balance and cash	**11**	38		
Net cash outflow arising on acquisition	**(209)**	(982)		
Pretoria Portland Cement share issue to acquire Portland Holdings	**(245)**			
Total acquisition cost	**(454)**	(982)		

Statement of changes in equity

for the year ended 30 September 2002

	Notes	Share capital Rm	Share premium Rm	Foreign currency trans-lation reserves Rm	Revalua-tion reserves Rm	Cash flow hedging reserves Rm	Legal reserves Rm	Other reserves Rm	Retained income Rm	Con-vertible bond Rm	**Total Rm**
GROUP											
Balance at 1 October 2000		11	679	1 069				171	5 951	17	7 898
Net movements not recognised through the income statement		(1)	(7)	990		41		48	(128)		943
Buy-back of shares	12	(1)	(7)						(82)		(90)
Exchange gains on translation of the financial statements of foreign entities				993							993
Other reserve movements				(3)		41		48	(46)		40
Other net movements									236		236
Net profit for the year									617		617
Dividends on ordinary shares	25								(381)		(381)
Balance at 30 September 2001		10	672	2 059		41		219	6 059	17	9 077
Adjustment to opening balance on first time adoption of IAS 39 (note 30)				**12**	**18**	**(34)**		**(18)**	**(11)**	**17**	**(16)**
Balance at 1 October 2001 as restated		**10**	**672**	**2 071**	**18**	**7**		**201**	**6 048**	**34**	**9 061**
Net movements not recognised through the income statement				**1 158**	**1**	**(4)**	**478**	**(110)**	**(365)**	**2**	**1 160**
Exchange gains on translation of the financial statements of foreign entities				**1 359**							**1 359**
Translation reserves realised on liquidation of offshore subsidiaries				**(201)**							**(201)**
Increase in fair value of hedging instruments						**7**					**7**
Hedge reserves transferred to acquisition cost or carrying amount of hedged items						**(11)**					**(11)**
Increase in fair value of available-for-sale investments					**1**						**1**
Other reserve movements and reclassifications							**478**	**(110)**	**(365)**	**2**	**5**
Other net movements					**(1)**	**(30)**			**1 044**		**1 013**
Hedge reserve released to income (finance costs)						**(30)**					**(30)**
Reserve released on disposal of available-for-sale investments					**(1)**						**(1)**
Net profit for the year									**1 503**		**1 503**
Dividends on ordinary shares	25								**(459)**		**(459)**
Balance at 30 September 2002		**10**	**672**	**3 229**	**18**	**(27)**	**478**	**91**	**6 727**	**36**	**11 234**

	Notes	Share capital Rm	Share premium Rm	Revalua-tion reserves Rm	Retained income Rm	Total Rm
COMPANY						
Balance at 1 October 2000		12	737	63	1 405	2 217
Other net movements					(333)	(333)
Net profit for the year					85	85
Dividends on ordinary shares	25				(418)	(418)
Balance at 30 September 2001		12	737	63	1 072	1 884
Net movements not recognised through the income statement				**4**		**4**
Increase in fair value of available-for-sale investments				4		4
Other net movements					**463**	**463**
Net profit for the year					**967**	**967**
Dividends on ordinary shares	25				**(504)**	**(504)**
Balance at 30 September 2002		**12**	**737**	**67**	**1 535**	**2 351**

Notes to the annual financial statements

for the year ended 30 September 2002

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), previously referred to as International Accounting Standards (IAS), and with South African Statements of Generally Accepted Accounting Practice. They have been prepared on a basis consistent with the prior year except for the adoption of IAS 39 Financial Instruments: Recognition and Measurement and IAS 40 Investment Properties.

The financial statements are prepared under the historical cost convention modified by the restatement of financial instruments to fair value and adjustments, where applicable, in respect of hyper-inflation accounting.

The principal accounting policies adopted are set out below.

1. PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company up to 30 September each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

On acquisition of a subsidiary, minorities' interest is measured at the proportion of the pre-acquisition fair values of the identifiable assets and liabilities acquired.

1.2 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are dealt with in income in the period in which they are incurred.

1.3 Comparative figures

When an accounting policy is altered, comparative figures are restated in accordance with the new policy where material. This was not required in terms of the transitional provisions of IAS 39.

1.4 Discontinuing operations

Discontinuing operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance.

Once an operation has been identified as discontinuing, or is reclassified as continuing, the comparative information is restated.

1.5 Dividends

Dividends declared to equity holders are included in the statement of changes in equity in the year in which they are declared. Taxation costs incurred on dividends are dealt with in income in the year in which they are declared.

1.6 Environment and rehabilitation

Group companies are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the group's environmental policies.

The expected cost of any committed decommissioning or restoration programme, discounted to its net present value, is provided and capitalised at the beginning of each project. The capitalised cost is depreciated over the expected life of the asset and the increase or decrease in the net present value of the provision for the expected cost is included with finance costs.

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged against income as incurred.

Annual contributions are made to the group's Environmental Rehabilitation Trust Fund, created in accordance with statutory requirements, to provide for the estimated cost of pollution control and rehabilitation during and to the end of the life of the related asset.

1.7 Equity compensation plans

Executive directors and senior executives have been granted share options in terms of the Barloworld Share Option Scheme. After the date on which the options are exercisable and before the expiry date:

- they can be exercised to purchase shares for cash or through a loan from the Barloworld Share Purchase Trust in which event the shares issued are accounted for in share capital and share premium at the amount of the option price; or
- they can be ceded to an approved financial institution in which event there is no increase in share capital or share premium until the option is exercised by the financial institution, at which time they are accounted for in share capital and share premium at the amount of the option price.

1.8 Exceptional items

Exceptional items cover those amounts which are not considered to be typical of the ongoing business, and generally include profit and loss on disposal of property, investments and businesses, other non-current assets, and impairment losses.

1.9 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Investments in securities are recognised at trade date (the date an entity commits itself to purchase or sell a financial instrument). At subsequent reporting dates, debt securities that the group has the intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale. Listed investments are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Other investments are shown at fair value.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Derivative instruments

Derivative instruments are measured at fair value.

Gains and losses on subsequent measurement

Unrealised gains and losses on available-for-sale investments are recognised directly in equity until the disposal or impairment of the relevant investment, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Other gains and losses from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in fair value of a recognised asset or liability; and (b) cash flow hedges, which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised against income.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity and the ineffective portion is recognised against income. For cash flow hedges affecting future transactions, the gains or losses which are recognised in shareholders' equity are transferred to income in the same period in which the hedge transaction affects income. Where the hedge transaction results in the recognition of an asset or liability, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

1.10 Foreign currencies

Transactions in currencies other than South African rand are recorded at the rates of exchange ruling on the transaction date. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt within the income statement.

In the case of foreign entities the financial statements of the group's overseas operations are translated as follows on consolidation: assets and liabilities, at exchange rates ruling on the balance sheet date, income and expense items at the average exchange rates for the period and goodwill and equity at exchange rates ruling on the dates of the transactions. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.

The financial statements of overseas operations that are integral to the operations of the holding company are translated as if the transactions had been those of the holding company itself.

The financial statements of foreign entities that report in the currency of a hyper-inflationary economy are restated for the decrease in general purchasing power of the currency at the balance sheet date before they are translated into South African rand.

1.11 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis over its estimated useful life subject to a maximum of 20 years.

Any negative goodwill that arises where the fair value of the group's interest in the identifiable assets and liabilities of the subsidiary exceeds the cost of acquisition is taken to profit immediately:

- where there is no expectation of future losses;
- in respect of non-monetary assets to the extent whereby the negative goodwill exceeds the fair value of acquired identifiable assets;
- in respect of monetary assets.

To the extent that negative goodwill relates to depreciable assets, it is recognised as profit over the useful life of those assets.

Goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

1.12 Government grants

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Income is not recognised until there is reasonable assurance that it will be received.

1.13 Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the income statement.

Other than for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement.

1.14 Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control.

The group's interests in joint ventures have been accounted for using the equity method.

1.15 Internally generated intangible assets – exploration, research and development expenditure

Exploration and research costs are expensed in the year in which they are incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. If a project is abandoned during the development stage, the total accumulated expenditure is then written off. Capitalised development costs are amortised on a straight-line basis over the estimated useful life.

1.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where appropriate, cost is calculated on a specific identification basis. Otherwise the first-in first-out method or, in certain subsidiaries, the weighted average method is used.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

1.17 Investments in associates

An associate is an enterprise over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any decline in the value of individual investments.

Where a group enterprise transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

1.18 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is disclosed as a finance lease obligation. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. They are charged to the income statement over the term of the relevant lease and at interest rates applicable to the lease on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.19 Partnership interests

Partnership interests are accounted for in the group accounts by consolidation of the financial position and results of the partnerships.

1.20 Patents and trademarks

Patents and trademarks are measured initially at cost and amortised on a straight-line basis over their estimated useful lives, which is on average 10 years.

1.21 Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value.

Other items of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the depreciable value of the assets, other than land, over their estimated useful lives, using the straight-line method, on the following basis:

Aircraft	5 years
Buildings	25 to 50 years
Plant	5 to 35 years
Vehicles	5 to 10 years
Furniture and equipment	3 to 6 years

Certain costs of purchase, development and installation of major information systems (including packaged software) are capitalised and amortised over their expected useful lives (generally five to seven years) on a straight-line basis.

Assets held under finance leases are depreciated over their expected useful lives or the term of the relevant lease, where shorter.

The gain or loss arising on the disposal or scrapping of property, plant and equipment is recognised in the income statement.

The cost model is applied in accounting for investment properties. In terms of this model, investment properties are recorded at cost less any accumulated depreciation and any accumulated impairment losses.

1.22 Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

1.23 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a triennial basis with interim valuations performed on an annual basis. Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

Actuarial gains and losses which exceed 10% of the greater of the present value of the group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the income statement when the group is demonstrably committed to the curtailment or settlement.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

To the extent that there is uncertainty as to the entitlement to the surplus, no asset is recorded.

1.24 Revenue recognition
Included in revenue are net invoiced sales to customers for goods and services, rentals from leasing fixed and movable property, commission, hire purchase and finance lease income. Sales of goods are recognised when goods are delivered and title has passed. Revenue arising from services, commission, royalties and rebates is recognised on the accrual basis in accordance with the substance of the relevant agreements. Revenue excludes indirect taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.25 Segmental reporting
Segment accounting policies are consistent with those adopted for the preparation of the financial statements of the consolidated group. The primary basis for reporting segment information is business segments and the secondary basis is by significant geographical region, which is based on the location of assets. The basis is consistent with internal reporting for management purposes as well as the source and nature of business risks and returns.

1.26 Taxation
The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill nor from the acquisition of an asset, which does not affect either taxable or accounting income.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

2. DEFINITIONS

Cash flow return on investment (CFROI®)
Refer to page 57.

Current ratio
Current assets divided by current liabilities.

Dividend cover
Earnings per share excluding exceptional items divided by dividends per share.

Net profit per share
Basic
Net profit attributable to ordinary shareholders of Barloworld Limited for the year divided by the weighted average number of ordinary shares in issue during the year.

Fully diluted
Net profit attributable to ordinary shareholders of Barloworld Limited for the year is adjusted by the after tax interest saving assuming conversion of the convertible bond where the effect is dilutive. The weighted average number of shares in issue is increased by the number of additional shares in issue assuming the conversion of the dilutive convertible bond and the number of additional shares issued assuming the conversion of dilutive options excluding the number of notional shares issued at full value.

Earnings per share (excluding exceptional items)
Basic
Net profit attributable to ordinary shareholders of Barloworld Limited for the year adjusted for the exceptional items net of tax and minority interest thereof, divided by the weighted average number of ordinary shares in issue during the year.

Fully diluted
Earnings for the year as in the basic calculation above adjusted by the after tax interest saving assuming conversion of the convertible bond where the effect is dilutive. The weighted average number of shares in issue is increased by the number of additional shares in issue assuming the conversion of the dilutive convertible bond and the number of additional shares issued assuming the conversion of dilutive options excluding the number of notional shares issued at full value.

Headline earnings per share
Net profit attributable to ordinary shareholders of Barloworld Limited for the year adjusted for goodwill amortisation and capital profits or losses net of tax and minority interest thereof, divided by the weighted average number of ordinary shares in issue during the year.

Cash equivalent earnings per share
Net profit attributable to ordinary shareholders of Barloworld Limited adjusted for non-cash items in attributable earnings and equity accounted retained earnings, divided by the weighted average number of ordinary shares in issue during the year.

Attributable cash flow per share
Attributable cash flow from operations after adjusting for minority interest and preference dividends paid, divided by the weighted average number of ordinary shares in issue during the year.

Cash realisation rate
Attributable cash flow per share divided by cash equivalent earnings per share.

Effective rate of taxation
Taxation (excluding prior year taxation and exceptional items) expressed as a percentage of profit before taxation (excluding dividend income and exceptional items).

