Barloworld
Leading brands

BARLOWORLD LIMITED

INTEGRATED PRODUCT AND SERVICE SOLUTIONS

ANNUAL REPORT 2003

CONTENTS

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OVERVIEW OF THE COMPANY

This ready-reference profile of Barloworld sets out what we do and where we do it.

CHAIRMAN'S REVIEW

Warren Clewlow comments on the company's results, the prospects for the South African economy, the rand and trade reform to address the needs of developing nations. He also reviews the performance of Barloworld's operations, discusses Black Economic Empowerment and assesses the company's prospects for 2004.

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VALUE BASED MANAGEMENT

VBM has been the cornerstone of Barloworld's success since it was introduced in 1999. This introduction to VBM is a helpful guide to our comprehensive management system.

CEO'S REVIEW

Tony Phillips provides insights into the way in which we are implementing our strategies to reach our four-year objective of doubling the value we create for all our stakeholders.

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CORPORATE GOVERNANCE

Barloworld has always had a strong ethic of "doing the right thing". This report describes our governance systems.

CORPORATE CITIZENSHIP REPORT

This is the second year in which Barloworld's annual report has been prepared in accordance with the Global Reporting Initiative framework. It is part of our commitment to create value for all stakeholders and report transparently on our progress. Detailed analysis within the GRI framework spells out how we operate and interface with our stakeholders.

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ANNUAL FINANCIAL STATEMENTS

We break new ground once again this year with leading edge disclosure that presents an in-depth analysis of our financial performance.

OPERATIONAL REVIEWS

The commentary on the performance of each business unit provides information not only on the past year, but also on our plans and prospects.

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BARLOWORLD IS AN INTERNATIONAL INDUSTRIAL BRAND MANAGEMENT COMPANY

WE PROVIDE PRODUCTS, SERVICES AND INTEGRATED SOLUTIONS WHICH CREATE VALUE FOR OUR CUSTOMERS

CREATING VALUE FOR ALL 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 192 to 194.

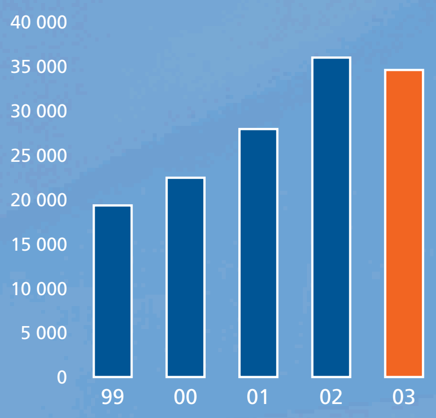
www.globalreporting.org

FINANCIAL HIGHLIGHTS

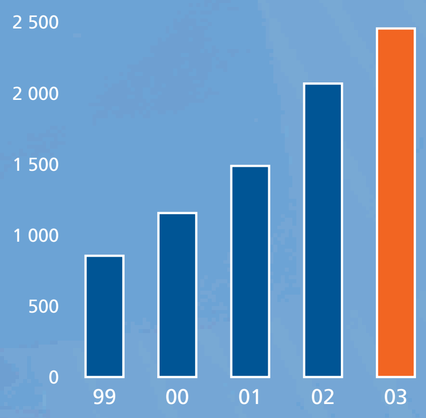
for the year ended 30 September 2003

	2003 Rand	2002 Rand	% change	2003 US$	2002 US$	% change
Revenue (millions)	**34 603**	35 999	(4)	**4 305**	3 380	27
Operating profit (millions)	**2 455**	2 067	19	**305**	194	57
Headline earnings per share (cents)	**593**	622	(5)	**73,7**	58,4	28
Ordinary dividends per share (cents)	**290**	275	5	**36**	26	38
Net asset value per share (cents)	**5 063**	5 872	(14)	**720**	558	29
Total borrowings to total shareholders' funds excluding leasing operations (%)	**26,7**	23,3				
Cash flow return on investment (CFROI®)	**8,1**	8,5				

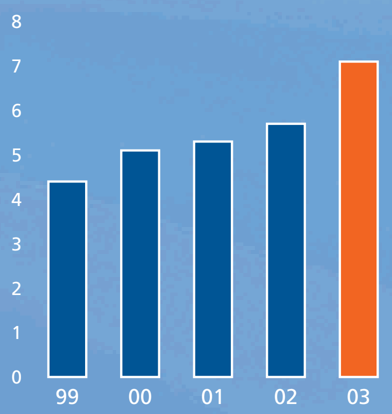
REVENUE (R million)



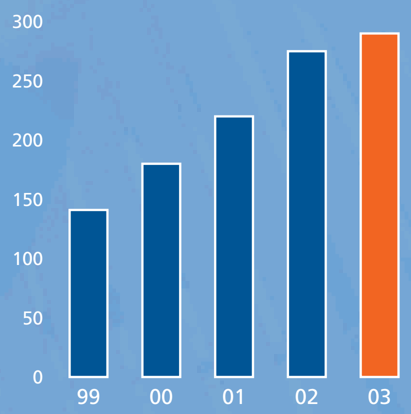
OPERATING PROFIT (R million)



OPERATING MARGIN (%)



ORDINARY DIVIDENDS PER SHARE (cents)



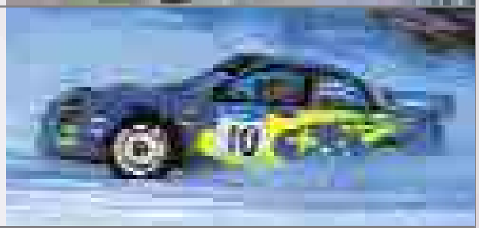
WHO WE ARE

EQUIPMENT	**Barloworld Equipment** Barloworld Finanzauto (Spain) – Barloworld Mera – Barloworld Mijares Barloworld STET (Portugal) Barloworld Siberia (Russia) Barloworld Bulgaria	Barloworld Equipment (southern Africa) – Mining – Construction – Rental – Handling – Power Systems – Agriculture Barloworld Equipment Finance (South Africa)
INDUSTRIAL DISTRIBUTION	**Barloworld Industrial Distribution** Barloworld Handling (US, UK, Belgium and the Netherlands) Barloworld Freightliner (US) Barloworld Finance (UK) Barloworld Vacuum Technology (UK) Barloworld Ditch Witch (US)	
MOTOR	**Barloworld Motor** Southern Africa (South Africa, Botswana, Namibia) – 57 dealerships in leading automotive brands – Barloworld Truck Hire – Barloworld Coachworks – Barloworld Fleet Services	Avis Southern Africa (34,7% owned) Australia – Dealerships in Holden, Mercedes-Benz and VW
CEMENT & LIME	**Pretoria Portland Cement** **(67,4% owned)** PPC Cement PPC Lime Afripack Portland Holdings Zimbabwe	
SCIENTIFIC	**Barloworld Scientific** Bibby Sterilin (UK, France, Italy) Carbolite (UK, US, Germany) Techne (UK, US) Jenway (UK)	Afora (Spain) Dynalab (US) Melles Griot (worldwide)
COATINGS	**Barloworld Coatings** Barloworld Plascon South Africa Barloworld Plascon Automotive Barloworld Coatings Australia	
STEEL TUBE	**Barloworld Robor** Barloworld Robor Tube Barloworld Robor Open Sections Barloworld Robor Precision Tube Barloworld Robor Cold Form	Barloworld Robor Pipe Systems Barloworld Robor Galvanisers Barloworld Stainless
CORPORATE OPERATIONS AND OTHER	Barloworld Capital (Pty) Limited Barloworld plc Barloworld Logistics (South Africa) Barloworld PROESA (Spain)	

Built on the foundation of being a Caterpillar dealer for 76 years, we supply total solutions in earthmoving equipment, power systems and related equipment in Andorra, Angola, Botswana, Bulgaria, Guinéa-Bissau, Lesotho, Malawi, Mozambique, Namibia, Portugal, São Tomé and Príncipé, Russia (Siberia), South Africa, Spain, Swaziland, Zambia and Zimbabwe. Our core Caterpillar offering to our customers in the mining, construction, marine and electrical power generation industries is supported by complementary brands which include: Bitelli (vibratory compactors), Boart Longyear (underground mining equipment), Dezzi (earthmoving equipment), Hyster (lift trucks), Ingersoll Rand (drill rigs) and Perkins (diesel engines). We also provide Amazone, Claas, Gehringhoff and Massey Ferguson agricultural products in southern Africa, Mak and VW marine engines in Spain and Portugal and Mitsubishi lift trucks in Portugal. Our business model is built upon sales, rentals and maintenance and repair supported by finance to our customers in South Africa, Spain and Portugal.

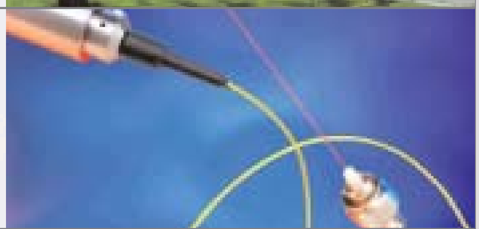
We are the world's largest independent lift truck dealer offering our customers a full range of lift trucks and related warehouse/handling equipment in the southeast United States, United Kingdom, Holland and Belgium. We have represented the market-leading Hyster brand for 74 years and have leveraged the strength of the brand by leading the market in the introduction of innovative total solutions to our manufacturing and distribution industry customers' materials handling needs. We distribute Freightliner trucks in Arkansas, Louisiana, Mississippi, Texas and Tennessee, USA; Ditch Witch trenching equipment in Georgia, USA and we assemble vacuum conveyance systems and floor maintenance equipment in the UK for global document conveyance and money markets. We also provide finance in support of our Freightliner and Hyster sales through our UK-based leasing business.

We are a leading provider of comprehensive transport solutions representing the world's leading passenger, light, medium and heavy commercial vehicle brands through our 53 dealership network in South Africa, Botswana and Namibia. Our offering also includes fleet services, panel shops and short-term truck hire. We are the Subaru distributor for southern Africa. In Australia our motor dealership network is currently focused on the Melbourne area but includes an operation in Sydney. We also have a strategic alliance with Avis Southern Africa, the leading vehicle rental and fleet services company.



We manufacture and distribute cementitious products and aggregates in South Africa, Botswana and Zimbabwe for construction companies, retail DIY/builders merchants and concrete product manufacturers. Our eight cement factories can produce in excess of 6 million tons of cement per annum. In South Africa, we are also the market leader in metallurgical grade lime, limestone, burnt dolomite and related products which we manufacture in the Northern Cape. Our customers are the pyro-metallurgical industries, mining and water treatment industries. Our Afripack business, also based in South Africa, makes paper sacks for cement and food product manufacturers.

Within our Laboratory Group we manufacture an extensive range of consumables and benchtop equipment in the United Kingdom and Spain. We also have distribution centres in the US, France, Italy, Germany and Spain. Our customers are educational organisations, pharmaceutical and biotechnology companies and quality control laboratories. In Melles Griot we are a market leader in lasers, optics, opto-mechanical components and assemblies which we manufacture in California, New York State and Colorado in the USA, Cambridgeshire UK and Japan. Our customers include semiconductor capital equipment manufacturers and the test and measurement, biotechnology, medical and telecommunications industries.



We are the market leader in architectural and automotive coatings in South Africa with factories in Durban, Port Elizabeth, Cape Town and Johannesburg. We also have operations in Botswana, Malawi, Namibia, Swaziland and Zambia, with sales in these and other sub-Saharan African countries. Our architectural brands include the premium Plascon range as well as Crown, Professional and Polycell. We also supply specialised coatings in southern Africa to industrial and furniture markets. In Automotive we supply both car manufacturers and the refinish industries with the Plascon, Spies Hecker, Standox and Du Pont brands. In Australia we are the third largest architectural paint manufacturer with factories in Sydney, Melbourne and Brisbane. We service the DIY and trade markets through both resellers as well as our own distribution network of stores. The Bristol brand is distributed exclusively through this network of 83 Bristol corporate and 43 franchised stores. We currently export into New Zealand as well as into China through 20 franchised Bristol outlets. Our brands are Bristol, Taubmans and White Knight.

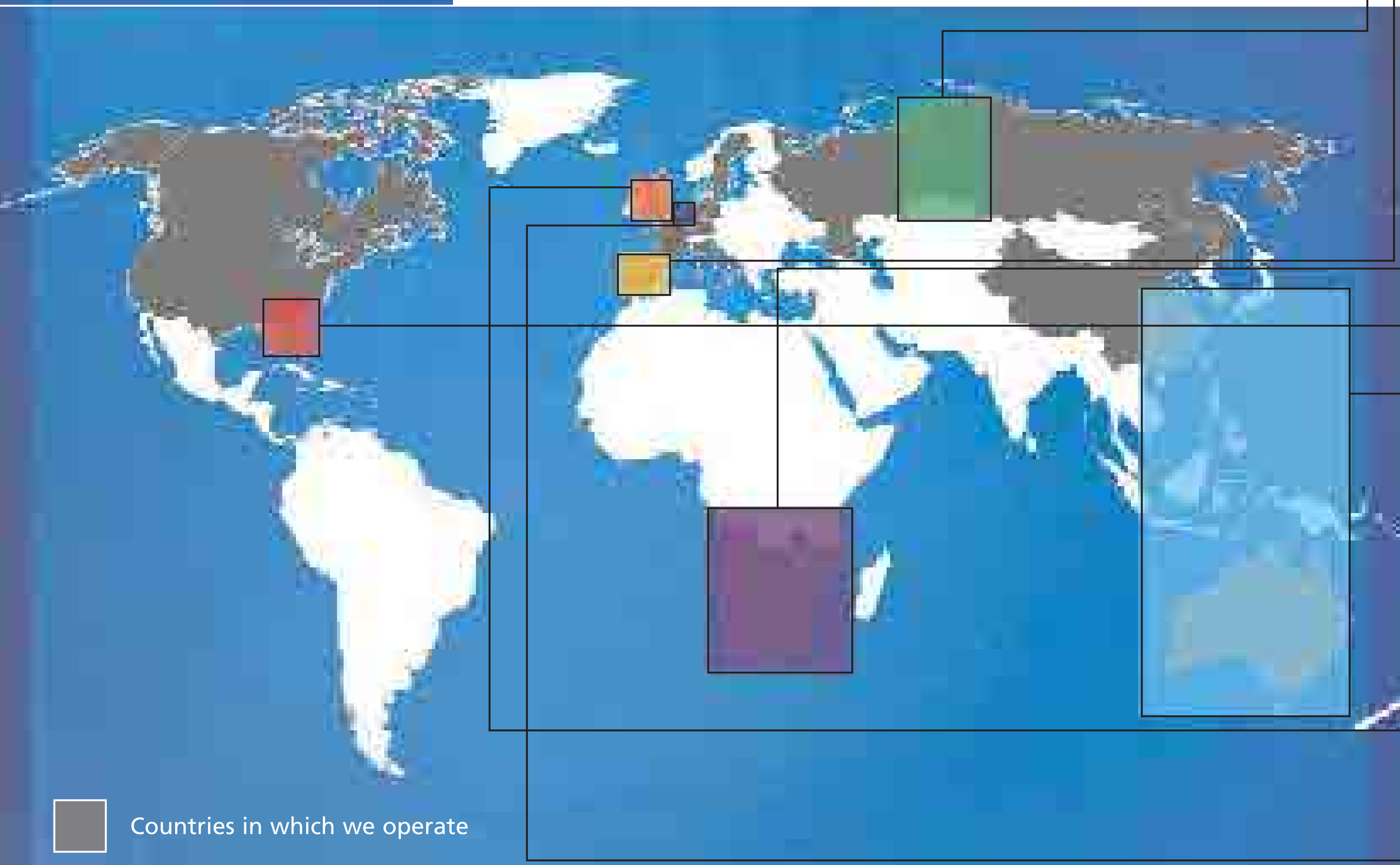
We manufacture and sell steel tube, piping systems, flanges and fittings, couplings, galvanising in both mild and stainless steel from our base in Gauteng, South Africa. We are the market leader in South Africa and export both regionally and internationally. Our customers are the building and construction, mining, automotive, agriculture, fluid handling and general engineering industries.