Employment cost per employee
Employment cost divided by the average number of employees.

Interest cover
Profit before interest paid and taxation divided by interest paid including interest capitalised. (Profit includes income from investments, but excludes share of associate companies' profits.)

Net assets
Segment assets less segment liabilities.

Segment assets
Total assets less deferred and current taxation assets.

Segment liabilities
Non-interest-bearing current and non-current liabilities, excluding deferred and current taxation liabilities.

Segment result
Segment result represents operating profit plus any other items that are directly attributable to segments including fair value adjustments on financial instruments and goodwill amortisation. Interest costs are excluded, due to the centralised nature of the group's treasury operations, as well as investment income and taxation.

Net asset turn
Revenue divided by average net assets.

Net asset value per share
Interest of shareholders of Barloworld Limited, including investments at market value, divided by the total number of ordinary shares in issue.

Number of years to repay debt
The ratio of total borrowings to cash available from operations.

Operating margin
Operating profit expressed as a percentage of revenue.

Quick ratio
Current assets excluding inventories divided by current liabilities.

Replacement capital expenditure to depreciation
Cash used on replacement capital expenditure divided by the depreciation charge for the year.

Revenue per employee
Revenue for the year divided by the average number of employees.

Return on net assets and total assets
Profit before interest paid and taxation less goodwill amortisation but including income from investments and share of associate companies' retained profits expressed as a percentage of average net or average total assets.

Return on ordinary shareholders' funds
Net profit attributable to ordinary shareholders of Barloworld Limited expressed as a percentage of average interest of shareholders of Barloworld Limited.

Return on ordinary shareholders' funds (excluding exceptional items)
Net profit attributable to ordinary shareholders of Barloworld Limited, less exceptional items (net of exceptional tax and minorities' share of exceptional items) expressed as a percentage of average interest of shareholders of Barloworld Limited.

Total assets
Property, plant and equipment, intangible assets, non-current assets and current assets.

Total borrowings
Total liabilities less non interest-bearing liabilities, creditors, provisions and shareholders for dividends.

Total liabilities
Current liabilities and long-term liabilities. Deferred taxation is excluded.

Wealth created per employee
Wealth created during the year divided by the average number of employees.

Notes to the annual financial statements continued

for the year ended 30 September 2002

R million	Consolidated 2002	Consolidated 2001	Eliminations 2002	Eliminations 2001	Capital Equipment 2002	Capital Equipment 2001	Industrial Distribution 2002	Industrial Distribution 2001	Motor 2002	Motor 2001
3. BUSINESS AND GEOGRAPHICAL SEGMENTS*										
Revenue										
South Africa	**15 045**	12 361			**2 790**	2 065			**6 851**	5 805
Rest of Africa	**1 764**	1 863			**868**	1 266			**357**	281
Europe	**11 549**	8 182			**6 472**	4 629	**2 202**	1 684		
North America	**4 593**	4 105					**3 812**	3 367		
Australia and Asia	**3 048**	1 434							**1 656**	460
	35 999	27 945			**10 130**	7 960	**6 014**	5 051	**8 864**	6 546
Inter-segment revenue**			**(945)**	(1 211)	**201**	402		92	**285**	62
	35 999	27 945	**(945)**	(1 211)	**10 331**	8 362	**6 014**	5 143	**9 149**	6 608
Segment result										
Operating profit	**2 067**	1 487			**714**	622	**153**	184	**205**	114
Fair value adjustments on financial instruments	**55**				**32**					
Goodwill amortisation	**(116)**	(88)			**(2)**	(4)	**(30)**	(23)	**(21)**	(21)
Total segment result	**2 006**	1 399			**744**	618	**123**	161	**184**	93
By geographical region										
South Africa	**980**	500			**88**	73			**146**	79
Rest of Africa	**177**	185			**103**	130			**10**	7
Europe	**803**	595			**553**	415	**95**	75		
North America	**(22)**	148					**28**	86		
Australia and Asia	**68**	(29)							**28**	7
Total segment result	**2 006**	1 399			**744**	618	**123**	161	**184**	93
Income from associates	**119**	56				(3)		(8)	**46**	29
Segment result including associate income	**2 125**	1 455			**744**	615	**123**	153	**230**	122
Associate dividends shown with investment income		(25)								
Interest paid	**(401)**	(305)								
Income from investments	**253**	254								
Exceptional items	**369**	(278)								
	2 346	1 101								
Taxation	**(636)**	(383)								
Minority interest	**(207)**	(101)								
Net profit for the year	**1 503**	617								
Non-cash expenses per segment										
Depreciation	**1 305**	1 023			**211**	153	**267**	218	**28**	38
Impairment losses	**131**	207			**6**					157

* *The geographical segments are determined by the location of assets.*
** *Inter-segment revenue is priced on an arm's length basis.*

	Cement and Lime		Scientific Products		Coatings		Steel Tube		Treasury, Logistics and Other		Leasing	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	2 226	1 771			**1 071**	911	**1 720**	1 343	**176**	266	**211**	200
	345	199			**114**	85			**80**	32		
			1 459	903	**81**	98			**745**	453	**590**	415
			720	724							**61**	14
			157	178	**1 235**	796						
	2 571	1 970	**2 336**	1 805	**2 501**	1 890	**1 720**	1 343	**1 001**	751	**862**	629
		1		444	**180**	146	**2**	4	**254**	24	**23**	36
	2 571	1 971	**2 336**	2 249	**2 681**	2 036	**1 722**	1 347	**1 255**	775	**885**	665
	613	445	**38**	150	**129**	12	**84**	9	**41**	(47)	**90**	(2)
	20				**3**				**13**		**(13)**	
	(3)		**(29)**	(14)	**(1)**	(1)			**(30)**	(25)		
	630	445	**9**	136	**131**	11	**84**	9	**24**	(72)	**77**	(2)
	586	406			**78**	43	**84**	9	**(33)**	(82)	**31**	(28)
	44	39			**14**	8			**6**	1		
			57	68	**3**	4			**51**	9	**44**	24
			(52)	60							**2**	2
			4	8	**36**	(44)						
	630	445	**9**	136	**131**	11	**84**	9	**24**	(72)	**77**	(2)
	34	24			**28**	7	**11**	7				
	664	469	**9**	136	**159**	18	**95**	16	**24**	(72)	**77**	(2)
	188	166	**88**	55	**64**	57	**28**	30	**69**	38	**362**	268
	115					24	**1**	20	**9**	6		

Notes to the annual the financial statements continued

for the year ended 30 September 2002

R million	Consolidated 2002	Consolidated 2001	Capital Equipment 2002	Capital Equipment 2001	Industrial Distribution 2002	Industrial Distribution 2001	Motor 2002	Motor 2001
3. BUSINESS AND GEOGRAPHICAL SEGMENTS* continued								
Capital additions								
South Africa	**949**	569	**398**	264			**117**	111
Rest of Africa	**74**	34	**37**	15			**1**	2
Europe	**913**	430	**223**	225	**76**	52		
North America	**360**	241			**84**	164		
Australia and Asia	**26**	33					**6**	5
	2 322	1 307	**658**	504	**160**	216	**124**	118
Segment assets								
South Africa	**10 086**	8 953	**1 721**	1 047			**1 388**	1 218
Rest of Africa	**1 435**	975	**402**	591			**67**	53
Europe	**10 646**	7 887	**3 880**	3 064	**1 458**	1 163		
North America	**3 243**	2 778			**1 907**	1 941		
Australia and Asia	**1 235**	1 057					**520**	453
Total segment assets	**26 645**	21 650	**6 003**	4 702	**3 365**	3 104	**1 975**	1 724
Taxation	**67**	39						
Deferred tax assets	**385**	257						
Consolidated total assets	**27 097**	21 946						
Segment liabilities								
South Africa	**2 594**	1 948	**524**	298			**589**	483
Rest of Africa	**276**	291	**212**	214			**43**	23
Europe	**3 130**	2 341	**2 103**	1 546	**512**	435		
North America	**470**	540			**362**	414		
Australia and Asia	**318**	223					**48**	39
Total segment liabilities	**6 788**	5 343	**2 839**	2 058	**874**	849	**680**	545
Interest-bearing liabilities	**7 188**	6 222						
Deferred tax liabilities	**617**	318						
Taxation	**479**	361						
Consolidated total liabilities	**15 072**	12 244						

* *The geographical segments are determined by the location of assets.*

	Cement and Lime		Scientific Products		Coatings		Steel Tube		Treasury, Logistics and Other		Leasing	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	116	89			**39**	28	**32**	28	**245**	47	**2**	2
	4	6			**4**	2			**28**	9		
			56	42	**1**	1			**21**	5	**536**	105
			235	31							**41**	46
			2	8	**18**	20						
	120	95	**293**	81	**62**	51	**32**	28	**294**	61	**579**	153
	3 028	2 482			**696**	641	**930**	702	**502**	1 239	**1 821**	1 624
	675	142			**41**	33			**250**	156		
			1 392	1 140	**16**	55			**1 238**	877	**2 662**	1 588
			706	576							**630**	261
			192	196	**523**	408						
	3 703	2 624	**2 290**	1 912	**1 276**	1 137	**930**	702	**1 990**	2 272	**5 113**	3 473
	437	376			**251**	246	**444**	283	**329**	244	**20**	18
	40	25			**18**	11			**(37)**	18		
			221	211		34			**196**	115	**98**	
			105	126							**3**	
			59	69	**211**	115						
	477	401	**385**	406	**480**	406	**444**	283	**488**	377	**121**	18

	2002 Cost Rm	2002 Accumulated depreciation and impairments Rm	2002 Net book value Rm	2001 Cost Rm	2001 Accumulated depreciation and impairments Rm	2001 Net book value Rm
4. PROPERTY, PLANT AND EQUIPMENT						
Group						
Freehold land and buildings	2 040	386	1 654	1 651	327	1 324
Leasehold land and buildings	168	60	108	155	57	98
Investment property	37	6	31	33	4	29
Plant, equipment and furniture	5 635	3 136	2 499	4 449	2 640	1 809
Vehicles and aircraft	990	402	588	780	364	416
Capitalised leased plant and equipment, vehicles and furniture	372	84	288	351	64	287
Environmental rehabilitation assets	40	15	25	40	14	26
Rental assets – plant and equipment	5 375	2 757	2 618	4 241	2 177	2 064
	14 657	6 846	7 811	11 700	5 647	6 053
Company						
Freehold land and buildings	112	15	97	107	13	94
Equipment, vehicles and furniture	151	17	134	30	11	19
	263	32	231	137	24	113

Property, plant and equipment with a net book value of R2 648 million (2001: R1 904 million) is encumbered as reflected in note 14.

The insurable value of the group's property, plant and equipment as at 30 September 2002 amounted to R26 567 million (2001: R21 439 million). This is based on the cost of replacement of such assets, except for motor vehicles and certain selected assets, which are included at estimated retail value.

Nineteen investment properties are held of which eighteen are income generating and one is vacant. Income earned during the 2002 financial year amounts to R8 million, while direct operating expenses incurred were R4 million. The fair value of the investment properties is R52 million. The valuations were done by a chartered surveyor on the existing use value method.

The registers of land and buildings are open for inspection at the registered offices of the companies.

	Freehold and leasehold land and buildings Rm	Investment properties Rm	Plant, equipment and furniture Rm	Vehicles and aircraft Rm	Capitalised leased assets Rm	Environmental rehabilitation assets Rm	Rental assets* Rm	**2002 Total Rm**	2001 Total Rm
4. PROPERTY, PLANT AND EQUIPMENT continued									
Movement of group property, plant and equipment									
Net balance at beginning of year	1 422	29	1 809	416	287	26	2 064	**6 053**	5 297
Subsidiaries acquired	18		440	11	1	1		**471**	310
Other additions	276	2	581	343	67		1 053	**2 322**	1 319
Impairment of assets	(13)		(5)	10				**(8)**	(104)
Translation differences (net)**	194		182	14		(1)	372	**761**	542
	1 897	31	3 007	794	355	26	3 489	**9 599**	7 364
Other disposals	(79)		(60)	(111)	(45)		(188)	**(483)**	(288)
Depreciation	(56)		(448)	(95)	(22)	(1)	(683)	**(1 305)**	(1 023)
Net balance at end of year	1 762	31	2 499	588	288	25	2 618	**7 811**	6 053

	2002	2001
* Future minimum lease receivables under non-cancellable operating leases:		
Within one year	**459**	455
Two to five years	**542**	651
More than five years	**37**	40
	1 038	1 146

Rental assets leased to customers consist of materials handling equipment in South Africa, the United Kingdom and the United States as well as capital equipment in South Africa, Europe and Botswana.

	2002	2001
** The translation differences are made up as follows:		
Cost	**1 732**	1,372
Accumulated depreciation	**(971)**	(830)
	761	542

Notes to the annual financial statements continued

for the year ended 30 September 2002

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
5. OTHER NON-CURRENT ASSETS				
Interest in subsidiaries			**2 434**	1 699
Listed and unlisted investments	**69**	17	**6**	4
Preference shares (note 35)	**247**	247		
Bills and leases discounted with recourse and repurchase obligations	**170**	214		
Pension fund assets (note 29)	**247**	186		
Other receivables	**193**	90		
Other non-current loans and deposits*	**21**	56		1
Barloworld Share Purchase Scheme#	**24**	9	**24**	8
	971	819	**2 464**	1 712
Interest in subsidiaries				
Shares as originally stated (note 33)			**371**	371
Amounts written off			**(85)**	(85)
Amounts owing by subsidiaries (note 33)			**3 162**	2 718
			3 448	3 004
Amounts owing to subsidiaries (note 33)			**1 014**	1 305
			2 434	1 699
Available-for-sale investments (note 35)				
Listed investments as originally stated	**12**	12	**2**	2
Prior period fair value adjustment to reflect adoption of IAS 39	**7**			
Additions, disposals and other movements	**(3)**		**(2)**	
Fair value adjustment in current year	**1**		**1**	
Fair value of listed investments	**17**	12	**1**	2
Unlisted investments as originally stated	**5**	5	**2**	2
Prior period fair value adjustment to reflect adoption of IAS 39	**13**			
Additions, disposals and other movements	**31**			
Fair value adjustment in current year	**3**		**3**	
Fair value of unlisted investments	**52**	5	**5**	2
Total fair value	**69**	17	**6**	4

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
5. OTHER NON-CURRENT ASSETS continued				
Valuation of shares:				
Market value – listed investments	**17**	19	**1**	3
Directors' valuation of unlisted investments	**52**	18	**5**	6
	69	37	**6**	9

*** Other non-current loans and deposits**

Included in non-current loans and deposits are the following housing loans made to directors in terms of members' resolutions. These loans are secured by first mortgages over properties, bear interest at 3% (2001: 4,5%) per annum and are repayable in full no later than six months after retirement, retrenchment or death. Where loans exceed R100 000, the excess bears interest at 13% (2001: 14,5%) per annum.

Director	**2002**	2001
	R	R
MD Coward	**144 250**	144 250
AJ Lamprecht	**100 000**	100 000
	244 250	244 250

 # Barloworld Share Purchase Scheme

Included are loans to executive directors for the purchase of shares amounting to R9 million (2001: R7 million). The loans are secured by pledge of the shares and are repayable within 10 years of granting of the option or within nine months of death or immediately on ceasing to be an employee, except in the case of retirement. Interest rates vary in accordance with the terms and provisions of the trust deed and range from 3,17% to 9,46%.

Notes to the annual financial statements continued

for the year ended 30 September 2002

	GROUP Goodwill Rm	GROUP Patents and trademarks Rm	GROUP Total Rm	COMPANY Patents and trademarks Rm
6. GOODWILL AND INTANGIBLE ASSETS				
2002				
Cost				
At 1 October 2001	**1 745**	**57**	**1 802**	**37**
Additions	**150**	**2**	**152**	
Disposals	**(5)**		**(5)**	
Translation differences	**238**		**238**	
Impairment	**(106)**		**(106)**	
At 30 September 2002	**2 022**	**59**	**2 081**	**37**
Accumulated amortisation				
At 1 October 2001	**252**	**20**	**272**	**2**
Charge for the year	**116**	**3**	**119**	**2**
Translation differences	**29**		**29**	
Impairment	**4**		**4**	
At 30 September 2002	**401**	**23**	**424**	**4**
Carrying amount				
At 30 September 2002	**1 621**	**36**	**1 657**	**33**
2001				
Cost				
At 1 October 2000	1 014	41	1 055	21
Additions	761	16	777	16
Translation differences	118		118	
Impairment	(148)		(148)	
At 30 September 2001	1 745	57	1 802	37
Accumulated amortisation				
At 1 October 2000	149	16	165	
Charge for the year	88	4	92	2
Translation differences	15		15	
At 30 September 2001	252	20	272	2
Carrying amount				
At 30 September 2001	1 493	37	1 530	35

	GROUP 2002 Rm	GROUP 2001 Rm
7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES*		
Cost of investment excluding goodwill	**261**	225
Share of retained earnings	**95**	85
Beginning of year	**85**	63
Increase for the year	**82**	31
Normal and exceptional profit for the year	**119**	56
Dividends received	**(37)**	(25)
Other movements	**(72)**	(9)
Carrying value excluding amounts owing	**356**	310
Loans and advances to associates and joint ventures	**17**	22
Carrying value including amounts owing	**373**	332
Carrying value by category		
Listed associates – shares at carrying value	**184**	157
Unlisted associates and joint ventures – shares at carrying value	**172**	153
	356	310
Valuation of shares		
Market value – listed associate companies	**386**	233
Directors' valuation of unlisted associate companies and joint ventures	**292**	401
	678	634
Aggregate of associate companies and joint ventures' net assets, revenue and profit		
Property, plant and equipment, investments and cash	**2 771**	2 233
Total borrowings	**2 354**	1 746
Working capital	**650**	475
Revenue	**3 005**	1 972
Profit after tax	**267**	146

* *Refer notes 34 and 36 for a detailed list of joint venture and associate companies.*

Notes to the annual financial statements continued

for the year ended 30 September 2002

	GROUP 2002 Rm	GROUP 2001 Rm
8. FINANCE LEASE RECEIVABLES		
Amounts receivable under finance leases:		
Gross investment	**4 535**	2 748
Less: Unearned finance income	**(1 076)**	(591)
Present value of minimum lease payments receivable	**3 459**	2 157
Receivable as follows:		
Within one year (note 10)	**784**	434
In the second to fifth year inclusive	**2 179**	1 714
After five years	**496**	9
Total non-current portion	**2 675**	1 723
	3 459	2 157

The fair value of the group's finance lease receivables as at 30 September 2002 is R3 459 million (2001: R2 157 million).

Accumulated provisions for uncollectable finance lease receivables amount to R103 million (2001: R138 million).

Unguaranteed residual values of assets leased under finance leases are estimated at R334 million (2001: R119 million) for non-South African leasing operations and R6 million (2001: R3 million) for South Africa.

The interest rate charged in South Africa on the leases is linked to the prime rate for the lease term, which is three years on average. The weighted average interest rate on lease receivables at 30 September 2002 was 16% (2001: 11,8%).

The interest charged in the United Kingdom and United States on the leases is fixed at inception for the duration of the lease term which is typically between four and five years. The weighted average interest rate on lease receivables at 30 September 2002 was 9,0% (2001: 9,6%).

Certain of the receivables in the United Kingdom and United States are subject to a securitisation arrangement – refer to note 14 for details.

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
9. INVENTORIES				
Raw materials and components	**530**	373		
Work in progress	**279**	290		
Finished goods	**2 824**	2 338		
Merchandise	**1 546**	1 296		
Consumable stores	**112**	91		
Buy-back commitments	**597**	360		
Other inventories	**7**	23		
	5 895	4 771		
The value of inventories has been determined on the following bases:				
First-in first-out and specific identification	**5 542**	4 411		
Weighted average	**353**	360		
	5 895	4 771		
Included above is inventory of R64 million (2001: R146 million) carried at net realisable value.				
Inventory pledged as security for liabilities amounts to R83 million (2001: nil). The secured liabilities are included under trade and other payables (note 16)				
Reversal of previous inventory write-down amounts to nil (2001: R0,3 million).				
10. TRADE AND OTHER RECEIVABLES				
Trade receivables	**4 165**	3 748		
Less: Provision for doubtful debts	**(264)**	(223)		
Finance lease receivables (note 8)	**784**	434		
Bills and leases discounted with recourse	**120**	127		
Fair value of derivatives	**60**			
Other receivables and prepayments	**642**	555	**42**	20
Dividends accrued	**2**		**53**	4
	5 509	4 641	**95**	24
Trade receivables pledged as security for liabilities amount to nil (2001: R11,4 million).				
11. CASH AND CASH EQUIVALENTS				
Cash on deposit	**1 567**	1 649		
Other cash and cash equivalent balances	**187**	132		5
	1 754	1 781		5
Cash and cash equivalents are comprised as follows:				
South African rand	**407**	688		5
Foreign currencies	**1 347**	1 093		
	1 754	1 781		5

for the year ended 30 September 2002

	GROUP 2002 Rm	GROUP 2001 Rm	COMPANY 2002 Rm	COMPANY 2001 Rm
12. SHARE CAPITAL AND PREMIUM				
Authorised share capital				
500 000 6% cumulative preference shares of R2 each	**1**	1	**1**	1
300 000 000 ordinary shares of 5 cents each	**15**	15	**15**	15
	16	16	**16**	16
Issued share capital				
375 000 6% cumulative preference shares of R2 each (2001: 375 000)	**1**	1	**1**	1
214 309 448 ordinary shares of 5 cents each (2001: 214 309 448)	**11**	11	**11**	11
19 025 200 shares held by a subsidiary in the holding company in respect of share buy-back (2001: 19 025 200)	**(2)**	(2)		
	10	10	**12**	12
Share premium	**672**	672	**737**	737
Balance at beginning of year	**672**	679	**737**	737
Premium on shares held by a subsidiary in the holding company in respect of share buy-back		(7)		
Total issued share capital and premium	**682**	682	**749**	749

Buy-back of shares

No shares were purchased during the 2002 financial year (2001: 2 046 600 shares for R89 632 851 at an average cost of R43,80 per share).

As the shares were purchased by a wholly-owned subsidiary of Barloworld Limited, none will be cancelled nor will the stock exchange listings in respect of those shares be terminated.

	2002	2001
Total number of shares in issue at beginning of year	**214 309 448**	214 309 448
Number of shares bought back in prior years	**(19 025 200)**	(16 978 600)
Number of shares bought back during the year		(2 046 600)
Total number of shares in issue at end of year, net of buy-back	**195 284 248**	195 284 248

Unissued shares

16 073 209	Ordinary shares reserved to meet the requirements of the Barloworld Share Option Scheme
3 022 242	Ordinary shares reserved to meet the requirements of the US$75 million convertible bond
66 595 101	Ordinary shares
85 690 552	
125 000	6% Cumulative preference shares

The members in general meeting:
– reserved ordinary shares for purposes of the Barloworld Share Option Scheme, on 23 January 1995
– reserved ordinary shares for purposes of the company's US$75 million convertible bond 2004, on 28 October 1994

12. SHARE CAPITAL AND PREMIUM continued

The Barloworld Share Option Scheme:

In terms of a members' resolution dated 23 January 1995, the directors were authorised to allot and issue for purposes of the Barloworld Share Option Scheme, ordinary shares equal to not more than 7,5% of the total issued ordinary shares of the company from time to time plus, in accordance with the provisions of that scheme and the Barloworld Share Purchase Scheme, such number of ordinary shares as have, from time to time, been taken up and paid for in full by retired or former employees after expiry of one year from the date on which such employees ceased to be employed or retired and had paid for the shares in full.