Our corporate operations include finance, strategic planning, property management, treasury, IT, communication, tax, legal, risk management, company administration and internal audit. They are based at sites in South Africa, the United Kingdom, Australia, Botswana and Namibia. Our growing logistics businesses are third and fourth party logistics managers, providing outsourced services in the design, implementation and management of supply chain solutions. We operate in southern Africa, Portugal, Spain, the United Kingdom and the USA providing services to manufacturing, retail and defence industries.

OUR GLOBAL FOOTPRINT CONTINUES TO GROW

WE OPERATE IN **32 COUNTRIES** AND SELL PRODUCTS AND SERVICES IN OVER 100

OUR GROWTH STRATEGY IS TO **DEVELOP** OUR EXISTING MARKET LEADING BUSINESS SOLUTIONS, **EXPAND** OUR GEOGRAPHIC FOOTPRINT AND **ADD NEW PRODUCTS AND SERVICES** IN WHAT WE DO WELL



FOR MORE INFORMATION VISIT www.barloworld.com

TAKING ON DIFFICULT CHALLENGES: SIBERIA

In only four years we have developed a Caterpillar dealership from scratch in the harshest conditions known to man. We offer our mining customers total solutions and Smart Partnerships throughout the territory we cover.

LEVERAGING OUR DIVERSITY: SPAIN

The joint Spanish Government-EU infrastructure investment programme has been the foundation of one of our largest sources of profit over the past five years. We are leveraging our diverse skills to build new revenue streams in logistics, rental and alternative energy to ensure that as the infrastructure programme slows in 2007, we have a broader business base for profit continuity.

MARKET LEADERSHIP: SOUTHERN AFRICA

We strive to be the market leader in every niche in which we operate. In southern Africa as the market leader in cement, coatings, earthmoving equipment and steel tube, we are well positioned to benefit from the accelerating pace of infrastructure development.

BUILDING POWERFUL BRANDS: CHINA

From our base in Australia we are steadily expanding our decorative coatings sales into China through our Bristol brand franchised stores. Our success is being built on our strengths in brand management and the positive association that the Chinese market has with Australian brands.

PAC MAN ACQUISITION STRATEGY: UNITED STATES

We typically build our businesses by adding neighbouring territories to existing operations. In the United States we added two new Freightliner dealerships and now represent the brand in Arkansas, Louisiana, Mississippi, Tennessee and Texas.

CREATING VALUE THROUGH OUR PEOPLE: UNITED KINGDOM

Our organisation is built on the commitment and passion of our people. It is their determination to create long-term value for all our stakeholders that underpins our Value Based Management philosophy. That is why, for example, in our UK laboratory business we have worked hard to be awarded the prestigious Investors in People standard.

BUILDING ON OUR LONG-TERM RELATIONSHIPS: NETHERLANDS

We build long-term relationships with our customers and with the principals whose brands we represent. In 2003, we added the Netherlands to our existing footprint of the south-east United States, United Kingdom, Belgium and southern Africa and in 2004 we celebrate 75 years as a Hyster dealer.

CHAIRMAN'S REVIEW

WARREN CLEWLOW

OPERATING PROFITS INCREASED BY **19%** TO R2 455 MILLION

Barloworld Limited has again produced solid earnings in the diverse world markets in which we operate.

The results, in South African rands, prepared in terms of International Financial Reporting Standards show that, despite revenue decreasing by 4% from R35 999 million to R34 603 million, operating profits increased by 19% from R2 067 million to R2 455 million.

This year's results take into account fair value accounting adjustments on financial instruments which was a negative R334 million (2002: R55 million positive). Of this amount approximately R218 million was recovered at the operating profit level as a result of higher gross margins. Goodwill amortisation of R102 million is slightly below last year's R116 million. Exceptional profits of R81 million compare to R369 million last year.

All of this translates into net profit per share decreasing by 24% from 770 cents to 582 cents; earnings per share excluding exceptional items decreasing by 10% from 592 cents to 536 cents per share; but headline earnings per share at 593 cents showed a decline of only 5% on last year's achievement of 622 cents per share.

The cash generated at operating level was R3 523 million and the balance sheet remains sound.

After analysing these results and acknowledging the performance at the operating level, the board announced a final dividend of 200 cents making a total for the year of 290 cents (an increase of 5% over last year).

For our international shareholders, group results translated into sterling show that revenue increased by 17%, operating profit increased by 45%, headline earnings per share increased by 17% and the group's dividend for the year in sterling increased by 28%.

When translated into US dollars the results follow this same positive trend.

I BELIEVE BARLOWORLD STAKEHOLDERS CAN BE ASSURED THAT ALL THEIR INTERESTS ARE WELL TAKEN CARE OF

Barloworld Limited operates in 32 countries around the world with 52% of our revenues generated in currencies outside South Africa.

As a South African domiciled company the corporate office, which provides leadership for the group, is based in Sandton, South Africa – a proven base from which to direct effectively the various businesses we operate in the global markets.

The Barloworld Group is led by the chief executive, Mr Tony Phillips, ably backed by experienced executives and staff worldwide.

The non-executive directors, with their extensive international and local experience, add to the effectiveness of the group's strategy and operations.

I am privileged to lead a board which acknowledges the sound principles of the past on which the group has been built, and is ever mindful of corporate governance requirements and best practices. The board and executives work well together and trust one another.

I believe Barloworld stakeholders can be assured that all their interests are well taken care of.

THE WORLD ECONOMY

In the key global markets in which we operate we find that:

In the USA, evidence of recovery is growing in both depth and breadth and the focus is now on its sustainability.

In the UK and Europe, the concern still lies in falling manufacturing production and weak business and consumer confidence. By contrast, growth in Spain still exceeds that of the rest of Europe.

The well-managed Australian economy remains steady. Overall the GDP forecasts for 2004 for our markets show an improvement on the 2003 levels.

In South Africa signs of an economic slowdown started to emerge towards the end of 2002 as interest rates remained high and GDP growth dropped to below 2%. The combination of a stronger rand and a weak global economy for our major exports undermined both export volumes and prices. This, coupled with falling manufacturing, mining and agricultural prospects resulted in the economy losing some of its earlier momentum during the first half of 2003.

Prospects have improved as the benefits of some tax relief, the likelihood of lower inflation and reduced interest rates start to take effect. A modest global recovery and increased infrastructural expenditure should see GDP growth up to 3% in 2004.

SA monetary and fiscal policy has been increasingly recognised internationally as conservative and responsible and the country's international credit rating has improved.

THE VALUE OF THE RAND DEBATE

The value of the rand against foreign currencies is at the centre of the economic debate taking place in South African boardrooms. Since early 2002 the rand has strengthened against the US dollar due partly to a general depreciation of the US dollar as well as a more favourable assessment of the South African economy which is in better shape than it has been for a long time. Whilst over this period the exchange rate has been particularly volatile the rand would appear to have strengthened and stabilised.

At this level there is the debate as to whether the rand has become too strong resulting in a serious competitive loss, bearing in mind that South Africa has an export-based economy and

is a producer of commodities and agricultural products.

But subsidising exports and jobs through a weak currency is not the route to long-term growth and prosperity. One can take a view that the stronger currency represents a more favourable assessment of South Africa which brings with it many related benefits.

Foreign exchange markets react not only to conservative economic management but are also influenced by political and general views.

Instead of trying to influence exchange rates, policy makers should concentrate on getting right the many matters that they can control and that affect the value of the currency.

Investors and decision makers need a climate of certainty which is lacking in South Africa. If the rand is to remain at its current level, I think it wise to at least have a strategy for these circumstances. The current value needs to be matched with a lower inflation rate of say not more than 3%, interest rates well below 10% and greatly improved productivity and business efficiencies.

It is only in these circumstances that South Africa's economic growth will begin to match its potential to everyone's great advantage.

Whilst the international economic climate for global recovery has brightened with some hopes having been turned into facts, it still remains uncertain.

Many countries seem to be going through a phase of increasing political tension in part, I suspect, as a reaction to a long period of economic uncertainty and partly due to a fundamental shift in the way the world is now operating.

A quick end to the initial military conflict in Iraq has been replaced by internal turmoil for which there is no apparent end in sight. The US relationship with the rest of the world looks to be more fragile and a longer term problem.

Global agendas have become unbalanced and global leadership has the responsibility of re-assessing the priorities. Whilst no-one can deny the need to combat terrorism, this focus in recent years seems to have relegated other equally important needs to the back burner. As important as combating terrorism is, there is the need to alleviate poverty and address affordable treatments for tuberculosis, malaria and Aids, which are taking the lives of thousands every single day.

Prevention of environmental degradation is also being neglected.

There is also the urgent need for trade reforms that will assist the poorer emerging nations to seek greater equity in the skewed distribution of global resources. Here one must acknowledge the positive role being played by South Africa's Minister of Trade & Industries Mr Alec Erwin whose role as one of the leading voices for this cause in world forums has not gone unnoticed.

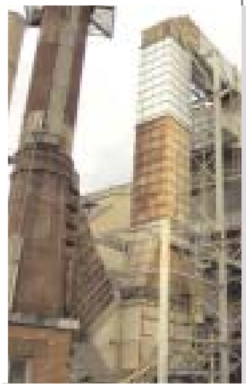
Real global economic growth will not be sustainable unless progress can be made on all these issues. They will almost certainly require substantial and greater financing from the agencies dealing with global finance. Failure to do so will only provide further breeding grounds for terrorism.

EQUIPMENT

In South and southern Africa significant sales to customers reflected the reliability of Caterpillar products and the resourcefulness of our people in taking advantage of buoyant markets. These endeavours delivered higher profits despite the effects of a stronger rand. For South Africa the strength and volatility of the rand coupled with the required IFRS accounting adjustments resulted in costs not being fully recovered.

We continue to develop with Caterpillar Inc. the dealership operation in Siberia – a desolate part of the world but with high mineral potential. Strongly backed by Caterpillar, our team seems to thrive on difficult challenges as can be seen by the good progress made in frontier territories such as Angola and Siberia.

The Iberian management team, in spite of a downturn in activity in Portugal, continued to show its strength by diversifying the income stream. The success of this business stems not only from the many infrastructural programmes which have grown the working population of Caterpillar machines. It also reflects the flair with which the management team has



TRADE REFORMS ARE NEEDED TO ASSIST POORER EMERGING NATIONS

exploited downstream income such as product support, rentals, and the multiplier effect of funds flowing into energy and smaller construction projects such as housing.

Their achievement has been proved by the maintenance of the operating profit in euro from a lower turnover which reflects the growth in operating margin.

The future prospects remain strong as investment in infrastructure continues to flow in the construction sector. On a recent trip to Spain I witnessed forests of cranes dominating the horizon.

INDUSTRIAL DISTRIBUTION

After a strong 2002, Materials Handling results in 2003 were a good achievement in the UK and Belgium. Progress has been made on focusing the business more on non-manufacturing customers. The public sector Ministry of Defence contract teams in the UK performed exceptionally well in responding to the surge in requirements from the Iraq War.

The US Handling business also showed stronger trading results in dollars despite going through a third consecutive year in the under-achieving US economy. Our prospects for 2004 rest squarely on a recovery in the US manufacturing sector.

In the USA, as customers improve their factory capacity utilisation and business investment, we are poised to realise further improvements in revenue and profitability. The Handling operations have been optimally sized for the current economy in terms of people, capital and expense levels.

In contrast, Freightliner business results continue to trace the fluctuations in the US transportation industry. Though the results for the past year were weak, we have seen a steady increase in activity over the past few months culminating in a strong forward order book. We continue to grow and diversify our business adding two additional dealerships in contiguous territories.

We have the advantage of being strategically located near the centre of the US heavily travelled interstate highways and at the junction of two major routes.

With continued market improvement and good asset management we are well placed to realise growth as we enter the New Year.

MOTOR

In South Africa the motor industry experienced a slow down in demand brought about by high interest rates for most of the year. The impact was classically twofold. Margins shrunk as demand receded, and stocks increased due to reduced take off, causing increased dealer holding costs.

In Australia continued strong demand in this buoyant economy saw satisfactory results in the motor operations. However, extensive building alterations at our leading Holden and VW dealership in Melbourne had a negative impact on these results. When the alterations are completed early in 2004 we expect a significant increase in contribution from this dealership.

A manufacturer restructure exercise in South Africa resulted in a geographical change in our DaimlerChrysler dealerships. The sale of the Gauteng based operations linked to an acquisition of the Durban based dealerships was consolidated into a joint venture structure controlling the Greater Durban Metropolitan Area. A similar structure change in Australia will result in the sale of our share in the Melbourne DaimlerChrysler dealership back to DaimlerChrysler in 2004.

Overall we believe that market conditions indicate a strengthening in the trading environment during 2004.

CEMENT & LIME

Pretoria Portland Cement (PPC) where Barloworld has a 67% shareholding, has again produced strong results. The earnings have grown by more than 20% per annum for each of the past four years and the market capitalisation has increased from R2,2 billion to R6,2 billion. This has created R4,6 billion in value for shareholders over and above the ordinary and special dividends paid to them.

THE BOARD AND EXECUTIVES WORK **WELL TOGETHER** AND **TRUST** ONE ANOTHER

What makes this achievement even more remarkable is that PPC has simultaneously reached several other milestones.

The company has been awarded numerous environmental awards, has continued to invest in many projects including small business ventures in communities in which it operates, has sponsored an ambitious elephant relocation and research programme and, in an effort to improve South Africa's cricket performances and seek out new talent, has sponsored more than 1 000 concrete cricket pitches in under-developed areas.

Customers have benefited from new products and improved service levels at reasonable prices and a growing market share is evidence of satisfied customers.

Porthold in Zimbabwe has had to battle against tremendous odds. We witness first-hand the devastation and hardship inflicted on countless Zimbabwean citizens by their rulers.

It is clearly evident that all stake holders have benefited greatly by PPC's well-rounded performance.

COATINGS

The South African operations enjoyed a particularly successful year. Our share of the retail market increased and, with continued improvements in all operational areas, a further significant improvement in earnings was achieved. Highlights of the year were the continued success of the marketing and technical support of the flagship brands. A number of new products were successfully launched and those from the previous year continued to add value.

The automotive coatings business experienced another year of growth and consolidation at all of the motor manufacturers.

A pleasing performance was achieved in the African operations, particularly with the currency fluctuations, which made trading difficult in certain areas.

Our business in Australia showed good progress and earnings were ahead of the prior year in Australian dollar terms. All areas of the business improved with a number of highlights. These included significantly improved service levels to the highest yet achieved. New product launches and our ability to respond speedily to customer needs all contributed to an improved performance and the business is well set for next year. The best growth was achieved in the retail sector where we have grown our share of market with the Taubmans and White Knight brands, whilst our own stores made a steady improvement during the year.

SCIENTIFIC

The performance of the European Laboratory business eased back from the previous year's record result, with reduced demand from the research and educational sectors. De-stocking by some key distributors was also a feature. A recovery in performance in the current year is expected as European economies strengthen.

Melles Griot was able to show a reduction in operating losses, despite continued weak market demand, reflecting the effectiveness of the restructuring actions which have significantly reduced the cost base. The anticipated recovery in the technology sector, which has started to take place, should see the Melles Griot business return to profitability during the coming year.

An improved performance from our paper operation facilitated the agreement for the sale of this business, in line with our long-term divestment strategy. It is anticipated that this sale will be completed by the end of November.

STEEL TUBE

A sharp drop in the international steel cycle together with the strengthening of the rand, resulted in profit dropping after the record last year. The trend of improving profits

WE LOOK FORWARD TO 2004 WITH CONFIDENCE

established over the previous four years should resume next year.

The strong rand unfortunately negatively impacts those manufacturers who made a great effort to "raise the bar" sufficiently to penetrate export markets sometimes at great cost.

BLACK ECONOMIC EMPOWERMENT

The Barloworld Group and PPC especially, have concentrated on promoting transformation by empowering employees to continuously improve their quality of life through better career prospects and greater job satisfaction. This is where we believe empowerment can be most effective. For some the focus of empowerment in South Africa seems to be on merely moving capital from white to black hands. While obviously there is merit in this, when it has only helped a few well-connected businessmen to extract wealth from public ownership firms, one wonders whether the true and legitimate interests of economic transformation in our country are being achieved. This form of empowerment has done nothing for most black people who seek the opportunity of raising their standard of living and quality of life.

BOARD AND MANAGEMENT

During the year Mr Des Arnold, Mr Ken Brown, Mr Ramon Fernandez-Urrutia y Carles and Mr Graham Ross Russell, having reached the mandatory retirement age, retired from the board. These gentlemen have served the group with great distinction for many years in key positions and we all wish them well in their retirement.

I welcome Mr Clive Thomson to the board who assumes the key responsibility of Group Finance Director.

Mr Russell Chambers, who has also served the group with great distinction and loyalty for many years and also carried the responsibility of chairman of the audit committee, will be resigning from the board at the conclusion of the annual general meeting in January 2004. We all wish Russell well in his retirement and hope his health will improve.

Finally I wish to thank all my colleagues on the board and the executive teams and the staff worldwide, ably led by Chief Executive, Mr Tony Phillips, for their support and dedication in working towards the achievement of our objectives.

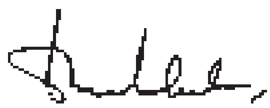
PROSPECTS

Diverse factors will affect our worldwide business during this coming year such as:

- Unpredictable currency fluctuations
- Economic prospects in the markets and sectors where we operate especially where there are possibilities for recovery
- Political factors which could have a bearing on business and consumer confidence

Most important however will be the enthusiasm, skills and strength of the Barloworld team strongly backed by an experienced and engaged board. Together I am confident that Barloworld will respond to whatever challenges and opportunities we may face.

I believe we can look forward to next year with confidence and anticipate another year of good progress and improved results backed by a strong cash flow.



WAM Clewlow
Chairman

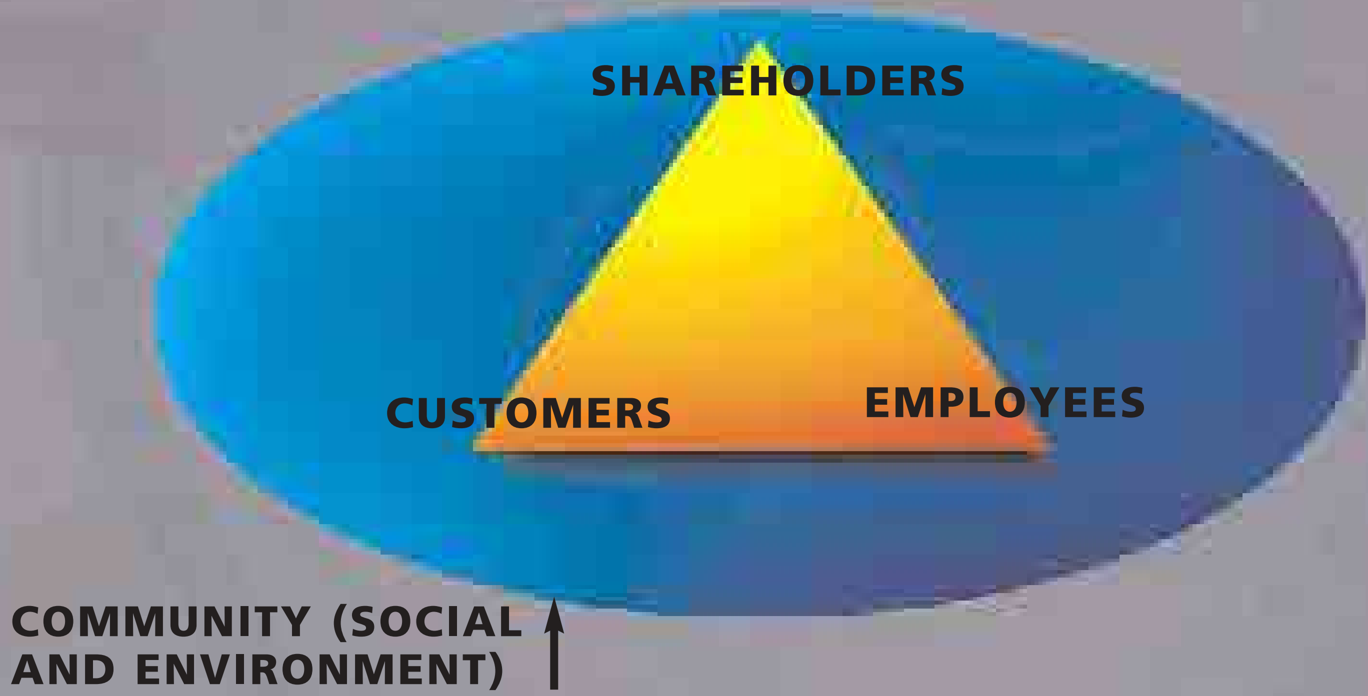
VALUE BASED MANAGEMENT – OUR FRAMEWORK FOR BUILDING AN ENDURING COMPANY

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**

Barloworld is one of only three South African companies in the Dow Jones Sustainability Index – 2004. For more information visit: www.sustainability-indexes.com

Value Based Management (VBM) which was introduced in 1999 is at the heart of everything we do in Barloworld. Our goal is to align processes and day-to-day behaviour in order to continually create value for ALL our stakeholders.

VBM is different because we do not try to create value for one stakeholder at the expense of another. We strive to SIMULTANEOUSLY maximise the value we create for all stakeholders and we hold ourselves accountable to all.



SHAREHOLDERS

We align our internal financial measures with shareholder value by focusing on cash flow return on investment (CFROI®) as our key performance metric. In our view, this measure 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).

CUSTOMERS

We work hard to understand our customers' true needs and to create value-adding partnerships and solutions that best fulfil their unique requirements. This focus leads us to innovative solutions such as the Smart Partnerships we offer in many of our businesses. Our success is evident in our position of market leadership in most of the sectors in which we operate.

EMPLOYEES

The people who work for Barloworld are the foundation of our success. We are systematically implementing a company-wide system aimed at fostering an inspiring and caring climate. We call this the Barloworld Employee Value Model. 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. The success of this process can be seen in the profiles in this report which tell the stories of the ten finalists for the 2003 CEO's award.

COMMUNITY (SOCIAL AND ENVIRONMENT)

We are working to ensure that we have a positive impact both in the social and environmental spheres. The drive behind our desire to create long-term value comes from the fact that we see ourselves as an integral part of the communities in which we operate. We seek to leave a legacy of societal and environmental sustainability for future generations.

CHIEF EXECUTIVE OFFICER'S REVIEW

TONY PHILLIPS

CREATING SUSTAINABLE VALUE THROUGH OUR PEOPLE

We have now completed four years of implementing Value Based Management (VBM) throughout Barloworld and are ratcheting up our performance as we continue to develop and expand our company. In that context, in September 2002, I set our global management team the goal of doubling the value we create for all our stakeholders over four years. Internally, we have captured the essence of this ambitious objective in the phrase "2x4x4".

We are focused on building an international industrial brand management company that delivers sustainable value to all our stakeholders

MANAGING BARLOWORLD

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

I am pleased to report that we have continued to create value for our shareholders.

Having achieved our initial target of a real cash flow return on investment (CFROI®) in excess of our cost of capital in 2001 the figure for 2003 was 8,1% compared with 8,5% in 2002. This was an excellent performance in the face of an extremely strong rand.

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 2003 we continued to concentrate on achieving tangible results in value creation for other stakeholders in addition to our shareholders – customers, employees and the communities in which we operate.

VBM is not a management fad in Barloworld, it is a never-ending journey of value creation now and into the foreseeable future. It is built on a foundation of our world-class people who have once again made an extraordinary contribution to our success and throughout this report we have highlighted the contribution of individuals who have been recognised in my CEO's excellence awards programme. These awards recognise individuals who make exceptional contributions above and beyond the call of duty. The 2003 programme highlighted some outstanding contributions by our people and the ten finalists set an example to each and every employee. The overall winner was Gavin Knight from our Barloworld Equipment operations. Pen sketches of the finalists are spread through the corporate citizenship section of this report (pages 36 to 97).

Product, service and business solution innovation is at the heart of the way we do things in Barloworld.

An example is our Barloworld CVT Technologies joint venture which is developing a Continuously Variable Transmission (CVT) to address the need for an all gear non-traction fluid, non-hydraulic, continuously variable gearbox/transmission. The CVT results in a more efficient and versatile drive train in comparison to conventional drive trains and has been designed as an alternative to existing gearboxes, providing greater efficiency for equivalent cost. Applications for this technology include automotive including racing, trucks and buses, construction, mining, agriculture and military vehicles as well as bicycles and machine tools. For more information visit **www.barloworld-cvt.com.**

Another illustration of our approach was the very active year for new product development within our South African coatings business, Barloworld Plascon which introduced eight new products. Of these, one of the more innovative is Suede which, when applied, gives the wall a finish that resembles suede leather. This product was made possible by the development at our Stellenbosch research centre in the Western Cape of vesiculated bead technology. This technology reduces the percentage of high cost Titanium Dioxide pigment required in paint and can facilitate the formulation of specialist products like Suede. Plascon has another dedicated research facility in Alberton, Gauteng, that concentrates on new product development. We have introduced and re-launched 30 products in the past four years. The Stellenbosch facility is dedicated to polymer research and the conversion of laboratory technology into factory application.

ENDURING RELATIONSHIPS, TRUST AND PERSEVERANCE ARE THE HALLMARKS OF THE WAY BARLOWORLD PEOPLE DO BUSINESS

Employee retention remains high

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.

Training, developing and motivating our people

Part of our strategy is to seek positions of market leadership in everything we do. Our world-class people are the foundation on which this is built and throughout the company we are enhancing our people development. Notable business unit specific programmes are:

- Barloworld Scientific's Stone operation in the United Kingdom which has achieved the prestigious Investors in People standard (see page 120)
- Barloworld Coatings Australia's "Creating a point of difference" programme, now in its third year (see page 123)

The 'Barloworld University' programme of executive education for our senior managers, which we operate in conjunction with the Gordon Institute of Business Science in

BARLOWORLD FINANZAUTO IN SPAIN SOLD THE HIGHEST NUMBER OF BACKHOE LOADERS OF ANY CATERPILLAR DEALER IN EUROPE IN 2002

Johannesburg, South Africa, is in its fourth year and working well. Since inception, a total of 171 managers from around the world have benefited from the programme. It is linked to an MBA programme which ensures that the participants gain credits towards this qualification for the studies they undertake. We also run an executive development programme which has one module in London and one in Johannesburg. This programme has involved 30 senior Barloworld leaders over the past two years.

Leadership renewal

During the past year the retirement of Des Arnold (Finance and Administration), Ramon Fernandez Urrutia (Equipment) and Ken Brown (Industrial Distribution) has created an opportunity to bring new blood into the executive team and provide new challenges for a number of the existing members. Accordingly Martin Laubscher joins the executive to head up Barloworld Motor while his predecessor Brandon Diamond has taken over responsibility for Industrial Distribution and moved from Johannesburg to Charlotte, North Carolina while Clive Thomson, previously General Manager Finance in the corporate office has been appointed Finance Director. André Lamprecht and Peter Surgey are exchanging roles to Coatings CEO and Human Resources respectively. Peter also takes on company-wide responsibility for Risk, Black Economic Empowerment, Medical Aid and Corporate Social Investment. John Gomersall is increasingly focused on group strategic planning and the development of Barloworld Logistics. It is a tribute to the strength and depth of our management team that all these appointments were internal.

Managing currency risk

Two key issues during the past year have been the dramatic impact on our reported profits of both the rapid appreciation in the strength of the rand and its volatility. Our approach to this challenge is embodied in the concept that we are not currency traders and we should minimise currency risk without engaging in currency speculation. During this past year of turbulence we have carefully re-evaluated our approach. Our overall conclusion has been that what we do is sound and, barring minor improvements, is appropriate for our business.

The Barloworld brand grows in strength

The Barloworld brand is primarily being built on the strength of the relationships we build with our stakeholders. However, in the past year we have augmented this grass roots approach with selected corporate initiatives. They include the Team Barloworld Cycling sponsorship (see inside back cover) and our support of projects such as the expansion of the Prince of Wales Business and the Environment Programme **(www.cpi.cam.ac.uk/bep)** into southern Africa and the African Leadership Initiative. The Prince of Wales programme seeks to create business leaders who are sensitised to, and willing to confront the challenges of environmental sustainability. The African Leadership Initiative seeks to create a network of leaders across the continent who will ensure the continent takes its rightful place on the world stage and lifts itself out of the malaise of limited wealth creation, despotic regimes, civil rights abuse and corruption that has dogged the first 50 years of the post-colonial era.

Our relationship with Caterpillar is one of our greatest assets

A major part of Barloworld's business is built on the foundation of our long-term relationships with our principals. Pre-eminent amongst these is Caterpillar, with whom we celebrate a 76-year relationship this year. The relationship is in excellent health and the absolute professionalism and market leading pre-eminence that Caterpillar embodies is something we value and appreciate deeply in our business. Our second most enduring relationship with a principal is with the NACCO Materials Handling Group and their Hyster brand. This "marriage" celebrates 75 years in 2004 and is also a vital ingredient in our success. In addition to these two companies who are of vital strategic importance to our organisation, I am pleased to report that we have excellent relationships with our automotive principals.

Market leadership is one of our measures of success

We have continued to maintain market leadership in most 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 build lasting value

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 continued growth in

THE PLANTING OF 23 000 TREES MARK THE END OF OUR CENTENARY YEAR

To celebrate our centenary and express our long-term commitment to the environment and the communities in which we operate, over the past year we have planted some 23 000 trees around the world. Most of these were in communities where they were desperately needed in southern Africa, but we also planted a substantial number in Australia where bush fires wreaked havoc in the past year. Our goal in the project was to plant one tree for every Barloworld employee and it involved many members of the Barloworld team in visiting disadvantaged communities in southern Africa in 19 major centres to perform the tree planting ceremonies. In line with our philosophy of partnership in South Africa we worked with NGO Food and Trees for Africa to ensure that the communities not only received trees, but also education in why trees are important and how to look after them.

Maintenance and Repair Contracts (MARCs) with our mining customers in the equipment business which we have now migrated into the construction sector. Our goal is to assume a greater degree of responsibility for the inputs in our customers businesses (and with that a greater degree of risk) in exchange for an ever-increasing reward. A decade ago we would typically sell a mining customer machines and hope that they return to us to purchase parts and for major services. Under the MARC agreements we enter into life-of-equipment arrangements where we assume full responsibility for all maintenance and repairs at an inflation-indexed cost which we guarantee to the customer. The customer benefits from an availability guarantee and costs that are both predictable and typically lower than if they manage their own workshops and repair and maintenance programmes. In turn we secure 100% of the parts and service requirements of the machine.

Smart Partnerships will remain a growth component of our business activities in the future. 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.