The following options granted to directors and executives are unexercised:

Directors	Executives	Ceded*	Total options unexercised	Option price (cents)	Date from which exercisable	Expiry date
		63 196	63 196	1 948	13 Oct 1995	13 Oct 2002
73 334	71 168	599 178	743 680	2 650	14 Jan 1997	14 Jan 2004
5 000	359 337	1 298 830	1 663 167	4 300	21 May 1999	21 May 2006
	20 000	30 000	50 000	4 600	6 March 2000	6 March 2007
	372 269	204 997	577 266	4 765	13 June 2000	13 June 2007
229 802	80 001	126 997	436 800	4 450	16 Feb 2001	16 Feb 2008
51 701	1 545 860	933 573	2 531 134	4 100	1 April 2001	1 April 2008
227 735	996 059	378 673	1 602 467	2 325	1 Sept 2001	1 Sept 2008
	65 000	20 000	85 000	2 855	1 March 2002	1 March 2009
	30 000		30 000	4 415	26 Feb 2003	26 Feb 2010
360 000	1 768 500	27 500	2 156 000	3 670	29 May 2003	29 May 2010
300 000	1 797 500		2 097 500	4 570	25 Sept 2004	25 Sept 2011
	52 000		52 000	5 880	25 Sept 2005	25 Sept 2012
1 247 572	7 157 694	3 682 944	12 088 210			

	GROUP AND COMPANY 2002	2001
Movement for the year		
Options at the beginning of the year	**12 471 492**	10 756 047
Options granted	**52 000**	2 144 500
Options exercised or lapsed	**(435 282)**	(429 055)
Options unexercised at year-end	**12 088 210**	12 471 492
Held by:		
Directors and executives	**8 405 266**	9 977 951
Financial institutions	**3 682 944**	2 493 541
	12 088 210	12 471 492

* *In terms of the rules of the Barloworld Share Option Scheme, options may be ceded to an approved financial institution.*

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
13. DEFERRED TAXATION				
Movement of deferred taxation liabilities				
Balance at beginning of year	**318**	281		
Transferred this year	**65**	(13)		
Rate change adjustment	**1**	(2)		
Arising on acquisition and disposal of subsidiaries	**144**	6		
Translation differences	**38**	(21)		
Accounted for directly in equity	**1**	1		
Other movements	**50**	66		
	617	318		
Analysis of deferred taxation liabilities				
Capital allowances	**665**	464		
Provisions	**(158)**	(177)		
Prepayments	**110**	29		
Effect of tax losses	**(1)**	(1)		
Other temporary differences	**1**	3		
	617	318		
Movement of deferred taxation assets				
Balance at beginning of year	**257**	188	**13**	7
Transferred this year	**37**		**21**	6
Rate change adjustment		(2)		
Arising on acquisition and disposal of subsidiaries		1		
Translation differences	**42**	4		
Accounted for directly in equity	**2**			
Other movements	**47**	66		
	385	257	**34**	13
Analysis of deferred taxation assets				
Capital allowances	**(7)**	(74)	**(1)**	
Provisions	**334**	273	**1**	1
Prepayments	**24**	(2)		
Effect of tax losses	**54**	48	**37**	12
Other temporary differences	**(20)**	12	**(3)**	
	385	257	**34**	13

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
14. NON-CURRENT LIABILITIES				
Total SA rand and foreign currency borrowings (note 31)	**4 979**	3 612		
Less: Current portion redeemable and repayable within one year (note 15)	**(1 731)**	(1 201)		
Interest-bearing	**3 248**	2 411		
Liability portion of convertible bond*	**263**	225		
Convertible bond	**299**	242		
Equity portion	**(36)**	(17)		
Non interest-bearing liabilities	**1 067**	891		
Pension provisions	**173**	156		
Other provisions	**135**	163		
Non-current provisions (note 17)	**308**	319		
Bills and leases discounted with recourse and repurchase obligations	**592**	263		
Fair value of derivatives	**18**			
Other creditors	**149**	309		
Deferred tax liabilities (note 13)	**617**	318		
Total non-current liabilities	**5 195**	3 845		

* US$75 million was raised in 1994 through Barloworld International Investment PLC by way of a 10-year convertible bond issue guaranteed by Barloworld Limited. The bonds carry a coupon rate of 7% and are convertible into Barloworld Limited ordinary shares at a conversion price per share of R35,20. The bonds are convertible at the option of the holder between May 1995 and September 2004. The company, under certain circumstances, has a call option to convert the bonds into ordinary shares at any time from 20 September 1999 to maturity date. During the current year no bonds were converted. However, US$560 000 (2001: US$505 000) of the bonds were repurchased and accordingly, the outstanding balance at 30 September 2002 amounts to US$26,2 million (2001: US$26,8 million), which would require the issue of 3 022 242 (2001: 3 086 754) Barloworld shares.

	Liabilities secured		Net book value of property, plant and equipment and finance lease receivables encumbered	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
Secured liabilities				
Secured loans				
South African rand	**17**	21		19
Foreign currencies	**1 153**	401	**1 130**	529
Liabilities under capitalised finance leases				
South African rand	**466**	302	**287**	255
Foreign currencies	**1 167**	1 135	**1 231**	1 101
Total secured liabilities	**2 803**	1 859	**2 648**	1 904

14. NON-CURRENT LIABILITIES continued

Summary of group borrowings by currency and by year of redemption or repayment – excluding convertible bond

R million	Total owing 2002	2003	2004	2005	2006	2007 and onwards	Total owing 2001
Total SA rand	**1 260**	402	314	114	14	416	1 098
US dollar	**843**		843				176
UK sterling	**2 304**	964	653	300	174	213	1 508
Japanese yen	**108**		108				106
Euro	**446**	355	91				702
Other	**18**	10	5	2	1		22
Total foreign currencies	**3 719**	1 329	1 700	302	175	213	2 514
Total SA rand and foreign currency liabilities	**4 979**	1 731	2 014	416	189	629	3 612

Included in secured liabilities on the previous page are loans in the United Kingdom and United States amounting to R1 137 million (2001: R374 million), which are secured by a charge over specific lease receivables under a securitisation transaction. Repayment of the loans will only be made from cash received from the specific receivables subject to the securitisation transaction that amounted to R1 137 million as at 30 September 2002 (R488 million as at 30 September 2001).

	GROUP 2002 Rm	GROUP 2001 Rm	COMPANY 2002 Rm	COMPANY 2001 Rm
15. AMOUNTS DUE TO BANKERS AND SHORT-TERM LOANS				
Bank overdrafts and acceptances	**1 699**	1 623	**496**	
Short-term loans	**247**	762		
Current portion of long-term borrowings (note 14)	**1 731**	1 201		
	3 677	3 586	**496**	
16. TRADE AND OTHER PAYABLES				
Trade and other payables	**4 850**	3 982	**13**	16
Fair value of derivatives	**26**			
Bills and leases discounted with recourse and repurchase obligations	**292**	131		
	5 168	4 113	**13**	16
17. PROVISIONS				
Non-current (note 14)	**308**	319		
Current	**553**	339	**9**	7
	861	658	**9**	7

	Total 2002 Rm	Environmental rehabilitation Rm	Onerous contracts Rm	Insurance claims Rm	Maintenance contracts Rm	Retirement benefits Rm	Warranty claims Rm	Other Rm
17. PROVISIONS continued								
Group								
Movement of provisions								
Balance at beginning of year as previously reported	**658**	96	93	44	79	192	64	90
Amounts added	**488**	10	18		108	162	51	139
Amounts used	**(303)**		(24)		(80)	(66)	(30)	(103)
Amounts reversed unused	**(15)**					(3)	(3)	(9)
Arising on acquisitions	**5**	4				1		
Exchange adjustments	**36**		1		4	14	9	8
Other	**(8)**	(7)	(3)	5	9	13	17	(42)
Balance at end of year	**861**	103	85	49	120	313	108	83
To be incurred								
Within one year	**553**	2	70	49	115	140	104	73
Between two to five years	**60**	7	15		5	24	4	5
More than five years	**248**	94				149		5
	861	103	85	49	120	313	108	83

Environmental rehabilitation

The provisions relate to factory decommissioning and quarry rehabilitation costs in Pretoria Portland Cement. Group companies are required to restore mine and processing sites at the end of their productive lives to an acceptable condition consistent with the group's environmental policies. The expected cost of any committed decommissioning or restoration programme, discounted to its net present value, is provided at the beginning of each project.

Onerous contracts

The provisions include closure provisions for discontinued operations, consisting mainly of future rental costs on unoccupied leased properties in Federated Blaikie and Bartons Steel Tube. The provision is calculated based on the discounted present value of contractual rental costs.

Insurance claims

The provision arises from outstanding claims in Barloworld Insurance Company which manages the group's insurance programme.

Maintenance contracts

The provisions relate to maintenance and repair contracts on capital equipment.

Retirement benefits

The provisions comprise mainly post-retirement benefits for existing and former employees. Also included is a provision for closure of a group pension fund (R100 million). Actuarial valuations were used to determine the value of the provisions where necessary.

Warranty claims

The provisions relate principally to warranty claims on capital equipment, spare parts and service. The estimate is based on claims notified and past experience.

	GROUP		COMPANY	
	2002 Rm	2001 Rm	**2002 Rm**	2001 Rm
18. REVENUE				
Sale of goods	**30 741**	24 372		
Rendering of services	**2 925**	1 743		
Rentals received	**1 438**	1 100	**14**	19
Hire-purchase and finance lease income	**885**	667		
Other	**10**	63		
	35 999	27 945	**14**	19

Where companies act as agents and are remunerated on a commission basis, only the commission income, and not the value of the business handled, is included in revenue. Interest and dividends received are not included in revenue and are shown in note 21.

Notes to the annual financial statements continued

for the year ended 30 September 2002

	GROUP 2002 Rm	GROUP 2001 Rm	COMPANY 2002 Rm	COMPANY 2001 Rm
19. OPERATING PROFIT				
Operating profit is arrived at after taking into account the items detailed below:				
Cost of sales*	**28 173**	21 236		
Interest paid by leasing operations:				
External	**227**	183		
Group (note 21)	**95**	89		
	322	272		
Income from subsidiaries:				
Fees			**61**	48
Interest			**43**	16
Dividends			**1 007**	199
			1 111	263
Depreciation (note 4)	**1 305**	1 023	**8**	7
Amortisation of patents and trademarks	**3**	4	**2**	2
Operating lease charges:				
Land and buildings	**275**	207		
Plant, vehicles and equipment	**80**	22	**2**	2
	355	229	**2**	2
Research and development costs	**38**	30		
Administration, management and technical fees paid	**70**	72	**5**	4
Auditors' remuneration:				
Audit fees	**38**	28	**2**	2
Fees for other services	**12**	6		
Expenses	**2**	1		
	52	35	**2**	2
Directors' emoluments paid by holding company and subsidiaries (note 32):				
Executive directors				
Salary	**22,1**	13,3		
Benefits	**14,4**	4,1		
Bonuses	**10,5**	6,3		
Share options exercised	**7,5**	6,3		
	54,5	30,0		

* *Cost of sales includes depreciation of R949 million (2001: R759 million), as well as operating lease charges of R153 million (2001: R65 million) and staff costs of R1 934 million (2001: R1 520 million).*

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
19. OPERATING PROFIT continued				
Non-executive directors				
Fees	**1,8**	1,5		
Other emoluments	**4,8**	2,3		
	6,6	3,8		
Total directors' emoluments	**61,1**	33,8		
Staff costs	**3 556**	2 749		
Profit on disposal of rental assets	**(78)**	(30)		
Loss on disposal of other plant and equipment	**1**	4		
Exchange losses		6		
Amounts expensed in respect of retirement benefit plans (note 29):				
Defined contribution plans#	**198**	146		
Defined benefit plans	**68**	35		
Operating expenses by function:				
Distribution costs	**1 957**	1 408		
Administrative costs	**4 020**	3 390	**117**	97
Other operating costs	**1 123**	830		
	7 100	5 628	**117**	97
20. FINANCE COSTS				
Interest paid				
Convertible bond	**(25)**	(16)		
Other term borrowings	**(31)**	(50)		
Bank and other borrowings	**(263)**	(170)	**(41)**	(9)
Interest on capitalised finance leases	**(83)**	(71)		
Amounts capitalised	**1**	2		
	(401)	(305)	**(41)**	(9)
Gains on derivatives designated as hedging instruments	**(14)**			
Gains on translation of foreign currency monetary items	**39**		**1**	
Gains on other derivatives	**30**		**3**	
	(346)	(305)	**(37)**	(9)

Borrowing costs included in the cost of assets capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 14,75% (2001: 10% to 11%) to expenditure on such assets.

After taking into account a contribution holiday of R1 million (2001: R21 million).

	GROUP 2002 Rm	GROUP 2001 Rm	COMPANY 2002 Rm	COMPANY 2001 Rm
21. INCOME FROM INVESTMENTS				
Dividends				
Listed investments	**1**	1		
Unlisted investments	**29**	34	**1**	1
Associate companies#		25		
Interest received	**128**	105	**5**	1
Group interest received from leasing operations*	**95**	89		
	253	254	**6**	2
22. EXCEPTIONAL ITEMS				
Impairment losses	**(131)**	(207)		
Profit on disposal of properties, investments and subsidiaries	**352**	6		
Realisation of translation reserve on liquidation of offshore subsidiaries	**201**			(2)
Provision for pension fund closure costs	**(100)**			
Gain arising on Pretoria Portland Cement share issue to acquire Portland Holdings	**60**			
Other	**(3)**	(64)	**(38)**	(72)
	379	(265)	**(38)**	(74)
Attributable exceptional items of associates (impairment losses)	**(10)**	(13)		
Gross exceptional profits/(losses)	**369**	(278)	**(38)**	(74)
Taxation	**32**	(3)		
	401	(281)	**(38)**	(74)
Minority interests	**(54)**	14		
Net exceptional profits/(losses)	**347**	(267)	**(38)**	(74)
23. TAXATION				
South African normal taxation				
Current year	**218**	80		
Prior year	**(3)**	2	**(7)**	
	215	82	**(7)**	
Foreign and withholding taxation				
Current year	**314**	274	**4**	
Prior year	**21**	(3)		
	335	271	**4**	
Deferred taxation				
Current year	**66**	(5)	**(21)**	(6)
Prior year	**(37)**	(8)		
Attributable to a change in the rate of income tax	**1**			
	30	(13)	**(21)**	(6)
Secondary taxation on companies	**56**	43		26
Taxation attributable to the company and its subsidiaries	**636**	383	**(24)**	20

Dividends from associate companies are included with Income from associates and joint ventures in the current year.