Improving our strategic planning

During the past year, our central strategic planning team has made a significant contribution to improving the quality of strategic planning throughout the company, We now use a standardised best practice approach to planning in every business unit with the result that we have increased the confidence levels we are able to place on our business units plans. They are all rooted in detailed environmental scanning and comprehensive consideration of strategic options. An illustration of the effectiveness of this new approach was that it led to our decision to make an offer for the balance of the shares in Avis Southern Africa Limited as the strategic plan identified the need to reposition ourselves within the motor industry value chain.

Our approach to information technology is robust

Our system of managing our information technology skills in a series of competency centres providing services to our worldwide operations has stood us in good stead over the past year. Our SAP competency team has worked with our Caterpillar businesses in southern Africa and Europe to ensure that we did not experience a performance dip post a SAP implementation. This is an exceptional achievement which very few companies around the world have ever succeeded in doing.

Implementing our ethics code

Barloworld has had a long history of highly ethical behaviour and doing "the right thing" is entrenched in the deep psyche of our organisation. During the past year we have introduced a toll free Ethics help line to assist stakeholders through a call centre which ensures anonymity for anyone wishing to raise issues of unethical behaviour within the company. The interface with the company is through the internal auditors who report to the chairman of the audit committee of the board who is an independent director. The project is being piloted in South Africa and it is our intention to roll it out worldwide in 2004.

Protecting the environment

Reviewing our performance in the environmental arena I am pleased to see the steady progress we are making in raising environmental awareness amongst our people and conforming to our environmental code of conduct. In this report you will also find extensive evidence in our sustainability reporting of our proactive approach to the environment.

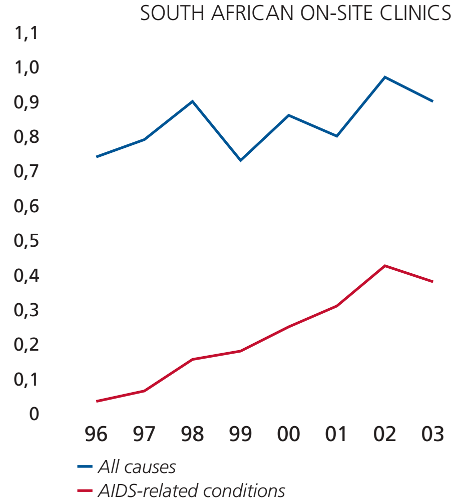
SOUTHERN AFRICAN ISSUES

HIV/Aids: formal guidelines introduced while our prevalence rates remain low

During the year we introduced a formal, company-wide guidelines on HIV/Aids. Our emphasis is threefold:

- individuals knowing their HIV status through voluntary counselling and testing;
- HIV positive individuals accessing appropriate care and treatment either via their medical aid schemes or the company-sponsored programme;
- the prevention of new infections.

DEATHS AND ILL-HEALTH RETIREMENTS PER 100 EMPLOYEES WHO USE BARLOWORLD'S SOUTH AFRICAN ON-SITE CLINICS



This formalises what we believe has been many years of successful initiatives within our southern African operations. Evidence of that success can be found in the fact that the turnover of staff due to death and ill health retirement from Aids in southern Africa has been 0,4% per annum during the past three years and our prevalence rates remain well below the national average. A more detailed report on this issue can be found on page 40.

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 this sense Barloworld is no different from any major multinational that has operations in a country undergoing necessary transition from an inequitable historical situation.

In May 2003 we took a significant step forward in the motor industry by creating the largest BEE business in the sector. We entered into a 50:50 joint venture to distribute DaimlerChrysler products in the greater Durban metropolitan area. With our partner Yunus Akoo (previously owner of Durban South Motors) we are creating a business with R300 million of assets and annual sales of some R2 billion which is being led and managed by previously disadvantaged individuals. We have also commenced the sale of Afripack, PPC's paper sack manufacturing business, to a BEE investment consortium and the Afripack management.

These high profile BEE equity deals join our established BEE structures which include Sizwe Paints (70% BEE/30% Barloworld-owned architectural paint manufacturer based in Cape Town) and Shosholoza Steel Supplies (Pty) Limited.

These equity structures are in my view much less important than the profound work we are doing to develop our people, purchase from previously disadvantaged individuals/ companies and ensure that South African industry is capable of taking its rightful place on the world stage.

GROWING BARLOWORLD

Our growth strategy is centred on expanding the geographic territory of our existing products and services and adding complementary offerings into sectors we know and understand well.

We now have operations on the ground in 32 countries, having added China in the past year as a result of the early success of our coatings business there.

"Pacman" acquisitions are an integral part of our expansion strategy

An investment analyst recently described our acquisition strategy of continually adding incrementally to our business as a "pacman" approach. The past year has been no exception to this rule as we either have added or are in the process of adding a number of new businesses through this route. These included the Northwest Arkansas and Texarkana Freightliner truck dealerships as well as the Unilift materials handling operation in the UK.

At the time of writing this report, we have made an offer to acquire the balance (65,3%) of shares in Avis Southern Africa Limited that we do not currently own. If successful this transaction alone will see us invest approximately R1,4 billion through a mixture of cash and Barloworld shares.

Expanding within our existing activities

We are engaged in a constant process of internal re-invention as we capitalise on opportunities that confront us as well as those that we create. In this regard, our developing Caterpillar rental businesses in Spain and southern Africa illustrate the way in which we can move quickly in response to changing customer needs.

Developing grassroots opportunities within our core competencies

The grassroots development of our logistics businesses in Spain and in South Africa has progressed well in the past year. They are both profitable and have significant potential for further growth but have yet to mature into fully fledged stand-alone business segment for reporting purposes.

Sustainable growth may involve disposing of businesses

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 we disposed of six motor dealerships and we are in the process of disposing of Henry Cooke, the last component of our speciality paper business which we made the strategic decision to exit in 1998.

Restructuring to create value continues

The ongoing restructuring of our businesses continued in 2003. There will be further progress in this never-ending journey in 2004.

I am pleased to report that the strength of our approach to creating value for our people was recently recognised when our South African Cement & Lime business, PPC, won the Industrial category in the 2003 survey by Deloitte & Touche of the best companies to work for and came sixth in the overall competition (for details see page 73).

An exciting year ahead

At Barloworld our philosophy of value creation revolves around doing more of the things we do well and implementing our plans with a steady determination and sense of inner strength that sees us through difficult times. As in the past few years, 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 101 years of success.

AJ Phillips
Chief Executive Officer

BOARD OF DIRECTORS

Non-executive

WAM (Warren) Clewlow
OMSG CA(SA), DEcon (hc), Chairman
Warren (67) joined Barloworld in 1963.
Within 20 years he was CEO of Barlow Rand Limited (now Barloworld Limited). He joined the board in 1974, was appointed deputy chairman and chief executive in 1985 and chairman in 1991. He is on the boards of several major South African and international companies as deputy chairman of Old Mutual Life Assurance Company (SA), and Nedcor, director of Old Mutual Life Holdings, Old Mutual plc and Sasol Limited. He is the chairman of Pretoria Portland Cement and the University of Natal Development Foundation and 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 (64) 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 Limited, where he is chairman of the compliance committee 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 (64) is chairman Old Mutual plc and deputy chairman of Mutual & Federal Insurance Company Limited. He was appointed to the Barloworld board in 1985. He is a director of the Central Africa Building Society (Zimbabwe), SABMiller plc and Nedcor Limited. 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 (53), 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 practiced 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 (56) is chairman of the executive committee of Fulbright and Jaworski LLP, a US based international law firm he joined in 1976. He is a non-executive director of Sasol Limited, Riggs National Corporation (the oldest and largest bank holding company based in Washington, DC), the non-executive chairman of Riggs Bank Europe Limited 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.

* American

LA (Louise) Tager
BA, LLB, HDip Tax Law, LLM (Harvard)
Louise (67) 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.

BOARD OF DIRECTORS CONTINUED

Non-executive continued

EP (Eddie) Theron
BCom, LLB, FIBSA
Eddie (62) 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 Limited 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 Mutual and Federal Insurance Co Limited and Pretoria Portland Cement Company Limited.

RC (Robert) Tomkinson#
MA, FCA, FCT
Robert (62) 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 Limited and of the Council of the University of Buckingham and a non-executive director of UGC Limited (The Unipart Group of Companies).

 # British

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.

Executive directors

AJ (Tony) Phillips#
BSc (Eng), Chief Executive Officer
Tony (57) joined Barloworld in 1968 and has spent most of his career in the 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).

MD (Mike) Coward
CA(SA), Chief Executive Officer, Steel Tube
Mike (50) 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.

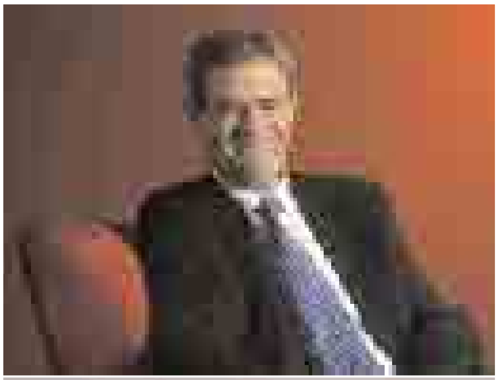
LS (Lester) Day#
CA(SA), Chief Executive Officer, Equipment – Southern Africa, Bulgaria and Siberia
Lester (57) joined Barloworld in 1973 and worked in the equipment operations in South Africa, Zimbabwe and the United Kingdom, as well as holding a senior financial role at the Barloworld head office. 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, Barloworld Industrial Distribution
Brandon (52) joined Barloworld in 1970. He initially worked in the 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 and with effect from 1 October 2003 he took up the position of Chief Executive Officer, Industrial Distribution.

JE (John) Gomersall#
CA(SA), Chief Executive Officer, Cement & Lime, and Chairman, Barloworld Logistics
John (57) 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) Limited in 1986. He joined the Barloworld board in 1989 and moved into the Cement & 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 Lamprecht
BCom, LLB, PED – IMD, Chief Executive Officer, Barloworld Coatings
André (51) practised as an advocate of the High Court of South Africa before joining Barloworld in 1981. From 1983, he played a leading role in steering the group through a turbulent decade of political transition into a post-apartheid South Africa. He was appointed to the Barloworld Limited board in 1993. He has served on behalf of Barloworld on numerous public bodies and is a past chairman of Business South Africa, a member of the Standing Committee on Corporate and Public Governance. He is a director of the National Business Initiative (NBI), trustee of the Business Trust and business convenor of the Trade and Industry Chamber of the National Economic Development and Labour Advisory Council (Nedlac), member of its executive council and a member of the Retirements Funds Advisory Committee of the Minister of Finance.

PJ (Peter) Maybury#
MA (Oxon), MCom, Chief Executive Officer, Scientific
Peter (59) 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, Executive Director, Human Resources
Peter (48) 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. His new responsibilities include Human Resources, Group Risk, Black Economic Empowerment, Group Pensions and Medical Aid and Corporate Social Investment.

CB (Clive) Thomson
BCom (Hons), CA(SA), MPhil(Cantab), Finance Director
Clive (37) joined Barloworld in March 1997 as Finance director of Barloworld Coatings division where he had overall financial responsibility for the group's paint interests in southern Africa, Australia, and the United Kingdom. He was appointed to the Barloworld board as Finance Director on 1 April 2003. Previously he was a partner of Deloitte & Touche where, in addition to his audit client responsibilities, he served in technical advisory and education portfolios. He spent a year with Deloittes in Princeton United States as part of an international project team designing and implementing technology solutions for the global practice. In 1993 he completed his Master of Philosophy (M.Phil) degree at Cambridge University, England in the Economics and Politics of Development.

CORPORATE GOVERNANCE

Our systems of corporate governance are continually evolving as the needs and expectations of stakeholders develop

The company is incorporated in South Africa under the provisions of the Companies Act, 1973, as amended.

New articles of association of the company conforming with relevant South African legislation applicable to companies, insider trading, share registration and trading transactions and advanced practices were adopted at the annual general meeting held in January 2003.

By virtue of its listing on the JSE Securities Exchange South Africa, the company is 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. Amendments to the JSE Securities Exchange listing requirements and continuing obligations came into effect on 1 September 2003. They will apply to the company in respect of its financial year ending on 30 September 2004. Those aspects of the Code of Corporate Practices and Conduct that have been incorporated in the listing requirements and continuing obligations will be enforced by the JSE Securities Exchange. Breach of rules may carry sanctions, some of which may attach to directors in their individual capacities. The remaining provisions of the code will be complied with either voluntarily or by explanation where there is partial or no compliance.

As an overseas company with a secondary listing on the London Stock Exchange, the company is not required to observe the combined Code of Principles of Good Governance and Code of Best Practice adopted by that exchange.

A report on independent directors was published in the United Kingdom in 2002 by the National Association of Pension Funds. In early 2003, the review of the role and effectiveness of non-executive directors was published. Known as the Higgs Report, it explained the functions of boards of directors, with particular reference to non-executive directors. In respect of audit committees, it took account of guidance developed by a working group, set up under the auspices of the Financial Reporting Council and chaired by Sir Robert Smith.

Recommendations of both groups were annexed to the Higgs Report and in July 2003 the Financial Reporting Council approved the redrafted combined code. Where a relevant provision of the revised 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 unsponsored American Depository Receipts. Accordingly, the Sarbanes-Oxley Act of 2002 does not apply to it. The principles of that Act have been considered in formulating corporate practices.

BOARD ACCOUNTABILITY AND DELEGATED FUNCTIONS

The general powers of the directors of Barloworld Limited are conferred in the company's articles of association. They have further unspecified powers and authority in respect of matters which maybe exercised or done by the company but which are not expressly reserved to the members of the company in a general meeting, either by the South African Companies Act or the provisions of those articles.

In accordance with a formal charter, approved during the year, the board has reserved to itself the following responsibilities:

- 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;
- The appointment of directors, subject to election by the company in general meeting;
- Determination of overall policies and processes to ensure the integrity of the company's management of risk and internal control;
- Monitoring the implementation of board plans and strategies against a background of economic, environmental and social issues relevant to the company and international political and economic affairs, as well as the mitigation of risks by management.

The charter expresses the board's philosophy in regard to customer satisfaction, quality and safety of products and services; optimisation in the use of assets and drawing the best out of employees; respect for human dignity and observance of fundamental human rights; national and international corporate citizenship, including sound relationships with regulatory authorities; and endorsement of the Global Compact initiated by the Secretary General of the United Nations in 1990.

THE BOARD OPERATES UNDER A FORMAL CHARTER

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.

Audit, general purposes, nomination and remuneration committees assist the board in the discharge of its duties. Each committee acts within terms of reference, under which certain functions of the board are assigned 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

At the last annual general meeting Messrs R Fernandez-Urrutia and G Ross Russell retired as directors. During the year, Messrs DC Arnold and K Brown retired as directors and Mr CB Thomson was appointed by the board to fill one of these vacancies. There are currently nine executive and eight non-executive directors.

The King Code of Corporate Practices and Conduct states: "The board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors, of whom sufficient should be independent of management so that shareowner interests (including minority interests) can be protected." Concluding that more than half of board members should be independent the Higgs Report acknowledged the need for more executive representation at board level. In the view of the New York Stock Exchange, the majority of a board should be independent non-executive directors.

Leading international thinkers about corporate governance are arriving at consensus that quality results are primary and that mere technical compliance with various codes is not adequate. Wise constraints enhance freedom.

For the past few years, the company has been transforming itself into an international brand management company. It is also adapting to the transformation needs of the modern South Africa. Considerable thought has been given to board balance and composition in the longer term in the light of these considerations. With a current majority of one seat in favour of executive directors, the board believes that their long experience and proven mix of knowledge and skill meet the present requirements of the company. They are also of the view that the addition of at least one independent non-executive director, with international experience, is necessary. Such a recommendation will be made as soon as the relevant issues have been further clarified and a suitable candidate is found.