* *Interest paid by leasing operations disclosed under cost of sales (refer note 19).*

	GROUP 2002 %	GROUP 2001 %
23. TAXATION continued		
Reconciliation of rate of taxation:		
Taxation (excluding prior year and exceptional taxation) as a percentage of profit before taxation (excluding exceptional items)	**33,5**	29,8
Adjustment due to inclusion of dividend income	**0,5**	0,8
Effective rate of taxation	**34,0**	30,6
Reduction in rate of taxation	**4,5**	7,7
Exempt income	**0,8**	0,7
Tax losses of prior periods	**3,7**	7,0
Increase in rate of taxation	**(8,5)**	(8,3)
Disallowable charges	**(3,8)**	(1,0)
Foreign tax differential	**(1,6)**	(2,6)
Current year's tax losses in subsidiaries available for allowance against their future taxable profits	**(0,1)**	(1,3)
Secondary tax on companies	**(3,0)**	(3,4)
Net increase in rate of taxation for the year	**(4,0)**	(0,6)
South African normal taxation rate	**30,0**	30,0
	Rm	Rm
Group tax losses at the end of the year, arising primarily from operating losses, allowable for taxation:		
South African	**140**	86
Foreign	**38**	76
	178	162
Less: Utilised to reduce deferred taxation	**178**	162
Available to reduce future taxable income	**–**	–

As at 30 September 2002 the company had R169,5 million worth of credits in respect of secondary tax on companies (2001: R4,5 million).

Notes to the annual financial statements continued

for the year ended 30 September 2002

	GROUP 2002	GROUP 2001
24. NET PROFIT, EARNINGS AND CASH FLOW PER SHARE		
24.1 Fully converted weighted average number of shares		
Weighted average number of ordinary shares (net of share buy-back)	**195 284 248**	195 613 384
Increase in number of shares as a result of unexercised share options	**4 471 070**	3 245 732
	199 755 318	198 859 116
Increase in number of shares assuming conversion of the convertible bond	**3 022 242**	3 086 754
Fully converted weighted average number of shares	**202 777 560**	201 945 870
Account is taken of the number of ordinary shares in issue for the period in which they are entitled to participate in the net profit of the group.		
24.2 Net profit per share (basic)		
Net profit for the year (Rm)	**1 503**	617
Weighted average number of ordinary shares	**195 284 248**	195 613 384
Net profit per share (basic) (cents)	**769,6**	315,7
24.3 Net profit per share (fully diluted)		
Net profit for the year (Rm)	**1 503**	617
Adjusted for:		
After-tax interest saving assuming conversion of convertible bond where effect is dilutive	**19**	
	1 522	617
Fully converted weighted average number of shares	**202 777 560**	198 859 116
Net profit per share (fully diluted) (cents)	**750,6**	310,5
24.4 Earnings per share excluding exceptional items (basic)		
Net profit for the year (Rm)	**1 503**	617
Adjusted for:		
Exceptional items	**(347)**	267
	1 156	884
Weighted average number of ordinary shares	**195 284 248**	195 613 384
Earnings per share excluding exceptional items (basic) (cents)	**592,0**	452,0
24.5 Earnings per share excluding exceptional items (fully diluted)		
Net profit for the year (Rm)	**1 503**	617
Adjusted for:		
Exceptional items	**(347)**	267
	1 156	884
After-tax interest saving assuming conversion of convertible bond where effect is dilutive		12
	1 156	896
Fully converted weighted average number of shares	**199 755 318**	201 945 870
Earnings per share excluding exceptional items (fully diluted) (cents)	**578,7**	443,6

	GROUP 2002	2001
24. NET PROFIT, EARNINGS AND CASH FLOW PER SHARE continued		
24.6 Headline earnings		
Net profit excluding exceptional items (Rm)	**1 156**	884
Provision for pension fund closure costs (net of taxation)	**(70)**	
Goodwill amortisation	**116**	88
Interest in associate goodwill amortisation	**11**	
Loss on sale of plant and equipment (excluding rental assets)	**1**	4
	1 214	976
After-tax interest saving assuming conversion of convertible bond where effect is dilutive		12
	1 214	988
Weighted average number of ordinary shares	**195 284 248**	195 613 384
Headline earnings per share (basic) (cents)	**621,7**	499,0
Fully converted weighted average number of shares	**199 755 318**	201 945 870
Headline earnings per share (fully diluted) (cents)	**608,2**	489,2
24.7 Cash equivalent earnings		
Net profit for the year (Rm)	**1 503**	617
Adjusted for:		
Amortisation and depreciation	**1 424**	1 115
Deferred taxation	**30**	(13)
Impairment losses	**131**	207
Amortisation of convertible bond liability	**6**	
Other non-cash items	**(258)**	6
	2 836	1 932
Adjusted for minority share of non-cash items:		
Amortisation	**(1)**	
Depreciation	**(63)**	(53)
Deferred taxation	**5**	1
Impairment losses	**(39)**	
	2 738	1 880
After-tax cash interest saving assuming conversion of convertible bond where effect is dilutive	**14**	12
	2 752	1 892
Weighted average number of ordinary shares	**195 284 248**	195 613 384
Cash equivalent earnings per share (basic) (cents)	**1 402,2**	961,3
Fully converted weighted average number of shares	**202 777 560**	201 945 870
Cash equivalent earnings per share (fully diluted) (cents)	**1 357,1**	937,0

Notes to the annual financial statements continued

for the year ended 30 September 2002

	GROUP	
	2002	2001
24. NET PROFIT, EARNINGS AND CASH FLOW PER SHARE continued		
24.8 Attributable cash flow		
Cash flow from operations (Rm)	**2 209**	1 487
Adjusted for:		
Minority interests	**(216)**	(202)
	1 993	1 285
After-tax cash interest saving assuming conversion of convertible bond where effect is dilutive	**14**	12
	2 007	1 297
Weighted average number of ordinary shares	**195 284 248**	195 613 384
Attributable cash flow per share (basic) (cents)	**1 020,6**	657,0
Fully converted weighted average number of shares	**202 777 560**	201 945 870
Attributable cash flow per share (fully diluted) (cents)	**989,6**	642,2

	GROUP AND COMPANY	
	2002	2001
	Rm	Rm
25. DIVIDENDS		
Ordinary shares		
Final dividend No 144 paid on 21 January 2002: 145 cents per share (2001: 120 cents)	**311**	257
Interim dividend No 145 paid on 15 June 2002: 90 cents per share (2001: 75 cents)	**193**	161
	504	418
Dividend attributable to the share buy-back	**(45)**	(37)
	459	381
6% cumulative preference shares		
Preference dividends totalling R45 000 were declared on 21 September 2001 and 24 April 2002, paid on 12 October 2001 and 16 May 2002 respectively.		
Dividends per share (excluding special centenary dividend)	**Cents**	Cents
Interim dividend No 145	**90**	75
Final dividend No 146	**185**	145
	275	220

On 13 November 2002 the directors declared dividend No 146 of 185 cents per share and No 147 (special centenary dividend) of 100 cents per share. These dividends will be paid to shareholders on 20 January 2003.

	COMPANY	
	2002	2001
	Rm	Rm
26. ATTRIBUTABLE INTEREST IN SUBSIDIARIES		
Holding company	**967**	85
Attributable interest in the aggregate amount of profits and losses of subsidiaries, after taxation, including associate companies:		
Profits	**2 135**	1 329
Losses	**(1 599)**	(797)
Net profit for the year per income statement	**1 503**	617

	GROUP	
	2002	2001
	Rm	Rm
27. COMMITMENTS		
Capital expenditure commitments to be incurred:		
Contracted	**379**	537
Approved	**259**	186
	638	723

Commitments will be spent substantially in 2003. Commitments for capital expenditure are stated in current values which together with expected price escalations will be financed from:

1. The undrawn portions of existing and arranged long-term liabilities within the accepted gearing capacity of the group.
2. Certain of the existing cash resources and cash generated from operations.

	2007 and thereafter	2006	2005	2004	2003	**2002 Total**	2001 Total
	Rm	Rm	Rm	Rm	Rm	**Rm**	Rm
Operating lease commitments							
Land and buildings	641	166	189	229	269	**1 494**	1 434
Motor vehicles	4	7	33	66	98	**208**	151
Other	1	3	9	12	23	**48**	73
	646	176	231	307	390	**1 750**	1 658
Finance lease commitments							
Land and buildings	119	10	9	9	8	**155**	76
Motor vehicles					1	**1**	1
Other	99	14	14	14	12	**153**	12
	218	24	23	23	21	**309**	89

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
28. CONTINGENT LIABILITIES				
Guarantees for loans, overdrafts and liabilities of subsidiaries			**756**	742
Bills, repurchase obligations, leases and hire-purchase agreements discounted with recourse, other guarantees and claims	**394**	300		

Litigation, current or pending, is not considered likely to have a material adverse effect on the group.

29. RETIREMENT BENEFIT INFORMATION

It is the policy of the group to encourage, facilitate and contribute to the provision of retirement benefits for all permanent employees. To this end the group's permanent employees are usually required to be members of either a pension or provident fund, depending on their preference and local legal requirements.

Sixty percent of employees belong to six defined benefit and 33 defined contribution retirement funds in which group employment is a prerequisite for membership. Of these, four defined benefit and 19 defined contribution funds are located outside of South Africa and accordingly are not subject to the provisions of the Pension Funds Act of 1956. A further 40% of employees belong to defined contribution funds associated with industries or employee organisations.

Defined contribution plans

The total cost charged to income of R198 million (2001: R146 million) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes.

Defined benefit plans

Amounts recognised in income in respect of these schemes are as follows:

	GROUP	
	2002	2001
	Rm	Rm
Current service cost	**130**	93
Interest costs	**263**	226
Expected return on plan assets	**(289)**	(268)
Effect of externalisation	**(18)**	
	86	51
Less: Amount not recognised	**(18)**	(16)
Charge to income in respect of defined benefit funds for the year	**68**	35

The actual return on plan assets was R277 million (2001: R669 million).

All defined benefit funds are valued by independent actuaries as follows:

	Valuation interval	Latest statutory valuation
Barlows Pension Fund	Triennial	31 March 2001
Barloworld UK Pension Scheme	Triennial	1 April 2000
Bibby Pension Scheme	Triennial	1 April 2000
Barloworld Australia Superannuation Fund	Triennial	30 June 2001
Mutual Aid (Serama)	Annual	September 2002
PPC Retirement Fund	Not exceeding three years	28 February 2001

Based on the last statutory valuations and subsequent interim valuations conducted, the actuaries were of the opinion that the funds were in a sound financial position.

The pension plan assets consist primarily of equity (local and offshore), interest-bearing stock and property.

On 1 May 2002 the PPC Retirement Fund purchased non-GN18 platinum annuities from the Old Mutual Life Assurance Company (South Africa) Limited for existing pensioners of the defined benefit section of the PPC Retirement Fund.

	GROUP 2002 Rm	GROUP 2001 Rm
29. RETIREMENT BENEFIT INFORMATION continued		
The amount included in the balance sheet arising from the group's obligation in respect of defined benefit retirement benefit plans is set out below: This excludes the impact of the provision for pension fund closure costs*		
Present value of funded obligation	**(4 004)**	(5 689)
Unrecognised actuarial losses	**465**	157
Other	**19**	(8)
Fair value of plan assets	**3 776**	6 046
Net asset	**256**	506
Less: Amount not recognised on balance sheet	**9**	320
Net asset per balance sheet (note 5)	**247**	186
Movement in the net asset in the current year was as follows:		
At beginning of year	**186**	133
Exchange differences	**61**	38
Contributions	**86**	61
Expenses	**(86)**	(46)
At the end of year	**247**	186

Key assumptions used:

	South Africa 2002 %	South Africa 2001 %	UK and Europe 2002 %	UK and Europe 2001 %
Discount rate	**11,5**	12,0	**5,5**	6,1
Expected return on plan assets	**10,5**	15,0	**7,5**	7,5
Expected rate of salary increases	**8,0**	11,5	**2,5**	3,6
Future pension increases	**6,7**	6,7	**1,5**	2,1

Historically, qualifying employees were granted certain post-retirement medical benefits. The obligation for the employer to pay medical aid contributions after retirement is not part of the conditions of employment for new employees. A number of pensioners and employees in the group remain entitled to this benefit, the cost of which has been fully provided.

* After careful consideration of the latest trends and developments in the provision of retirement benefits, including the move away from defined benefit funds to defined contribution funds, the board has approved the principle of winding up one of the group's South African pension funds. A gross provision of R100 million (R70 million net of deferred tax) has been raised, based on actuarial calculations, to cover the additional costs projected to arise on the closure of this fund. This represents 3,3% of the value of the fund's assets, which amount to approximately R3 billion.

30. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

In the current year, the group adopted the following International Financial Reporting Standards:

IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

IAS 39 has introduced a comprehensive accounting framework for all financial instruments. The group's detailed accounting policies in respect of such instruments are set out under the principal accounting policies in note 1. The main impact of the adoption of IAS 39 has been that all of the group's investments are now carried at fair value, and that derivative financial instruments have been brought on-balance sheet. The adjustments resulting from the remeasurement of investments to fair value and bringing derivative financial instruments on-balance sheet at fair value have been recognised with effect from 1 October 2001 and can be summarised as follows:

	Rm
Revaluation reserves – excess of fair value of available-for-sale investments over cost	18
Hedging reserves – net fair value of derivatives designated as hedging instruments	(34)
Retained income – net fair value of derivatives not designated as hedging instruments	(11)
Foreign currency translation reserve – net fair value adjustments	12
Convertible bond – adjustment to equity portion	17
Other adjustments to reserves	(18)
Total adjustment to reserves as at 1 October 2001	(16)

The impact of adopting IAS 39 on the income statement in the current year has been to decrease profit before tax by R15 million. There has also been a R34 million debit to cash flow hedging reserves.

Under IAS 40, the group's investment properties continue to be accounted for at cost, less accumulated depreciation and any accumulated impairment losses. The adoption of IAS 40 has therefore had no material impact on the group's reported results.

In the current year, the financial statements reflect the long-term loan made by the PPC Group to Saldanha Steel separately from the capitalised lease liability relating to the leased facilities at Saldanha. In the prior year the loan and liability were subject to set-off with only the net liability being shown. If a similar disclosure had been applied in 2001, it would have resulted in an increase in non-current assets of R111,9 million and a corresponding increase in non-current liabilities. No changes to comparatives have been made as the impact on the financial statements is not considered material.

In the current year, dividends received from associates and joint ventures have been included with income from associates on the face of the income statement, whereas they were previously disclosed under income from investments. No changes to income statement comparatives have been made as there is no impact on reported earnings per share.

31. FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries and bills, leases, hire-purchase agreements discounted with recourse and derivatives. Details of the agreements discounted with recourse are provided in note 28 to the annual financial statements.

Derivative instruments are used by the group for hedging purposes. Such instruments used by the group are forward exchange contracts and fixed interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

31. FINANCIAL RISK MANAGEMENT continued

31.1 Treasury risk management

A finance committee consisting of senior executives of the group meets on a regular basis to analyse currency and interest rate exposure and to re-evaluate treasury management strategies against revised economic forecasts.

The group's various treasury operations provide the group with access to local money markets and provide group subsidiaries with the benefit of bulk financing and depositing.

31.2 Foreign currency management

Loans

In terms of group policy, all material foreign loans, other than the convertible bond, are covered under forward exchange contracts (except where a natural hedge against underlying assets exists).

Trade exposure

The group's policy is to cover forward all trade commitments other than those in recognised hard currencies. Each division manages its own trade exposure. In this regard the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the balance sheet, but were entered into to cover foreign commitments not yet due and proceeds not yet received. The risk of having to close out these contracts is considered to be low.

All forward exchange contracts and related currency options are valued at fair value with the resultant profit or loss, with the exception of effective cash flow hedges, included in finance costs for the period. The profits or losses on effective cash flow hedges are recorded directly in equity and either transferred to income when the hedged transaction affects income or are included in the initial acquisition cost of the hedged assets or liabilities where appropriate.

The following amounts represent the rand equivalents of commitments to purchase and sell foreign currencies in terms of forward exchange contracts. The contracts will be utilised during the next 12 months. Accordingly, the average rates shown include the cost of forward cover for a maximum of 12 months. Details of these contracts are as follows:

		Foreign amount (million)		Average rate		Rand amount (million)		Fair value (loss)/gain (Rm)
		2002	2001	**2002**	2001	**2002**	2001	**2002**
Foreign currency								
Bought:	US dollar	**57,3**	69,0	**10,79**	8,27	**618**	571	**(5)**
	Pound sterling	**5,6**	2,3	**17,09**	12,68	**95**	29	**1**
	Japanese yen	**605,8**	95,9	**0,09**	0,07	**53**	7	**(1)**
	Euro	**9,4**	5,0	**10,60**	8,20	**100**	41	**1**
	Other currencies	**1,0**				**4**	5	
Sold:	US dollar	**4,0**		**10,80**		**43**		
								4

31. FINANCIAL RISK MANAGEMENT continued

31.3 Interest rate management

As part of the process of managing the group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. The interest rate profile of total borrowings is as follows:

	Currency	Year of redemption/ repayment	Interest rate (%)	**2002 Rm**	2001 Rm
Liabilities in foreign currencies					
Secured loans	GBP	2003/2006	2,9 – 4,8	**1 137**	374
	Pula	2003/2007	14,8	**16**	
	JPY		2,0		11
	Other		15,5 – 15,8		16
Unsecured loans	USD	2004	Libor + 0,65	**843**	174
	JPY	2004	Libor + 0,65	**108**	95
	EUR	2003/2004	Libor + 0,5	**440**	414
	EUR	2003/2004	5,0	**6**	28
	Other	2003	29,5	**2**	
	EUR		Mibor + 0,35		266
Liabilities under capitalised finance leases	GBP	2003/2007	6,8 – 8	**1 167**	1 135
Total foreign currency liabilities				**3 719**	2 513
South African rand liabilities					
Secured loans		2003	16,0	**17**	21
Unsecured loans		2003/2005	13,4	**777**	776
Liabilities under capitalised finance leases		2003/2013	10,16 – 16	**466**	302
Total South African rand liabilities				**1 260**	1 099
Total South African rand and foreign currency liabilities (note 14)				**4 979**	3 612
Interest rates					
Loans at fixed rates of interest				**2 794**	1 830
Loans linked to South African money market				**794**	805
Loans linked to Libor*/Mibor#				**1 391**	977
				4 979	3 612

* *Libor – London inter-bank offered rate*
# *Mibor – Madrid inter-bank offered rate*

Included in the liabilities above is a R108 million foreign currency loan designated as a foreign entity net investment hedge.

Interest rate derivatives

As at September 2002, the group had 28 interest rate swap contracts outstanding as detailed below. They were for a total amount of R839 million and had a favourable fair value of R33 million. Twenty-two interest rate swap contracts were designated as cash flow hedges and six cross currency interest rate swap contracts were designated as foreign entity net investment hedges.

	Currency	Interest rate (%)	Maturity date	Nominal value Rm	Fair value gain/(loss) Rm
31. FINANCIAL RISK MANAGEMENT continued					
Interest rate swaps					
Cross currency interest rate swap contracts	GBP	5 – 5,3	2003 – 2005	1 631	1 631
Cross currency interest rate swap contracts	EUR	3,7	2003 – 2005	(878)	(876)
Cross currency interest rate swap contracts	USD	6,0	2004 – 2005	(527)	(524)
Cross currency interest rate swap contracts	AUD	6,0	2005	(172)	(171)
Designated cash flow hedge interest rate swap contracts	USD	2,38 – 4,65	2004 – 2006	230	(11)
Designated cash flow hedge interest rate swap contracts	GBP	4,27 – 7,28	2003 – 2008	555	(16)
Total				839	33

31.4 Maturity profile of financial instruments

The maturity profile of the financial instruments are summarised as follows:

	<1 year Rm	2 – 4 years Rm	>4 years Rm	Total Rm
Financial assets				
Cash and cash equivalents	1 754			1 754
Trade and other receivables	5 509	2 446	592	8 547
Financial liabilities				
Interest-bearing liabilities	3 677	2 883	628	7 188
Trade and other payables	5 721	1 067		6 788

31.5 Fair value of financial assets and liabilities

Certain financial assets and liabilities which are accounted for at historical cost may differ from their fair value. The estimated fair values have been determined using available market information and appropriate valuation methodologies as detailed below:

	Book value Rm	Fair value Rm
Financial assets		
Cash and cash equivalents	1 754	1 754
Trade and other receivables	8 547	8 547
Financial liabilities		
Non-current interest-bearing borrowings	3 511	3 495
Short-term borrowings and bank overdraft	3 677	3 673
Trade and other payables	6 788	6 788

The following methods and assumptions were used by the group in determining fair values:

Financial assets

The book value of cash and cash equivalents, trade and other receivables approximates the fair value.

31. FINANCIAL RISK MANAGEMENT continued

Financial liabilities

The book value of short-term borrowings, trade and other payable approximates the fair value.

The carrying value of non-current borrowings is calculated using discounted cash flow analyses using the applicable yield curve for the duration of the borrowing.

31.6 Credit risk management

Potential areas of credit risk consist of trade accounts receivable and short-term cash investments.

Trade account receivables consist mainly of a large widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application and account limits. Provision is made for both specific and general bad debts and at the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or a bad debt provision.

It is group policy to deposit short-term cash investments with major banks and financial institutions.

31.7 Liquidity risk management

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

	2002 Rm	2001 Rm
The company's borrowings and guarantees are limited by its articles of association to the total of the interest of Barloworld Limited shareholders and the deferred tax liability	**11 851**	9 395
Total borrowings and guarantees given	**7 582**	6 522
Unutilised borrowings capacity	**4 269**	2 873

32. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

The directors' remuneration for the year ended 30 September 2002 was as follows:

	Salary R000	Bonus R000	Retirement and medical contributions R000	Share options exercised/ceded R000	Other benefits R000	**Total 2002 R000**	Total 2001 R000
Executive directors							
DC Arnold	1 670	735	431	630	192	**3 658**	3 933
K Brown	5 326	2 646	6 078		224	**14 274**	6 893
MD Coward	1 225	563	245	392	207	**2 632**	3 111
LS Day	1 180	540	273	724	238	**2 955**	2 513
BP Diamond	1 010	505	210	706	211	**2 642**	
R Fernandez-Urrutia	2 011	1 006	1 729	1 155		**5 901**	
JE Gomersall	1 550	725	350		272	**2 897**	4 327
AJ Lamprecht	1 300	600	264	684	203	**3 051**	2 877
PJ Maybury	3 270	1 560	1 829	318	169	**7 146**	
AJ Phillips	2 300	1 050	511	754	328	**4 943**	3 924
PM Surgey	1 310	605	236	2 112	147	**4 410**	2 490
	22 152	10 535	12 156	7 475	2 191	**54 509**	30 068

Benefits include company vehicles, housing and share purchase trust loans, company contributions to retirement funds and medical aid. Bonuses are performance related.

	Fees R000	Other R000	Total 2002 R000	Total 2001 R000
32. DIRECTORS' REMUNERATION AND INTERESTS continued				
Non-executive directors				
WAM Clewlow	875	725	**1 600**	1 367
RKJ Chambers	149	2 032#	**2 181**	554
PTW Curtis	28		**28**	70
Sir Andrew Hugh Smith	21	558	**579**	1 386
MJ Levett	129		**129**	88
RM Mansell-Jones				76
DB Ntsebeza	89		**89**	52
SB Pfeiffer	89	382	**471**	5
G Ross Russell	109	638	**747**	
LA Tager	89		**89**	52
EP Theron	129	35	**164**	118
RC Tomkinson	89	422	**511**	
	1 796	4 792	**6 588**	3 768
Total			**61 097**	33 836

There are no directors with service contracts with termination benefits exceeding one year's salary and notice periods in excess of one year, with the following exceptions:

	Period of service contract
K Brown	3 years
PJ Maybury	2 years

Interest of directors in contracts
The directors have certified that they were not materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

Interest of directors of the company in share capital
The aggregate beneficial holdings as at 30 September 2002 of the directors of the company and their immediate families (none of which has a holding in excess of 1%) in the issued ordinary shares of the company are detailed below. There have been no material changes in these shareholdings since that date.

	2002		2001	
	Direct	Indirect	Direct	Indirect
Executive directors				
DC Arnold	**40 364**		50 364	
K Brown	**2 000**		2 000	
MD Coward	**24 415**		24 415	
LS Day	**31 467**		41 467	
JE Gomersall	**80 000**		80 000	
AJ Lamprecht	**20 000**		15 000	
AJ Phillips	**96 600**		66 700	
PM Surgey	**52 278**		17 278	
BP Diamond	**5 237**			
	352 361		297 224	
Non-executive directors				
PTW Curtis				2 083
RKJ Chambers	**10 000**		10 000	
WAM Clewlow	**365 334**	**16 592**	365 334	16 592
Sir Andrew Hugh Smith			2 000	
MJ Levett	**25 630**		25 630	
G Ross Russell		**1 600**		
RC Tomkinson		**2 000**		
	400 964	**20 192**	402 964	18 675
	753 325	**20 192**	700 188	18 675

Includes R1 430 000 on share options exercised granted as an executive director.