The following non-executive directors are regarded as independent, as contemplated in terms of sub-paragraph 2.4.3 of the King Code of Corporate Practices and Conduct referred to above: RKJ Chambers, DB Ntsebeza, LA Tager, EP Theron and RC Tomkinson.

Non-executive directors who have indirect connections with the company, apart from directorships are: Mr MJ Levett who is the chairman of Old Mutual Life Assurance Company (South Africa) Limited and Mr WAM Clewlow who is father-in-law to the finance director, Mr CB Thomson, and also the deputy chairman of Old Mutual Life Assurance Company (South Africa) Limited, a major shareowner in the company, and Mr SB Pfeiffer who is a partner in a law firm in the United States that provides advice to the company from time to time.

The agenda and supporting papers are distributed to all directors electronically prior to each board meeting. The appropriate executive director motivates business requiring decisions in the meeting, bringing relevant facts and circumstances to the attention of directors who, in any event, have unrestricted access to all company property, information and records.

Where directors are based in countries other than where a meeting is held and are not able to attend, video conferencing facilities allow them to participate in the debate and conclusions reached.

Meetings of the board were held as follows:

Date	Venue
13-11-2002	Johannesburg
30-01-2003	Johannesburg
28-03-2003	Madrid
19-05-2003	Johannesburg
11-07-2003	London
1-10-2003	London

Directors attended the meetings personally, or were included in the proceedings through video conferencing facilities, with the exceptions that Mr DB Ntsebeza was unable to attend the meeting on 13 November 2002 and both Mr BP Diamond and DB Ntsebeza were not able to attend the meeting held in Madrid on 28 March 2003.

Any new appointment of a director is considered by the board as a whole, on the recommendation of the nomination committee.

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

Directors are appraised, wherever 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 also 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.

By convention, 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.

The curriculum vitae of each director of Barloworld Limited is published on pages 21 to 23.

At every annual general meeting, at least one-third of the directors retire from the board. In addition, a director appointed by the board to fill a vacant seat must retire from that office at the next annual general meeting. Directors retiring in this manner may offer themselves for election or re-election, as the case may be, subject to any recommendation made by the nomination committee.

At the forthcoming annual general meeting; Mr CB Thomson retires in terms of the company's articles of association. He is available for election and his nomination has been submitted by the nomination committee.

In terms of the articles of association, the following directors retire by rotation: Messrs LS Day, SB Pfeiffer, AJ Phillips, PM Surgey and RC Tomkinson. They are available for re-election and they have been respectively nominated by the nomination committee.

In addition, RKJ Chambers has indicated that he is not available for re-election and will retire at the close of the forthcoming annual general meeting.

Fees payable to non-executive directors are recommended by the board and fixed by the shareowners in general meeting.

Details of remuneration, fees or other benefits earned by directors in the past year are given on pages 182 to 185.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

No individual has unfettered powers of decision-making. Responsibility for running the board and executive responsibility for conduct of the business are differentiated. Accordingly, 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 on discharge of their responsibilities. 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. 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 securities of the

MJ (Mike) Barnett (61)
HDip (Company Law); HDip (Tax); Secretary
He joined Barloworld in 1980 as a companies secretary and following the unbundling of Barlow Rand, in 1994 Mike was appointed secretary to Barloworld.

Educated at King Edward VII School in Johannesburg and subsequently at The University of the Witwatersrand, Mike served articles of clerkship with Deloitte & Touche.

company and a report is tabled at each board meeting.

INSIDER TRADING

The South African Insider trading Act No 135 of 1998 regulates transactions by directors and officers in securities issued by the company.

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

The new rules of the JSE Securities Exchange extend obligations regarding transactions in the securities of the company to include those of any listed subsidiary as well. Those whose trading transactions have to be disclosed to the market within 48 hours specifically include the directors and the secretary but now also embrace any associate of the directors or secretary or any independent entity or investment managers through which the directors or secretary may derive a present or future beneficial or non-beneficial interest.

The directors or officers of the company's major subsidiaries, whether wholly or partially owned, are also included in the list of directors, secretary and officers.

Trading in the company's shares and any cessions of options over such shares is conducted on completion of an application form, in the case of securities subject to the Barloworld Share Option Scheme, or a letter in any other case. Authorisation of the transaction is given in writing by the chairman of the board, the chief executive officer or a divisional chief executive officer, as appropriate. The written authority is kept by the secretary with the record of the particular transaction. In the event that the chairman wishes to trade, permission to do so is obtained from the board.

MANAGEMENT OF RISK

The King Code of Corporate Practices and Conduct contains numerous guidelines relating to the management of risk and the responsibilities of the board in that regard. Separate guidelines are set out in regard to the audit committee.

It appears from the context that the Code regards the duties of the board in relation to risk and those of the audit committee as separate and distinct.

The Barloworld Group, mainly because it became difficult to insure in the 1970s, has been conscious of risk and the need to manage it for about a quarter of a century. As risk control and risk finance techniques unfolded and developed, divisional executives were brought together during the 1980s to share perceptions and to endorse the annual insurance renewal proposals.

In the 1990s, this concept was refined and a risk management strategy committee was formed.

Over the years, with the participation of outside experts and specialists, this committee has developed and extended the management of risk. Benefits have been derived from serious efforts to mitigate risk and innovative techniques for financing any losses that might occur.

When the King Report, issued in 2002, highlighted responsibility for managing all risks – of gain or loss, internal or external, and of a nature that may or may not be insurable – it was realised that co-ordination of the management of risk with the management of financial audit and internal control was imperative.

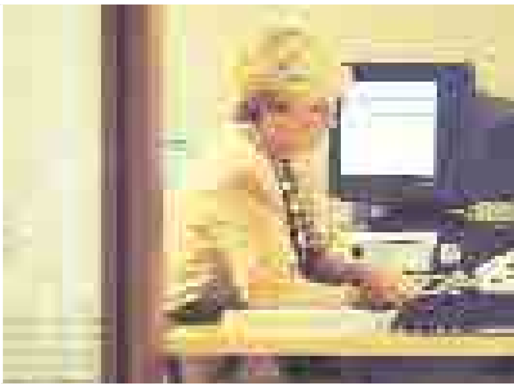
Accordingly, the risk management strategy committee became a sub-committee of the audit committee with formal terms of reference. Thus, the actions of the divisional chief executive officers in managing risk are objectively evaluated by the audit committee comprising solely of non-executive directors, the majority of whom are independent. This balance works for the Barloworld Group.

AUDIT COMMITTEE

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

Following the retirement of Mr G Ross Russell, Mr RC Tomkinson was appointed as a member of the audit committee in his stead.

The audit committee consists exclusively of non-executive directors. Its chairman and the



majority of members are independent. The quorum for a meeting is two independent directors.

The head of internal audit and the lead client service 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 has written terms of reference approved previously and amended in 2003. Its duties relate to the management of risk across the Barloworld Group, 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 relevant corporate disclosure requirements and accounting standards.

A meeting of the audit committee was held on 18 May 2003 primarily to consider the draft interim report. A report from the external auditors following a review of the financial statements for the half-year ended 31 March 2003 was received. Exceptional items and the quality of earnings were given special attention. The report of the internal auditor was tabled. Having taken account of these reports, the committee was satisfied that the financial statements were accurate and, with the draft interim report, were recommended for approval by the board.

The chairman of the audit committee reported on the interim results, supported by the external auditors, at the board meeting held to adopt the interim results on 19 May 2003.

On 30 September 2003, the audit committee met to consider the results of the annual risk assessment, internal audit activities and recommendations, disaster recovery, business continuity and information security issues, as well as ethics line and defalcation reports. Draft corporate governance and corporate citizenship reports were reviewed. A new board charter and amended terms of reference of the audit committee were accepted and recommended for approval by the board. Amendments to the terms of reference of the risk management strategy committee, a sub-committee of the audit committee, and the policy on the provision of non-audit services were approved.

The audit scope and budgeted fees for the forthcoming audit were considered.

The audited annual financial statements for the year ended 30 September 2003 were submitted to the meeting of the audit committee held on 11 November 2003, together with the report of the auditors. The lead client service partner responsible for the audit was present.

The committee considered the assessment at the year-end of the company's ability to continue as a going concern, the valuations of investments and exceptional items. The audited annual financial statements, the drafts of the preliminary profit statement and the corporate governance and corporate citizenship reports were recommended for approval by the board.

The audit committee has also recommended to the board that, at the forthcoming annual general meeting, the external auditors be re-appointed for the current year.

The chairman of the audit committee reported on the annual results, supported by the external auditors, at the board meeting held to adopt the annual results on 12 November 2003.

The audit committee has adopted the following policy in regard to the provision by the auditing firm of any non-audit services:

(a) non-audit services will not be obtained where the provision of such services could impair audit independence;
(b) computer audit reviews and tax accrual reviews are part of the audit process;
(c) the audit firm cannot be used in the provision of internal audit services;
(d) use of any non-audit services will be subject to prior motivation where the audit firm is chosen over an independent firm;
(e) the proposer must give reasons why it is believed there will be no conflict of interest and the audit firm must concur in writing;
(f) authority for the audit firm to conduct non-audit work is delegated, within a prescribed fee limit framework, to divisional chief executive officers and finance directors, to divisional audit committees for more significant fee levels, and to the chairman of the audit committee of Barloworld Limited, in consultation with other audit committee members, if necessary, where major fee expenditure is involved;

(g) a description of non-audit services rendered by the audit firm and the relevant fees must be ratified by the respective divisional audit committees and reported to the audit committee of Barloworld Limited; and

(h) total annual fees for non-audit services in any financial year shall not exceed the total audit fee for that year unless any excess is justified and approved by the chairman of the audit committee in consultation with the members of the committee, if necessary.

Meetings of the committee were held as follows:

Date	Venue
12-11-2002	Johannesburg
18-05-2003	Johannesburg
30-09-2003	London

All members attended the committee meetings except Mr MJ Levett who was unable to attend the meeting held on 30 September 2003 in London.

The board accepted these recommendations and has determined that the audit committee, which has no executive powers, 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, RC Tomkinson

During the year, Mr RC Tomkinson was appointed as an additional member of the committee.

The general purposes committee, comprising a majority of non-executive directors, considers issues of significance to the company. It advises the board on matters having local and international political, economic and social implications regarding the affairs of the company. Progress in regard to the strategic plan is reviewed and recommendations in respect of any adjustment to it are submitted to the board. The committee is able to ensure that matters requiring the attention of the directorate such as acquisitions and disposals, as well as other issues of high importance, are submitted timeously for proper deliberation. Its terms of reference were formalised in 2003 and approved by the board.

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 board as a whole. The chairman does not participate in discussions regarding his own performance.

All members attended the committee meetings which were held as follows:

Date	Venue
12-11-2002	Johannesburg
30-01-2003	Johannesburg
27-03-2003	Madrid
18-05-2003	Johannesburg
10-07-2003	London
30-09-2003	London

The board has determined that the general purposes committee, which has no executive powers, has satisfied its responsibilities for the year under review in compliance with its terms of reference.

NOMINATION COMMITTEE

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

During the year, Mr RC Tomkinson was appointed as an additional member of the committee.

The nomination 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.

It is responsible for identifying and nominating candidates for the approval of the board as additional directors or to fill any board 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.

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

Its terms of reference were formalised in 2003 and approved by the board. All committee members attended the committee meetings which were held as follows:

Date	Venue
12-11-2002	Johannesburg
30-01-2003	Johannesburg
27-03-2003	Madrid
18-05-2003	Johannesburg
10-07-2003	London
30-09-2003	London

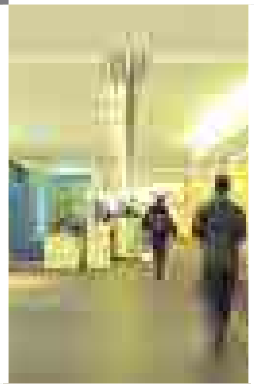
The board has determined that the nomination committee, which has no executive powers, has satisfied its responsibilities for the year under review in compliance with its terms of reference.

REMUNERATION COMMITTEE

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

During the year, Mr RC Tomkinson was appointed as an additional member of the committee.

Composed entirely of non-executive directors, the majority of whom are independent, this committee makes recommendations to the board, within terms of reference formalised in 2003 and approved by the board, regarding the structure and development of policy on executive and senior management remuneration, taking into account market conditions. The chief executive attends meetings but does not participate in discussions regarding his own remuneration.



The committee approves the remuneration levels and benefits of executive directors and senior executives. Recommendations are made in respect of fees – for service as a member of the board or on a board sub-committee – to be paid to each non-executive director. Once the fees proposed for non-executive directors have been adopted by the board, they are submitted to the shareowners in general meeting for approval prior to implementation and payment.

Report of the remuneration committee

The company's philosophy is to set remuneration at appropriate levels, taking into account scales of responsibility, 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. This approach is being extended to other levels in the organisation. Participation of employees will be achieved through consultative processes aimed at aligning job and corporate purposes and introduction of a uniform measurement system. This has been largely accomplished and the framework set for the year ahead.

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

Advice was obtained from Deloitte & Touche Human Capital Corporation, remuneration consultants who are not engaged on a retainer basis but charge for work actually done. This involved benchmarking individual jobs against the relevant market, as well as other companies of similar status and characteristics to those of the company. The committee is satisfied as to the independence, accuracy and quality of work of this consultancy firm.

Basic salaries are reviewed annually in light of targeted median and individual performance. Annual increases are not guaranteed.

For some years, the company has had an incentive bonus scheme. This includes factors linked to Value Based Management, pre-determined objectives and cash flow return on investment targets. The level of bonuses was "capped" at 50% of annual basic salary in prior years.

Targets are set at group and operational levels and are weighted appropriately to a person's ability to influence results and add value. They include "year-on-year stretch" to ensure value creation.

A portion of the incentives is linked to personal or team goals with the aim of improving performance while balancing short, medium and long-term company objectives. These include minimum standards, corporate values, performance improvement, people development and employment equity.

For the year ended 30 September 2003, the remuneration committee approved a scheme in terms of which each executive director would receive the greater of:

- *a proportion of annual basic salary arising from the increase in:*
  - *earnings per share (excluding exceptional items) of Barloworld Limited in 2003 over 2002 and less a factor approximating the rate of inflation; and*
  - *return on net assets (excluding leasing) of Barloworld Limited above a predetermined "stretch" target;*
- *a proportion of annual basic salary arising from the increase in:*
  - *2003 over 2002 of the cash flow return on investment achieved by the relevant business unit; and*
  - *the increase in cash flow return on investment achieved by Barloworld Limited;*

in each case multiplied by a factor reflecting the extent to which the objectives of each director have been achieved. The "capping" of bonuses at 50% of annual basic salary was removed. As a result, nearly four-fifths of total bonuses paid to directors for the year comprise deferred amounts relating to previous years.

Executive directors and selected key executives participate in the Barloworld Share Option Scheme. Allocations of options are generally made annually, based on the market value of the company's shares. One-third of each allocation becomes exercisable by the employee after three years have elapsed from the date of allocation. After four years, a maximum of two-thirds of the original allocation are exercisable. On the expiration of five years, the full allocation is available to the employee. All options must be exercised by the employee or ceded by the employee to a *family company or trust or sold to a major bank with which the company some years ago engaged in a contractual facility, before the expiry of ten years from the date of original allocation. An employee must be in the employ of, or have retired from, the Barloworld Group at the time of exercise or cession of any options. If any options are not exercised or ceded within ten years of original allocation they will lapse.*

Proposals will be submitted to the forthcoming annual general meeting of the company to amend the Barloworld Share Option Scheme, so that any share options granted on or after the date of that meeting will (if the relevant resolution is adopted) lapse after the expiry of six years instead of ten years, from the date of such grant. In addition, the rules of the scheme have been amended to limit the life of share options to one year after an employee retires. The effect is that the option holder will be required to exercise all share options within one year of retirement. Share options granted prior to 1 October 2003 are not affected, nor does this amendment require approval in general meeting.