	Number of options as at 30 Sept 2001	Number of options exercised/ ceded during the year	**Number of options as at 30 Sept 2002**	Option price	Date from which exercisable	Expiry date
32. DIRECTORS' REMUNERATION AND INTERESTS continued						
Interest of directors of the company in share options						
The interests of the executive and non-executive directors in shares of the company provided in the form of options are shown in the table below:						
DC Arnold	30 000	10 000	**20 000**	4 450	16/2/01	16/2/08
	20 000	10 000	**10 000**	2 325	01/9/01	01/9/08
	35 000		**35 000**	3 670	29/5/03	29/5/10
	30 000		**30 000**	4 570	25/9/04	25/9/11
K Brown	40 000		**40 000**	4 450	16/2/01	16/2/08
	30 000		**30 000**	2 325	01/9/01	01/9/08
	35 000		**35 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 570	25/9/04	25/9/11
RKJ Chambers	33 334	16 666	**16 668**	4 450	16/2/01	16/2/08
	40 000	26 666	**13 334**	2 325	01/9/01	01/9/08
WAM Clewlow	73 334		**73 334**	2 650	14/1/97	14/1/04
MD Coward	20 000	15 000	**5 000**	4 300	21/5/99	21/5/06
	40 000		**40 000**	4 450	16/2/01	16/2/08
	30 000		**30 000**	2 325	01/9/01	01/9/08
	30 000		**30 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 570	25/9/04	25/9/11
LS Day	23 400	11 700	**11 700**	4 100	01/4/01	01/4/08
	20 000	10 000	**10 000**	2 325	01/9/01	01/9/08
	30 000		**30 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 570	25/9/04	25/9/11
BP Diamond	23 334	5 000	**18 334**	4 100	01/4/01	01/4/08
	26 000	17 333	**8 667**	2 325	01/9/01	01/9/08
	30 000		**30 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 570	25/9/04	25/9/11
R Fernandez-Urrutia	35 000	23 333	**11 667**	4 100	01/4/01	01/4/08
	26 000	8 666	**17 334**	2 325	01/9/01	01/9/08
	25 000		**25 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 570	25/9/04	25/9/11
JE Gomersall	50 000		**50 000**	4 450	16/2/01	16/2/08
	40 000		**40 000**	2 325	01/9/01	01/9/08
	35 000		**35 000**	3 670	29/5/03	29/5/10
	30 000		**30 000**	4 570	25/9/04	25/9/11

	Number of options as at 30 Sept 2001	Number of options exercised/ ceded during the year	**Number of options as at 30 Sept 2002**	Option price	Date from which exercisable	Expiry date
32. DIRECTORS' REMUNERATION AND INTERESTS continued						
AJ Lamprecht	26 667	13 333	**13 334**	4 450	16/2/01	16/2/08
	20 000	10 000	**10 000**	2 325	01/9/01	01/9/08
	30 000		**30 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 750	25/9/04	25/9/11
PJ Maybury	20 000	10 000	**10 000**	4 100	01/4/01	01/4/08
	15 000		**15 000**	2 325	01/9/01	01/9/08
	25 000		**25 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 570	25/9/04	25/9/11
AJ Phillips	33 400	16 600	**16 800**	4 450	16/2/01	16/2/08
	26 700	13 300	**13 400**	2 325	01/9/01	01/9/08
	50 000		**50 000**	3 670	29/5/03	29/5/10
	40 000		**40 000**	4 570	25/9/04	25/9/11
PM Surgey	70 000	70 000		2 650	14/1/97	14/1/04
	33 000		**33 000**	4 450	16/2/01	16/2/08
	30 000		**30 000**	2 325	01/9/01	01/9/08
	35 000		**35 000**	3 670	29/5/03	29/5/10
	25 000		**25 000**	4 570	25/9/04	25/9/11
	1 535 169	287 597	**1 247 572**			

A register detailing directors' and officers' interest in the company is available for inspection at the company's registered office.

for the year ended 30 September 2002

		Issued capital		Effective percentage holdings		Interest of holding company				Amounts owing to subsidiaries	
						Shares		Indebtedness			
		Cur-		**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	Type	rency	Amount	**%**	%	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
33. PRINCIPAL SUBSIDIARY COMPANIES											
Barloworld Australia (Pty) Limited[5]	H	AUD	51 525 504	**100**	100						
Barloworld Botswana (Pty) Limited[3]	H	BWP	35 329 536	**100**	100						
Barloworld Capital (Pty) Limited	F	ZAR	30 100 000	**100**	100	**30**	30	**687**	567		
Barloworld Coatings (Australia) (Pty) Limited[5]	O	AUD	27 246 000	**100**	100						
Barloworld Coatings (Pty) Limited – Ord	O	ZAR	2 197 295	**100**	100	**37**	37			**101**	101
– 'A' Ord		ZAR	527 705	**100**	100						
– 'B' Ord		ZAR	1 952 509	**100**	100						
Barloworld Equipment (Pty) Limited	O	ZAR	2	**100**	100						
Barloworld Equipment UK Limited	O	GBP	4 500 000	**100**	100					**5**	5
Barloworld Holdings PLC[1]	H	GBP	109 200 117	**100**	100						
Barloworld Industrial Distribution Limited[1]	O	GBP	2 125 000	**100**	100						
Barloworld International Investment PLC[1]	F	GBP	50 000	**100**	100						
Barloworld Logistics (Pty) Limited	O	ZAR	100	**100**	100						
Barloworld Motor (Pty) Limited	O	ZAR	600 000	**100**	100	**1**	1			**5**	5
Barloworld Namibia (Pty) Limited[4]	H	NAD	1 450 000	**100**	100	**4**	4				
Barloworld Scientific Group Limited[1]	O	GBP	17 000 000	**100**	100						
Finanzauto SA[2]	O	EUR	44 414 042	**99,7**	99,7						
Pretoria Portland Cement Company Limited	O	ZAR	53 743 539	**66,2**	68,1	**35**	35	**4**			167
RIH Investments (Pty) Limited – Ord	O	ZAR	3 264 730	**100**	100	**131**	131	**243**	180		
– 'A' Ord		ZAR	587 651	**100**	100						
Sociedade Technica De Equipamentos e Tractores SA[6]	O	EUR	4 000 000	**98,8**	98,8						
Other foreign subsidiaries*						**31**	31			**149**	343
Other companies*						**102**	102	**2 228**	1 971	**754**	684
						371	371	**3 162**	2 718	**1 014**	1 305

* *A full list of subsidiaries and a list of the special resolutions of those companies are available to the shareholders, on request, from the registered office of the company.*

All companies are incorporated in (or operate principally in) the Republic of South Africa except where otherwise indicated.

1. United Kingdom
2. Spain
3. Botswana
4. Namibia
5. Australia
6. Portugal

Keys to type of subsidiary

H – Holding companies

O – Operating companies

F – Finance companies

Any material changes which have taken place during the year are dealt with in the appropriate operational reviews.

	Principal products or activities	Percentage held by investor 2002	2001
34. SIGNIFICANT JOINT VENTURES AT 30 SEPTEMBER 2002			
Pretoria Portland Cement Company Limited			
Ash Resources (Pty) Limited	Ash distribution		25,0
Natal Portland Cement Company Limited	Cement manufacture		32,8
Slagment (Pty) Limited	Slag-based products	**33,3**	33,3

Capital commitments

There are no capital commitments in relation to the reporting companies' interests in joint ventures and their share of joint commitments.

	Securities exchange	Number of shares 2002	2001
35. LISTED AND UNLISTED INVESTMENTS AS AT 30 SEPTEMBER 2002			
Number of shares held by the holding company and by subsidiaries, where material, are as follows:			
Listed investments			
Astral Foods Limited	South Africa	**9 324**	9 324
Nampak Limited	South Africa	**36 038**	97 645
Illovo Sugar Limited	South Africa	**19 811**	53 666
Tiger Brands Limited	South Africa	**9 888**	26 776
Reunert Limited	South Africa	**47 108**	174 733
Inno Active Property Solutions Limited	South Africa	**23 820**	23 820
Astra Industries Limited	Zimbabwe	**15 311 155**	15 311 155
Tractive Power Holdings Limited	Zimbabwe	**15 311 155**	15 311 155
Cairns Holdings Limited	Zimbabwe	**15 311 155**	15 311 155
Unlisted investments			
Business Partners Limited		**2 209 594**	2 209 594
BOE Bank Trust – preference shares		**246 850 000**	246 850 000
Energyst B.V.		**31 407**	

The detailed registers of investments are open for inspection at the registered office of the companies.

Notes to the annual financial statements continued

for the year ended 30 September 2002

	Principal products or activities	Issued share capital R000	Percentage held by investor 2002	2001
36. INVESTMENT IN ASSOCIATE COMPANIES AT 30 SEPTEMBER 2002				
Pretoria Portland Cement Company Limited				
Amanzi Lime Services (Pty) Limited	Lime services	4	**50**	50
Kgale Quarries	Aggregate manufacture	378	**50**	50
Shaleje Service Trust	Administration service		**38**	
Barloworld Coatings (Pty) Limited				
International Paints (Pty) Limited	Industrial coatings	20	**49**	49
Herberts – Plascon (Pty) Limited	Automotive coatings	21	**49**	49
Schenectady SA (Pty) Limited	Resin manufacturing	8 536	**49**	49
Longridge (Pty) Limited	Paint manufacturing	1	**50**	50
Valspar (SA) (Pty) Limited	Can coatings	17	**20**	20
Sizwe Paints (Pty) Limited	Decorative distribution		**30**	30
Barloworld Robor (Pty) Limited				
Mine Support Products (Pty) Limited	Pit props	1	**50**	50
Stemcor SA (Pty) Limited	Steel and metal traders			50
Shosholoza (Pty) Limited	Steel and metal traders		**30**	30
Bonskia Investment (Pty) Limited	Steel and metal traders		**49**	
Barloworld Investments (Pty) Limited				
Avis Southern Africa Limited	Transport	171 282	**26**	26
Barloworld Holdings plc				
Barzem Enterprises (Pty) Limited	Caterpillar dealer	48	**35**	35
Select Trucks LLC	Used truck dealer		**50**	50
Finaltair Barloworld SA	Energy generation	1 250	**50**	
Barloworld Australia (Pty) Limited				
Mercedes-Benz of Melbourne (Pty) Limited	Motor retailer	2 000	**49**	49
Chemcorp Australia (Pty) Limited	Paint distributor	200	**50**	50
Barloworld Equipment Company				
Surcotec (Pty) Limited	Metal spraying and general engineering		**40**	40
Umndeni Circon (Pty) Limited	Generator set manufacturing	1	**33**	

37. RELATED PARTY TRANSACTIONS

Various transactions are entered into by the company and its subsidiaries during the year with related parties. Unless specifically disclosed these transactions occurred under terms that are no less favourable than those entered into with third parties. Intra-group transactions are eliminated on consolidation.

Associates and joint ventures

Details of investments in associates and joint ventures are disclosed in notes 7 and 34 to 36.
Income from associates and joint ventures are disclosed in note 7.

	2002 Rm	2001 Rm
Value of goods and services sold to associates and joint ventures		
Avis Southern Africa Limited	**193**	64
Other associates and joint ventures	**342**	322
	535	386
Value of goods and services purchased from associates and joint ventures		
Avis Southern Africa Limited	**46**	38
Other associates and joint ventures	**186**	125
	232	163
Value of other transactions with associates and joint ventures		
Management fees received	**14**	15
Value of amounts due to associates and joint ventures as at 30 September	**14**	8
Value of amounts due by associates and joint ventures as at 30 September	**44**	46

Rebates of 1,25% on new vehicle revenue and 1,5% on maintenance revenue are paid out to Avis Southern Africa Limited on a quarterly basis.

Subsidiaries

Details of income from subsidiaries are disclosed in note 19.
Details of investments in subsidiaries are disclosed in notes 5 and 33.

Directors

Details regarding directors' remuneration and interest are disclosed in note 32.

Senior employees

Details regarding share options are disclosed in note 12.

Shareholders

The principal shareholders of the company are disclosed on page 138.

The group's borrowings include short-term loans of R600 million from Old Mutual Life Assurance Company SA Limited as at 30 September 2002 (2001: R600 million).

Contingent liabilities

Details disclosed per note 28 include repurchase obligations to Avis Southern Africa Limited to the value of R58 million as at 30 September 2002 (2001: R25 million).

Barloworld in the stock market

Barloworld shares have a primary listing on the JSE Securities Exchange South Africa and secondary listings on the Brussels, Frankfurt, London, Namibia and Swiss SWX exchanges.