Similarly, employees are able to obtain loans from the Barloworld Share Purchase Trust in order to acquire shares under option. The rules have been altered to restrict the period of such loans and to require full repayment within one year of the date of retirement of an employee, or six years from date of grant whichever is earlier. This applies to loans granted on or after 1 October 2003. The amendment does not require approval in general meeting.

In respect of each director, details are given in note 33 to the annual financial statements of salary, bonus, retirement and medical aid contributions, gains from share options exercised or ceded and other benefits. Also given are details of shares in the company owned, and of unexercised share options held, by each director.

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 Mr PJ Maybury who 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, or earlier on retirement.

The directors are entitled to such remuneration as the members of the company may determine in general meeting. The total remuneration of each executive director takes into account the value of services as a director, in addition to executive remuneration. No remuneration has been authorised in general meeting in respect of remuneration for services as directors of the executive directors. This has been controlled through the remuneration committee.

A non-executive director who, in the opinion of the directors, performs services beyond the scope of the ordinary duties of a director may be paid such extra remuneration or allowances as may be determined by a disinterested quorum of directors.

All members attended the committee meetings which were held as follows:

Date	Venue
12-11-2002	Johannesburg
30-01-2003	Johannesburg
27-03-2003	Madrid
18-05-2003	Johannesburg
10-07-2003	London
30-09-2003	London

The board has determined that the remuneration committee, which has no executive powers, has satisfied its responsibilities for the year under review in compliance with its terms of reference.

INTERNAL AUDIT

With its responsibilities clearly defined in a charter, approved by the audit committee in September 2002, internal audit continued to function throughout the group during the year under review.

Audit activities principally addressed the following areas:

THE GROUP INTERNAL AUDITOR REPORTS TO THE CHAIRMAN OF THE AUDIT COMMITTEE WHO IS AN INDEPENDENT DIRECTOR

- appraising and advising on systems, procedures, and management controls;
- assessing the effectiveness of risk management processes;
- evaluating the reliability and integrity of management and financial information;
- assessing the control over assets and verifying their existence;
- reviewing compliance with policies and procedures; and
- recommending improvements in procedures and systems to enhance efficiencies and prevent fraud.

Risk focused audit plans for the year, with input from divisional management, were approved in November 2002. Audit findings were formally reported to operating division audit committees in May and again at year-end. These committees are chaired by officers who are non-executive to the respective division.

The group internal auditor reports to the chairman of the audit committee of Barloworld Limited and co-ordinates the internal audit function worldwide.

He reported formally to the audit committee in May and November on activities, providing details of audit coverage and of any significant findings. The audit plan for the whole group was approved at the audit committee meeting in May.

The internal audit process did not highlight any breakdowns in internal control that were known to have had a material impact.

Internal audit undertook a high level review of the risk management processes across the group and reported at the special risk focused meeting of the audit committee in September.

THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ARE SEPARATE

Although not reliant on external auditors for any resource support the group internal auditor continues to liaise with them with a view to maximising efficiencies of coverage where possible.

RISK MANAGEMENT STRATEGY COMMITTEE

PM Surgey (Chairman), MD Coward, LS Day, BP Diamond, JE Gomersall, AJ Lamprecht, M Laubscher, IR Martin, PJ Maybury, AJ Phillips, S Salazar, CB Thomson

In terms of a written risk management philosophy statement issued by the chief executive officer 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 each division, but also that their individual and joint impact on the group as a whole is taken into consideration.

The risk management strategy committee, which is a sub-committee of the audit committee and includes the chief executive officer of Barloworld Limited, the chief executive officers of all divisions and the group risk and insurance manager and is supported by professional staff at corporate office and from the international organisation, Marsh Inc., 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 risks, elevated to group level, are adequately addressed through action plans put in place with responsibilities assigned.

The annual risk assessment process is conducted at business unit, division and main board levels. The assessment methodology takes into account severity and probability of occurrence and applies a variable based on the quality of control, thereby ranking risks and setting priorities.

The group risk management department oversees the process from the perspective of strategic direction, ongoing improvement in methodology and process, and technical assistance. The facilitation of the overall process is alternated every second year between the risk management department and an external service provider. Both independent external auditors and internal auditors check for robustness and thoroughness and comment thereon in their own assessment reports.

The risk tolerance levels are set in each division 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 intranet 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 group develops new businesses and expands into new markets and territories, it is faced with increasingly complex and changing environments. By integrating the risk management process with the group's strategic direction, which incorporates the principles of Value Based Management, the risk-return trade-off is optimised. This enhances competitive advantage, growth and the employment of capital.

In the case of joint ventures and associates, the company encourages adherence to the same risk management philosophy and policies. The services of Marsh Inc. are used to examine the quality of risk control and the adequacy of insurances.

Meetings were held as follows:

Date	Venue
18-11-2002	Johannesburg
18-08-2003	Johannesburg

All members attended the committee meetings during the year under review, except that Messrs K Brown, R Fernandez-Urrutia and PM Surgey were unable to attend the meeting held on 18 November 2002 and Messrs K Brown, MD Coward, LS Day and PJ Maybury were unable to attend the meeting held on 18 August 2003.

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

THIRD PARTY MANAGEMENT

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

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 sensitive and systematic. 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.

EMPLOYMENT

The integrity of new appointees to the group is assessed through 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.

ETHICS LINE

The Barloworld Ethics Line was introduced in 2002 and it is intended to expand it across the worldwide group in 2004. It is an independent and confidential system by which employees or others can report unethical or risky behaviour. Such reports can be submitted to:

Barloworld Ethics Line

Telephone

South Africa 0800 203242

Telefax

South Africa 0800 007788

Postal address

Barloworld Ethics Line
C/o Tip-Offs Anonymous
Free Post DN298
Umhlanga Rocks
KwaZulu-Natal
4320
South Africa

Barloworld Ethics Line is outsourced to Tip-Offs Anonymous which is an independent body within Deloitte & Touche. This provides an opportunity to anyone wishing to report unethical activities or dishonest behaviour that affect 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.

BARLOWORLD IN THE STOCK MARKET

Barloworld has 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

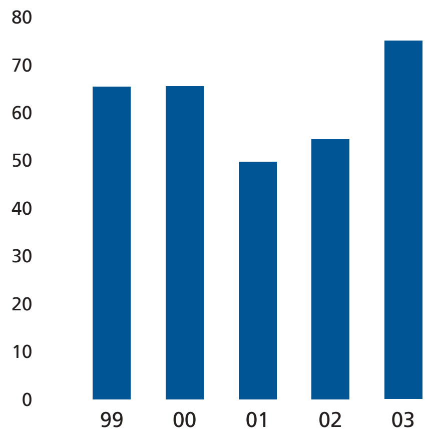
At 30 September 2003, beneficial owners of in excess of 5% in the company's issued share capital were:

• Old Mutual Life Assurance Company SA Limited	6,22%
• Public Investment Commissioners	13,63%
• Barloworld Investments (Pty) Limited (share buy-back)	8,86%

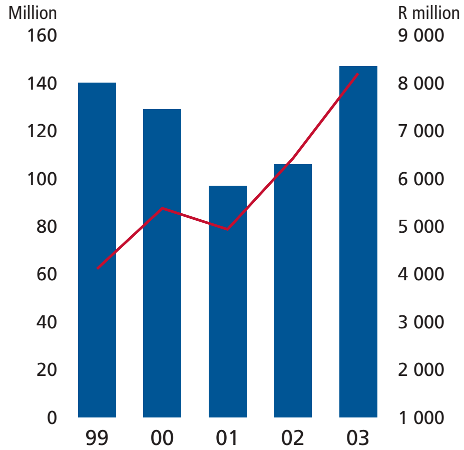
BARLOWORLD HAS A 100% FREE FLOAT

The portfolios of 20 institutional investment companies account for 83,73% (2002: 84,23%) of the company's issued share capital. Those managers controlling in excess of 5% were:

• Old Mutual Asset Management	17,33%
• Sanlam Investment Managers	10,24%
• Stanlib Limited	7,64%
• RMB Asset Management	9,15%
• Investec Asset Managers	5,71%



Shares traded as a percentage of shares in issue (net of buy-back)



Volume of shares traded (million)
Value of shares traded (R million)

ORDINARY SHARE STATISTICS

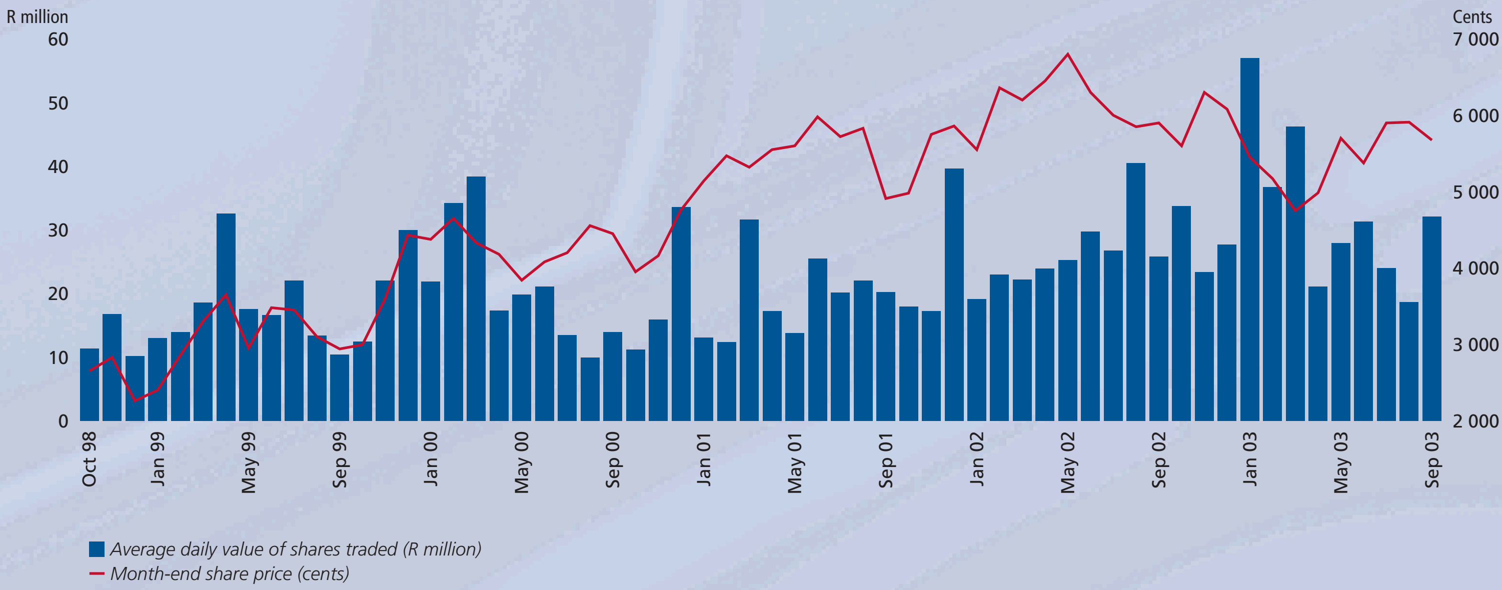
	2003	2002	2001	2000	1999
Closing market prices per share (cents)					
– year-end (30 September)	**5 675**	5 900	4 910	4 450	2 940
– highest	**6 359**	7 300	6 200	5 200	3 990
– lowest	**4 750**	4 850	3 550	3 125	2 130
Number of shares in issue at 30 September (million) #	**196**	195	195	197	214
Volume of shares traded (million)	**147**	106	97	129	140
Value of shares traded (R million)	**8 196**	6 414	4 931	5 372	4 103
Market capitalisation at 30 September (R million)	**11 142**	11 522	9 588	9 537	6 301

 # The number of shares in issue has been reduced from 2000 to 2003 by the shares purchased by a subsidiary company in terms of a programme to buy back the company's shares and an odd lot offer.

SHAREHOLDER SPREAD

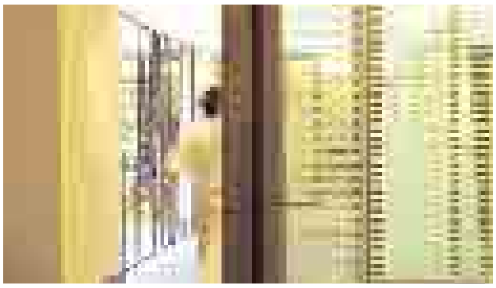
as at 30 September 2003

Type of shareholders	Number of shareholders	Number of securities held	% of securities held
Public	14 382	195 172 490	90,60
Non-public	34	20 257 759	9,40



CORPORATE CITIZENSHIP REPORT

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



VISION – 2020

As 2003 moves towards its close, global economic and political patterns are assuming new profiles. These will reshape human affairs, including business and world trade, as well as various other interdependent relationships, over the next 10 to 20 years. The consequences of the underlying changes may open the way to exploration of new advantages or create vulnerabilities for citizens, corporate or otherwise, of many countries.

Even when acting together in terms of international treaties or alliances, nation states have limited outward influence. Individually, such states have even weaker external credentials. Internally they are becoming increasingly impotent regarding protection of their citizens and property rights and the provision of essential infrastructure and services to support adequate life prospects for the majority of citizens.

International frameworks of both public and private law were considerably strengthened in the second half of the twentieth century. This was the result of efforts of inspired people who, after the horrors of the Second World War, saw the upholding of human dignity as an imperative in the pursuit of peaceful progress. The principal document, since augmented by many complementary initiatives, is the United Nations Universal Declaration of Human Rights, adopted by the General Assembly in 1948.

As the Cold War ended, further progress was made in extending respect for basic human rights more extensively across the world. A substantial proportion of European countries, formerly subject to Soviet domination, were transformed into democratic states with market economies.

Perhaps the most notable feature supporting wider recognition of human rights was the eloquent strength of humility in South Africa. This led to mutual public recognition of gross violations of human rights by the protagonists in many decades of conflict and struggle. It was followed by well structured negotiations at various levels of society and with participation by all interested parties. The climax was a peaceful transition of South Africa to a democratic constitution. The voting support of a vast majority of the total population was independently assessed and monitored through wide involvement of international observers.

Globalisation, once an idealistic dream, was becoming tangible. The General Agreement on Tariffs and Trade was dismantled. It was replaced by a new World Trade Organisation. Numerous bilateral and multilateral agreements and treaties between nation states regulate commerce all over the globe. In some cases, of which the European Union and the North American Free Trade Association are the most important, clusters of states have harmonised trade relations in treaties and agreements overlaying their historical national borders.

Two of these have made huge progress. The United States has been, for over two centuries, both a political and economic union

WE SUBSCRIBE TO THE PRINCIPLES OF THE GLOBAL COMPACT

with a population of some 292 million. It provides the critical mass for the North American Free Trade Association. The European Union is already a significant economic zone, with a population exceeding 368 million, and will soon be enlarged. It is also showing inclinations towards political unity.

The rest of the world, despite announcements of similar associations, has achieved little by comparison. However, Japan could revive its role as a major economy, while the rapid increase in the momentum of economic activity in China seems likely to transform that region into a major trading bloc, and Russia has increasing importance.

Globalisation is still evolving. International economic activity is rising but constrained political influence and lack of regulation beyond the power of sovereign states constitute a void, nourishing uncertainty and insecurity. It is highly desirable that, during this phase of human development, law abiding behaviour and observance of the principles of natural justice and human rights should guide the conduct of leaders at all levels around the world.