The company's access codes are:

JSE: BAW
ISIN: ZAE 000003547

At 30 September 2002, beneficial owners of in excess of 5% in the company's issued share capital were:

- Old Mutual Life Assurance Company SA 14,12%
- Public Investment Commissioner 13,07%
- Barloworld Investments 8,88%
- Sanlam 5,95%

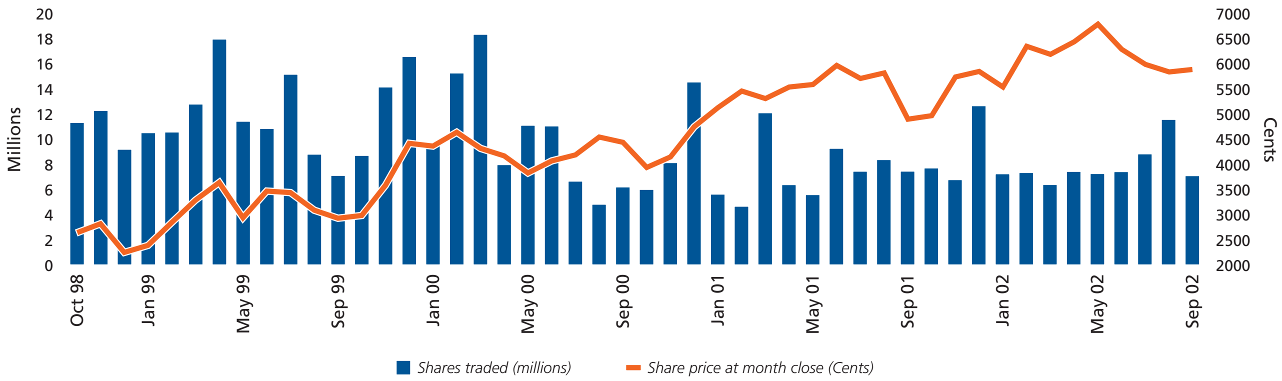
The portfolios of 20 institutional investment companies account for 84,23% of the company's issued share capital. Those managers controlling in excess of 5% were:

- Old Mutual Asset Management 25,83%
- Sanlam Investment Managers 10,19%
- Stanlib 6,76%
- Franklin Templeton Investments 5,92%
- RMB Asset Management 5,89%

Other ordinary share statistics	2002	2001
Closing market prices per share (cents)		
– year-end (30 September)	**5 900**	4 910
– highest	**7 300**	6 200
– lowest	**4 850**	3 550
Number of shares in issue at 30 September (million)#	**195**	195
Volume of shares traded (million)	**106**	97
Value of shares traded (Rm)	**6 414**	4 931
Market capitalisation at 30 September (Rm)	**11 522**	9 588

 # The number of shares in issue has been reduced by 19 025 200 shares purchased by a subsidiary company in terms of a programme to buy back the company's shares.

Share price at month close and shares traded



Shareholder spread

as at 30 September 2002

Type of shareholders	Number of shareholders	Number of securities held	% of securities held
Public	22 803	193 655 960	90,36
Non-public	35	20 653 488	9,64

Currency conversion guide

Approximate value of foreign currencies relative to the rand at 30 September	2002	2001
Australian dollar	**5,74**	4,48
Euro	**10,38**	8,25
Japanese yen	**0,09**	0,08
UK pound	**16,48**	13,24
US dollar	**10,53**	9,01

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n/a not applicable

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Notice of annual general meeting

Notice is hereby given that the eighty-sixth annual general meeting of the members of the company will be held in the Tokyo Meeting Room, Barloworld Corporate Office, 180 Katherine Street, Sandton, on Thursday, 30 January 2003, at 12:30 for the following purposes:

1. To receive and adopt the group annual financial statements for the year ended 30 September 2002.

2. To elect directors in accordance with the provisions of the company's articles of association.

3. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

   That the company hereby approves in terms of section 221(1)(a) of the Companies Act, 1973, as amended, the allotment and issue of shares to the directors appointed during the financial year, in the event of their exercising their right to take up options granted to them prior to their appointment as a director. The number of options which could be exercised are:

BP Diamond	82 001
R Fernandez-Urrutia	79 001
PJ Maybury	75 000

4. To consider and, if deemed fit, to pass with or without modification the following special resolutions:
   That

   (a) The directors of the company be authorised from time to time to acquire issued shares in the ordinary share capital of the company on the JSE Securities Exchange South Africa open market at a price no greater than 10% above the weighted average of the market value for the securities for the five previous business days immediately preceding the date on which the transaction was agreed or at a bid price no greater than the current trading price of the share; and the purchase by any of the company's subsidiaries of shares in the company in the manner contemplated by and in accordance with the provisions of section 89 of the Companies Act, 1973, as amended, and other provisions which may be applicable.

   (b) The authorisation granted in terms of (a) above shall remain in force from the date of registration of these special resolutions by the Registrar of Companies until the conclusion of the next annual general meeting of the company and in any event, no later than 15 months from the date on which they were passed.

   (c) The repurchase by the company of its own securities in terms of (a) above may not exceed 20% of the company's issued ordinary share capital in the aggregate in any one financial year or in the case of acquisition by any of the company's subsidiaries, 10% of the issued ordinary share capital in the aggregate.

   (d) The company's intention regarding the utilisation of the authority which is sought in terms of (a) above is to continue with the share buy-back programme initiated with the sanction of shareholders on 26 January 2000 and renewed at each subsequent annual general meeting.

   (e) In the event that the directors are granted general authority to buy back a maximum 20% of the issued share capital of Barloworld, or in the case of acquisition by any of the company's subsidiaries, 10% of the issued ordinary share capital in the aggregate, it is the opinion of the directors that following such maximum repurchase of shares:

   - the company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of notice issued in respect of the annual general meeting;
   - the assets of the company and the group will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements;
   - the ordinary capital and reserves of the company and the group will be adequate for a period of 12 months after the date of notice issued in respect of the annual general meeting; and
   - the working capital of the company and the group will be adequate for a period of 12 months after the date of notice issued in respect of the annual general meeting.

The reason for proposing the special resolutions is to permit and authorise Barloworld to acquire its own shares. The effect will be to authorise the directors to purchase shares in Barloworld Limited.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his/her stead. The person so appointed need not be a member of the company. Proxy forms should be forwarded to reach the company's transfer secretaries or United Kingdom registrars by not later than 12:30 (South African time) on Tuesday, 28 January 2003.

By order of the board

MJ Barnett
Group Company Secretary

Sandton
19 December 2002

Proxy form

BARLOWORLD LIMITED
(Incorporated in the Republic of South Africa)
Company registration number 1918/000095/06
("the company")

Only for the use of registered holders of certificated ordinary shares in the company and the holders of dematerialised ordinary shares in their own name in the capital of the company at the annual general meeting of members to be held in the Tokyo Meeting Room, Barloworld Corporate Office, 180 Katherine Street, Sandton, on Thursday, 30 January 2003, at 12:30 (South African time).

Holders of ordinary shares in the company (whether certificated or dematerialised) through a nominee must not complete this proxy form but should timeously inform that nominee, or, if applicable, their Central Securities Depository Participant (CSDP) or stockbroker of their intention to attend the meeting and request such nominee, CSDP or stockbroker to issue them with the necessary authorisation to attend or provide such nominee, CSDP or stockbroker with their voting instructions should they not wish to attend the meeting in person. Such ordinary shareholders must not return this proxy form to the transfer secretaries.

I/We ____ of ____
being a holder(s) of ____________________________________ ordinary shares
hereby appoint ____
of ____
or failing him/her, ____
of ____
or failing him/her, the chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the meeting which will be held for the purpose of consideration and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed at the meeting and at each adjournment of the meeting and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the ordinary shares in the issued ordinary share capital of the company registered in my/our name/s, in accordance with the following instructions (see note 9):

* Insert an X or the number of ordinary shares (see note 9)

Agenda item	*Vote for	*Vote against	*Abstain
1. Adoption of annual financial statements			
2. Election of directors:			
K Brown			
RKJ Chambers			
MD Coward			
AJ Lamprecht			
MJ Levett			
DB Ntsebeza			
LA Tager			
3. Authority to allot and issue shares under option to directors			
4. Acquisition of own shares			

Insert an X in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote (see note 9).

Signed at ______________________________________ on ____________________________

Signature(s) ____________________________________ Date ___________________________

Assisted by me (where applicable) ____

Each member is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and vote in place of that member at the meeting.

Please read the notes on the reverse side of this proxy form.

Notes to the proxy form

Instructions on signing and lodging of the annual general meeting proxy form.

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alterations must be signed, not initialled.

2. The chairman shall be entitled to decline to accept the authority of a signatory:
   (a) under a power of attorney; or
   (b) on behalf of a company
   unless the power of attorney or authority is deposited with the transfer secretaries, Computershare Investor Services Limited, 9th Floor, 70 Marshall Street, PO Box 1053, Johannesburg, 2000, South Africa, or the United Kingdom registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, England, by not later than 12:30 (South African time) on Tuesday, 28 January 2002.

3. The signatory may insert the name of any person(s) whom the signatory wishes to appoint as his/her proxy in the blank space/s provided for that purpose.

4. When there are joint holders of shares and if more than one such joint holder be present or represented, then the person whose name appears first in the register of members in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.

5. The completion and lodging of this form of proxy will not preclude the signatory from attending the annual general meeting and speaking and voting in person thereat should such person wish to do so, to the exclusion of any proxy appointed in terms hereof.

6. If, in the appropriate place on the face of the proxy, there is no indication of how to vote in respect of any resolution the proxy shall be entitled to vote as he/she deems fit in respect of that resolution.

7. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that in the event of acceptance, he/she is satisfied as to the manner in which a member wishes to vote.

8. If the shareholding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote the total shareholding registered in the member's name.

9. Please insert an X in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in the company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deems fit in respect of all the ordinary shareholder's votes exercisable at the meeting. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total number of votes exercisable by the ordinary shareholder or by his/her proxy.

Corporate information

for the year ended 30 September 2002

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MJ Barnett

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West Sussex, BN99 6DA, England
Telephone +44 190 350 2541
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PRINCIPAL BANKERS
Absa Group Limited
Australia and New Zealand Bank
Banco Bilbao Vizcaya Argentaria SA
Banco Espirito Santo SA
Bank of America NA
Barclays Bank plc
FirstRand Bank Limited
Kredietbank Luxembourgeoise SA
Lloyds TSB Bank plc
Nedbank Limited
Royal Bank of Scotland plc
The Standard Bank of South Africa Limited
Westdeutsche LB AG

COMPANY REGISTRATION NUMBER
1918/000095/06

SPONSOR
Cazenove, South Africa (Pty) Ltd

(Johannesburg)
First Floor, Moorgate
Dunkeld Park, 6 North Road
Dunkeld West
PO Box 412468, Craighall, 2124
Johannesburg, South Africa
Telephone +27 11 280 7900
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(London)
12 Tokenhouse Yard
London EC2R 7AN, England
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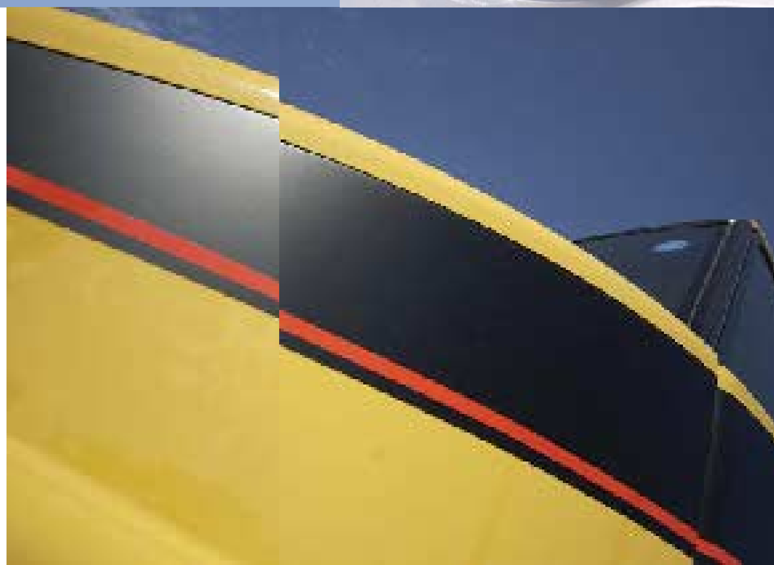
Shareholders' diary

Financial year-end		30 September
Annual general meeting		January
REPORTS AND PROFIT STATEMENTS		Published:
• Half-yearly interim report		May
• Preliminary report for the year		November
• Annual report		November
DIVIDENDS	Declared:	Paid:
• 6% cumulative preference shares	March	April
	September	October
• Ordinary shares – interim	May	July
– final	November	January
• 7% convertible bond interest		September



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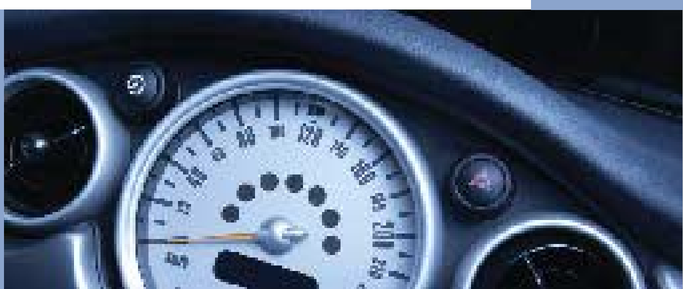

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