These leaders should also recognise that they and their organisations need mutually respectful relationships and self-discipline in order to survive and to succeed. These organisations have responsibilities towards those they serve, those dependent on them for a livelihood, outsiders affected by their activities and an obligation to preserve for future generations the only planet known to support human life.

The initiative of the Secretary General of the United Nations, known as the Global Compact, seeks to engage large businesses with international influence in pursuit of these laudable aims. By so doing, it is believed that greater wealth can be created and shared more fairly among the world population. If this can be achieved, it could also become part of a solution aimed at easing the disruptive and depraved anti-social behaviour displayed by extremist and radical groupings in numerous countries around the world.

As an international brand management company, operating in 32 countries world-wide, Barloworld subscribes to the principles of the Global Compact and seeks to set a good example in corporate citizenship and governance, wherever it operates or has activities.

BOUNDARIES OF REPORT

As a responsible international operation, Barloworld seeks to conduct its affairs in a manner that harmonises with affected human needs or, at least, minimises adverse affects.

Most operations are undertaken in urban areas, where they form a small portion of the total commercial and manufacturing activity. Contact with surrounding communities, apart from customers, suppliers and numerous other business enterprises, is minimal.

Mining and manufacturing operations conducted in South Africa and Zimbabwe have a substantial influence on nearby communities. Considerable care is taken to cultivate sound interactive relationships with those communities. This is discussed in the section headed Cement & Lime on pages 64 to 73, inclusive. Similarly, but in a small way, impacts on communities in northern England are described under Barloworld Scientific on pages 75 to 80, inclusive.

A great deal of activity involves adding value for customers to the products of a number of reputable international industrial equipment and motor manufacturers. These activities are largely of a support and service nature. Their demand for electricity and water is relatively low. Accordingly, the effect on electricity and water suppliers, and on waste removal and disposal, is minimal within the context of the surrounding urban conurbations.

This annual report has been prepared in accordance with Global Reporting Initiative 2002 Sustainability Reporting Guidelines. It represents a balanced and reasonable presentation of the economic , environmental and social performance of Barloworld, as presently understood.

The Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance in South Africa 2002 contemplates an integrated approach in compiling annual reports, achieved gradually as understanding of the intricate relationships among stakeholders' interests becomes greater.

OVERVIEW

Strategic and operational re-alignment

Human resource policies

Training and education

This report deals with business principles and practices that can be verified by reference to board minutes, established policies (written and unwritten) and standards. It also discusses implementation of these principles and practices, as well as non-financial measurement mechanisms.

Except where specifically stated the information has not been externally verified.

STRATEGIC AND OPERATIONAL RE-ALIGNMENT

The executive directors also constitute the board of wholly-owned subsidiary, Barloworld Global Services (Proprietary) Limited. In this role, they met 11 times during the year, supported by professional staff, to review the operational performance against the current year's strategic plan and to consider the financial results up to the end of the most recent monthly accounting period prior to each meeting. They met on six other occasions to consider, inter alia, strategic ideas for the future and to accept business plans for the forthcoming financial year. The consolidated business plan and other matters of strategic significance are submitted to the board of Barloworld Limited for approval.

Development of strategic thinking and improved practice is ongoing. Increasingly, these activities will have to be expanded beyond the traditional scope of business to the consideration of complex commercial and trade issues that may impact operations in the future.

Task teams, led by executive directors, have made recommendations dealing with refinement of strategy for the period immediately ahead; marketing and customer relationships; human resources practices; and sharing of services within Barloworld – even across the world where this is feasible. Recommendations adopted are being implemented where short-term benefits can be obtained. In other cases, plans for implementation are being developed.

Across all operations, the adopted strategies and business plans are, wherever possible, being more accurately aligned to Barloworld's overall plans. Operational planning is put into effect, underpinned by significant attention to achieving or further raising cash flow returns on investment; numerous interchanges have taken place among employees aimed at creating better overall value; and incentives based on such achievement are being created with a view to extending additional rewards more widely among employees.

These activities assist the chief executive in guiding and controlling the overall direction of the business. They also facilitate communication and co-ordination between business units worldwide.

HUMAN RESOURCE POLICIES

The Universal Declaration of Human Rights was adopted by the General Assembly of the United Nations in 1948. In addition, the International Labour Organisation, originally created in 1919 under the auspices of the League of Nations (with its original constitution being part of the Treaty of Versailles) and now an organ of the United Nations, has adopted eight Conventions dealing with human rights at work.

Of these, seven were classified as fundamental in 1995. Two cover prohibition of compulsory or forced labour. The others relate to the abolition of child labour, freedom of association, the right to collective bargaining, equal remuneration for work of equal value and the elimination of any discrimination in employment and occupation. In 1999, the Worst Forms of Child Labour Convention was added.

The International Labour Organisation also adopted the Declaration on Fundamental Principles and Rights of Work and its Follow-up which reinforce the core conventions. This declaration reaffirms acceptance of the organisation's constitution by member states and imposes an obligation to respect, promote, and realise in good faith the principles concerning the rights recognised as fundamental both inside and outside the organisation.

Flowing from this, inter alia, the following rights and guarantees arise:

- workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organisation concerned, to join organisations of their own choosing without previous authorisation;

WE ARE A HIGHLY ETHICAL COMPANY

- workers and employer organisations shall have the right to draw up their constitutions and rules, to elect their representatives and full freedom to organise their administration and activities and to formulate their programmes;
- adequate protection against anti-union discrimination in respect of employment; and
- adequate protection against any active interference by or in the establishment, functioning or administration of workers and employer organisations.

The Freedom of Association of the Right to Organise Convention encourages, subject to the existence of appropriate national conditions, voluntary negotiation between employers or employers' organisations and workers' organisations of the regulation of terms and conditions of employment by means of collective agreements.

The Discrimination in Employment and Occupation Convention deals with discrimination on grounds of race, colour, national extraction, gender, religion, social origin and political opinion. Inherent requirements for a job are not considered to form the basis for discrimination.

Although member states are required to set the minimum age for admission to work according to their own circumstances, the Minimum Age Convention contemplates 18 years as the age below which the worst forms of child labour must be eliminated.

Barloworld has developed employment, labour relations, health and safety, and training and development policies and guidelines that accord with the Universal Declaration of Human Rights, the Fundamental Human Rights Conventions and the provisions of the Constitution of the Republic of South Africa, one of the most human rights orientated constitutions in the world, with its complementary Bill of Rights.

Legal protection of human rights in the countries in which Barloworld operates varies. Where gaps exist between the company's policy or guideline and the law of the relevant country, the approach adopted is to follow fairness in principle and implementation, with applicable law as the minimum requirement.

All employees are engaged in terms of a contract which conforms with the labour standards of the relevant country.

Formal disciplinary procedures provide a framework for fair, systematic and uniform exercise of order in the workplace. The aim is usually to be educational and corrective. Accountability and responsibility for disciplinary action is vested in line management. An employee, who is subject to a formal hearing, may elect to be assisted by another employee from the same department.

In the case of dismissal, a formal appeal may be lodged with the head of the relevant department. Such appeal will be heard by the senior manager on site. If this is successful, the employee will be re-instated retrospectively with no loss of basic employment benefits. Should an appeal fail, the dismissal will become effective in terms of the original notification.

Grievance procedures are a formal channel for resolving grievances at the earliest stage possible. Responsibility for settlement of a grievance vests in line management. In presentation of a grievance, an employee may not be placed at a disadvantage through lack of knowledge or skill. There is a facility for representation by any other permanent employee. An interpreter would not be classified as such a representative.

The employee and any representative have a guarantee that use of the grievance procedure will not jeopardise either their respective positions or the merits of the case.

In the event of a collective grievance being raised, management may decide to conduct proceedings with individual employees in order to minimise work disruption.

In terms of the company's practice, external providers must have a policy and procedures to protect the human rights of their employees. Services are contracted according to the legal compliance practices of the relevant country.

TRAINING AND EDUCATION

Barloworld has established executive and management development programmes with the Gordon Institute for Business Science in

OVERVIEW

Code of ethics and corporate conduct

HIV/Aids

Johannesburg. Delegates are drawn from Barloworld Group operations around the world.

It also supports the development of financial and accounting skills with portable qualifications through a Training Outside Professional Practice learnership programme.

Performance management programmes have been carried out across the whole Barloworld Group. Emphasis is placed on clear job roles, as well as objectives aligned with team, functional and business unit objectives. Reward schemes are linked to performance.

In addition to training costs mentioned elsewhere in this report, levies are paid in South Africa under the Skills Development Act. To the extent that a statutory skills development plan, including targets, has been updated and lodged with the authorities, and implemented through the adoption of learnerships on an annual basis, grants are claimed from the government.

The Value Based Management philosophy adopted by the company promotes employee participation. It acknowledges employees as key stakeholders in the business and also facilitates collective bargaining.

All employees participate in quarterly Building Barloworld briefing sessions. Many business units produce their own quarterly newsletters. Notice boards at all units are regularly updated.

An internal intranet is employed to keep staff abreast of news and other developments as they occur.

CODE OF ETHICS AND CORPORATE CONDUCT

Workplace behaviour of employees and visitors, and expectations of mutual interaction with customers, suppliers, civil society and communities, are governed by Barloworld's Code of Ethics and Corporate Conduct:

Obey the law

All legal requirements must be upheld.

Be fair

An equal opportunity policy framework is in force throughout the company. This is designed to achieve fairness in employment and employment practices where race, colour, nationality, religion, personal opinion, gender and disability are concerned.

Be honest

An independently operated hotline is available for use by anyone who wishes to divulge anonymously any information regarding any malpractice. Bribery or corruption are not tolerated and are cause for dismissal..

All advertising must be ethical.

Respect others

Freedom of association and related principles will be upheld and the use of child labour (persons under the age of 18 years) or compulsory or forced labour are prohibited. All forms of discrimination will be avoided.

The company will engage customers, shareowners and all other stakeholders in efforts towards mutual advantage by providing regular opportunities for feedback and input.

Employees are encouraged to support the communities in which they operate by participating in socially responsible activities. Social responsibilities will not be sacrificed for the benefit of short-term economic gain.

Protect the environment

Protection of the environment for the benefit of present and future generations is not a choice but a necessity. Barloworld is committed to act responsibly with regard to the effects of its operations and products on air, soil and water, as well as the communities and ecosystems that depend on them. Environmental responsibilities will not be sacrificed for the benefit of short-term economic gain.

All Barloworld businesses are required to observe the Code of Ethics and Corporate Conduct in dealings with customers, employees, providers of capital, suppliers of goods and services and other stakeholders.

HIV/AIDS

Barloworld first formulated and implemented guidelines in regard to HIV/Aids in 1990. These have been refined and developed over

WE PROTECT THE ENVIRONMENT

the years and are congruent with national and international codes of practice.

The policy in respect of HIV/Aids is that the condition should be managed in the same way as other chronic or life threatening conditions, having regard to the magnitude of the pandemic. Communication with all employees, especially in regions where the disease is known to be prevalent, is an essential element.

A strategy is being implemented to encourage employees to find out whether they are HIV positive or negative. Once they know, they are able to become key participants in the management of the condition. For instance, if an employee is HIV negative, he or she will be counselled and encouraged to continue or adopt behaviour that will maintain that status, thus ensuring that no new infection arises. Alternatively, an employee who has ascertained that he or she is HIV positive will be supported in gaining access to care and appropriate assistance. Treatment will be provided to employees and their families through one or more outside disease management organisations. This will maintain confidentiality, optimise treatment and uphold compliance levels. Psychosocial support will also be provided. Financial resources will be provided for this purpose.

Testing has been conducted in all cases with the consent of the employee. In many cases, it has also been anonymous – it is done by testing saliva which is not linked to the person concerned.

Over 60% of employees can access treatment including anti-retroviral medication through medical schemes. Most divisions have undertaken to fund anti-retroviral medication where this is not available through state facilities.

The cost of prevention, voluntary counselling and prevention, as well as treatment where employees are not members of a medical scheme is estimated to be R4,4 million in 2004, rising to R11,7 million by 2008.

Some 6 500 employees have access to 20 on-site clinics in South Africa. Statistics gathered at these clinics are more reliable than those available from smaller operations, widely dispersed throughout the country. During the past three years, the combined ill-health retirements and deaths due to Aids have been 0,4% per annum at such sites.

Of the ill-health retirements and deaths due to Aids during the past year, 38% were skilled employees, 46% semi-skilled, 16% unskilled, with no cases in the managerial or executive category.

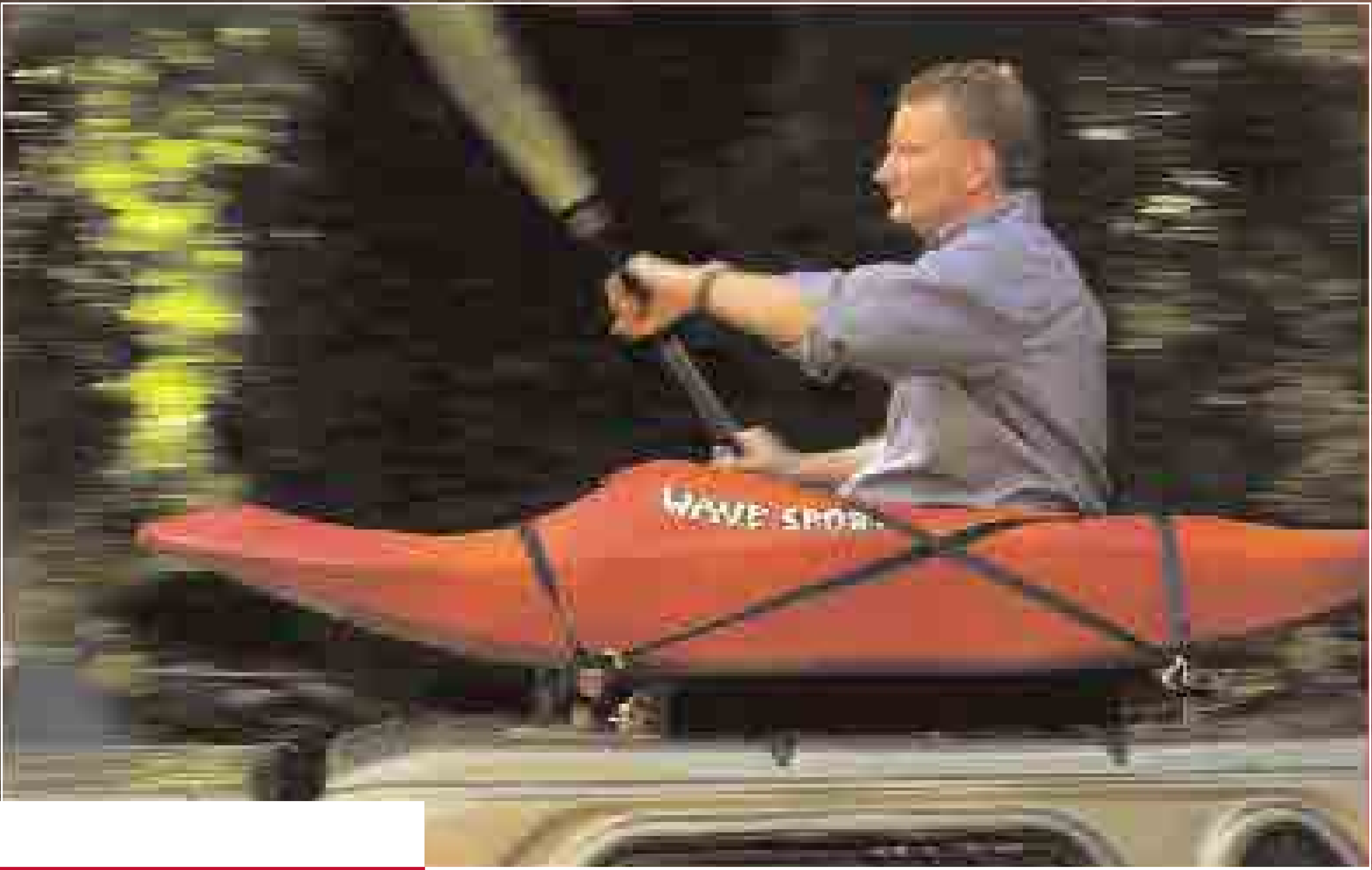
As effective management of the condition requires positive interaction of many facets, anti-retrovirals are only one aspect of the overall strategy. Other aspects would include willingness on the part of the employee to pursue a solution, active involvement in the solution by his or her spouse or partner, sensitive mutual interaction between them and an independent counsellor within a support system, as well as the degree of maturity of the disease and the type of treatment most suitable for that stage.

There have been no industrial relations issues around HIV/Aids during the year.

In addition, the combined ill-health retirements and mortality due to all causes (heart disease, cancer, Aids etc) has been less than 1% per annum for many years.

The Sick Absenteeism Rate for all health conditions in southern Africa is generally less than 1,5%.

In other regions of the world where Barloworld operates, and where the disease is known to have some prevalence, numbers of employees are not large and the level of exposure should be relatively small. Focus is mainly in southern Africa, without excluding anyone elsewhere who is in need of help. As with other chronic conditions and with proper treatment, the duration of life of people suffering from HIV/Aids can be extended so that they are able to remain part of a productive workforce.



2003 CEO'S AWARD WINNER: **GAVIN KNIGHT,** BARLOWORLD EQUIPMENT SOUTHERN AFRICA

Four years ago, Gavin was posted to Angola, a country wracked by civil war and in desperate need of rehabilitation. The remoteness of the country meant that Gavin and his small team, which he selected from a labour pool which has suffered from three decades of war, had to virtually **"paddle their own canoe"** in a sea of turbulence to ensure value-based results. Gavin identified the skills of workers, trained them and constantly ensures that they feel motivated and inspired as a team. Gavin reduced the debtor's book by US$2,5 million in 18 months. He implemented a cash-only system and cleaned out all the old debt, now running a completely transparent set of books. Apart from this, Gavin and his team tackled all aspects of business within Angola with great gusto. Gavin's passion is palpable. In 2003 the Angola team generated 20% of Barloworld Equipment's southern African operating profit. Diamond mines form the core of our customer base in Angola and we have maintained exceptional market share through Gavin's guidance developing a niche skill of disassembling, loading and reassembling large equipment the size of which was previously limited due to transport and accessibility problems. Machine Sales have taken off and the Angolan roads and bridges authority has purchased 240 machines through Gavin's encouragement to rebuild the crumbled road infrastructure. Gavin will fight for his people, his company and his environment.

WE ARE THE MARKET LEADER IN EARTHMOVING EQUIPMENT IN SOUTHERN AFRICA

INTERNATIONAL OPERATIONS

Barloworld has operations in 32 countries.

AFRICA

Operations in Africa are conducted by Barloworld Equipment, Barloworld Coatings, Barloworld Motor, Barloworld Robor, Barloworld Logistics, all of which are wholly-owned, and Pretoria Portland Cement Company, a subsidiary of Barloworld Limited listed on the JSE Securities Exchange South Africa.

BARLOWORLD EQUIPMENT

Operations comprise Caterpillar dealerships in South Africa, Angola, Botswana, Guinea Bissau, Lesotho, Malawi, Mozambique, Namibia, Sao Tome and Principe, Swaziland and Zambia, trading as Barloworld Equipment. A 35% interest is owned in Barzem Enterprises (Pvt) Limited, which is the Caterpillar dealership representative in Zimbabwe.

Hyster dealerships operate in most of these countries and trade as Barloworld Equipment Handling. Dealerships in Massey Ferguson and Claas agricultural products in South Africa trade as Barloworld Equipment Agriculture. Distribution of Caterpillar and Perkins engines in southern Africa is undertaken by Barloworld Equipment Energy.

Although additional interests are held in a few businesses involving outside parties, these are not material.

Customers

Products and services are provided to customers for mining, construction and marine applications; prime and stand-by electrical power generation; manufacturing and distribution; as well as transport and agricultural applications.

By market share, Caterpillar products have 26% of the market in South Africa. The next most significant product is Hyster with the remainder not having any particular dominance. Market shares in the other southern African territories range from 30 to 60%.

Products and services

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. Services include maintenance contracts, service agreements, prime and stand-by power solutions.

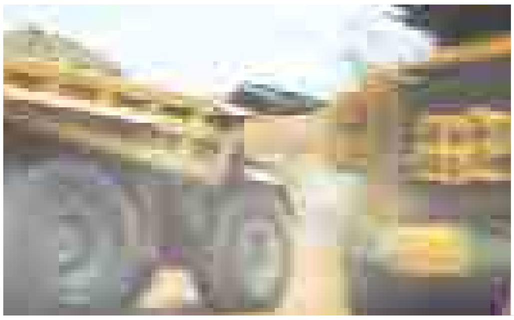
As dealers in these products, which are sourced from original equipment manufacturers, full 24 hour back-up to the equipment is provided. There is little reliance on outsourced services.

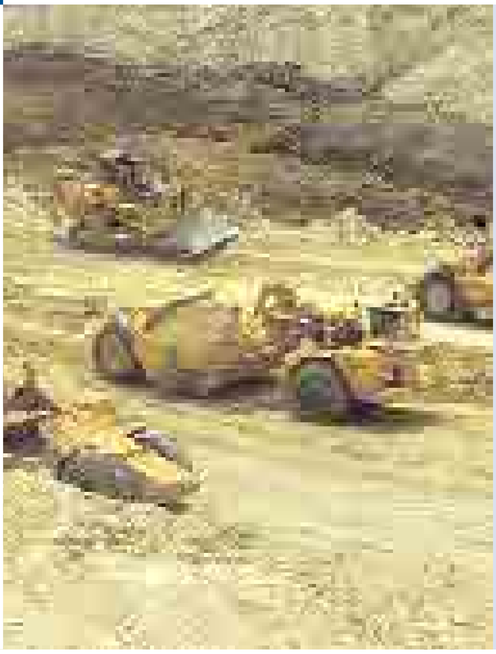
The Barloworld Arena near Johannesburg International Airport is used for comparative machine demonstrations, machine hand-overs to customers, testing of new models and refurbished machines, operator training and customer open days. These activities impact positively on operational productivity and costs to the customers as well as safe operation of equipment.

Comprehensive hand-over procedures are followed on delivery of the equipment. Pre-delivery inspection and servicing ensure that customers receive reliable products. These are monitored and guaranteed by the respective manufacturers. Instruction manuals are supplied with each item of equipment. Training and assessment of operators is undertaken to ensure safe and proper use of the equipment. Technical staff are permanently based on mining properties and marine applications of some customers.

AFRICA

Barloworld Equipment continued





Informal contact with customers takes place daily. Customer satisfaction is measured through periodic surveys conducted by specialists such as Markinor. Although operations are geographically fragmented, any complaints are dealt with expeditiously and monitored by management. The handling operation has a toll free careline.

The customer satisfaction surveys covered parts, field technicians and customer service. Revealing both strengths and weaknesses, the top concerns were understanding of and responsiveness to customer needs and finding and fulfilling solutions.

Product information and labelling is the responsibility of the manufacturer.

Suppliers

The original manufacturers are mostly of international repute and comply with international standards and norms. Of these, the most significant is Caterpillar, a Fortune 100 company included in the Dow Jones Sustainability World Index.

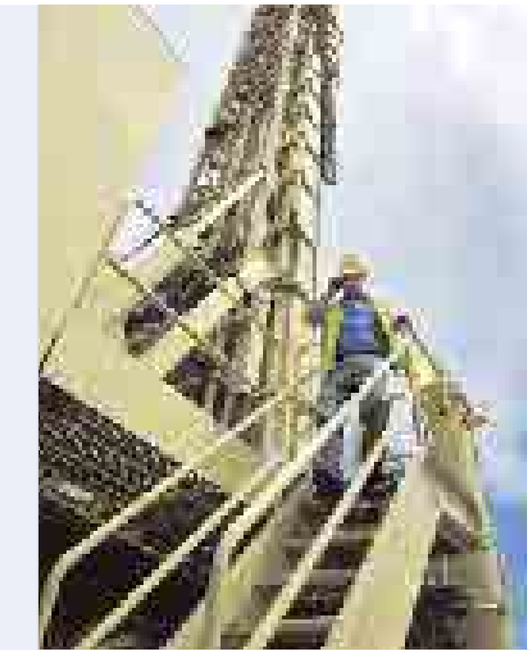
Long-term relationships have been established with the original equipment manufacturers. In respect of more recently acquired distributorships, relationships are maturing. Contractual terms are believed to be fair to the respective parties. Terms of payment vary but mostly suppliers are paid within 30 days after the month of the receipt of the invoice.

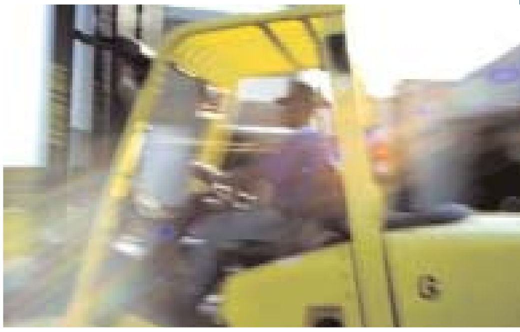
Regular meetings are held with major suppliers at various levels and dealer conferences are attended. Ongoing liaison with manufacturers assists with product improvement and development.

Employment and labour practices

	Number of employees		
	P	FT	T
2003			
Executive	6		
Management	279		
Factory	1 880	137	16
Office	968	92	10
	3 133	229	26
2002			
Executive	6		
Management	238		
Factory	1 601	85	9
Office	826	56	6
	2 671	141	15
Change	+462	+88	+11

P: Permanent, FT: Fixed Term, T: Temporary





OUR PRINCIPAL CATERPILLAR INC. IS A ROLE MODEL COMPANY FOR MANY OF OUR PRACTICES

The workforce has increased by 19% in 2003, compared with 8% in 2002.

Benefits beyond those legally mandated include retirement and disability funding; better than average leave than in the industry; sick leave in excess of statutory requirements; and access to membership of a medical scheme which provides anti-retroviral treatment for HIV/Aids. For employees not on such a scheme, the employer provides anti-retroviral treatment for the employee and his family.

Some 250 union members are covered by collective bargaining agreements.

Participation of employees in decision making is through employee equity forums, shop stewards meetings and Aids forums, as well as performance ownership work teams.

Health and safety committees, comprising management and worker representatives, are active at all major operations, in accordance with the requirements of ISO 9002 and ISO 14001 standards. Several sites have received ISO 9002 accreditation. The Middelburg site has been accredited under ISO 9001. 2000, ISO 14001. 1996 and ISO 18001, thus achieving the target set last year. The regulations of the National Occupational Safety Association are also observed.

Occupational accidents and diseases are reported in terms of the law of each country in which operations are located.

Work related incidents:	2003
Fatalities	0
Man days lost	273
Lost time injuries	
– hours	2 184
Annualised injury rate	213
Compensation claims	18

In support of the company's guidelines on HIV/Aids, 30 employees have been trained as in-house counsellors to assist those affected. Advice on preventing infection and personal management of the condition is given to all employees. Anti-retroviral drugs are provided for the employee and the immediate family. Communication, advice and support in respect of HIV/Aids is updated and reinforced annually. In-house clinics provide supplementary treatment advice through a Wellness Programme.

On average, each employee receives about 37 hours of training annually.

Formal career and succession programmes are implemented.

For the past 50 years, technical and support training programmes for employees have been conducted. Following the promulgation of the Skills Development Act, such training activities have been converted into learnerships in conjunction with the relevant sectoral training authorities. In certain circumstances, for example, platinum mining expansion, joint venture training arrangements have been entered into in order to address specific skills shortages.

Employment Equity plans are submitted to the authorities and concerted efforts are made to achieve targets. A programme has been developed to assist emerging black contractors to obtain the equipment necessary for the successful execution of contracts.

Environment

Approximately 700 000 litres of oil are used annually in respect of products sold or serviced. Some 2,5 million litres of water is used annually for cleaning and domestic purposes. Most water is obtained from municipal or regional utilities, and at some sites from boreholes. Waste water is not recycled.

Although various products sold or serviced emit exhaust fumes when in operation, there are no significant discharges of greenhouse gases, ozone depleting substances nor nitrous- or sulphur-oxides at service facilities.

Through the service function, used oil is received. This is disposed of to a registered oil disposal company. 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.

Since operations are conducted mostly in industrialised and urban areas, there is minimal impact on terrestrial, fresh water and marine environments, or biodiversity-rich areas.

Society

Communities with an interest in, or who might be affected by, operations are mainly in urban or mining areas.

Street children programmes are sponsored in KwaZulu-Natal and Malawi. Desktop computers have been distributed through the Nelson Mandela Children's Trust to schools for disadvantaged children. An additional 34 pupils have been trained in the Adult Basic English Training programme, bringing the total number trained to 80. There is also a programme for training as artisans and machine operators of dependants of employees.

Building materials valued at about R100 000 were given to Community Aids Response for the construction of a care facility.

Donations of maize for the benefit of the street children in Malawi, to customer related charities in Zambia, to the human rights group, Together Ensuring Children's Security, and to various beneficiaries in Angola were made, the combined value being approximately US$40 000.

BARLOWORLD COATINGS

Customers

In southern Africa, the division is the leading supplier of decorative paint products to the homecare market, through chain stores and independent retailers, and the supply of etch primers, protective paints and coatings products to industrial and furniture manufacturing operations. The products distributed include the Plascon, Aerolak, Buffalo, Crown, Polycell, Professional and Woodcare brands.

In South Africa, the share of the architectural coatings market is 28%. In the furniture and industrial market, it is 26%. The market shares in Botswana, Namibia, and Zambia are approximately the same in smaller economies, while the market shares in Swaziland and Malawi are less.

The group is also a major supplier to the automotive industry and panelshops of solvents, primers, basecoats, topcoats, electrocoats, clearcoats, hardeners and thinners.

Pricing policy is regularly reviewed by management to ensure that transactions are fair and defendable. All trade discounts, rebates and/or settlement discounts are authorised by senior sales and financial staff. Trading terms and conditions are reviewed from time to time by attorneys and senior counsel.

Customer and consumer surveys are conducted bi-annually by an independent market survey company. The information obtained is used in planning future customer feed back on various attributes and marketing strategies.

No gifts are given to customers. A policy of making an annual donation of appropriate value to a charity nominated by a customer has been adopted.

All media advertising is conducted in accordance with the provisions set by the South African Advertising Standards Board. Any advertising agency is required to do likewise.

Subject to the law of the country, dealings with customers, consumers and suppliers are conducted in the strictest confidence.

Products and services

There are no known impacts of any products on the environment. Consumer warnings are displayed on all product packaging.

Material safety data sheets, in the format approved by the South African Bureau of Standards, are furnished with each product supplied to retailers and distributors. After any revision, new versions are provided. No new product is permitted to be launched without material safety data sheets having been compiled, approved by the technical director and issued. The technical director also approves label content and, where applicable, classifies for transport any products or material as dangerous goods under the Road Traffic Transport Act.

Suppliers

The cost of all goods materials and services purchased is R950 million.

By value some 85% of contracts were paid in accordance with the agreed terms.

WE ARE THE MARKET LEADER IN DECORATIVE PAINT IN SOUTHERN AFRICA

Purchases from Divpak amounted to 11% and from Huntsman Tioxide 13% of total annual purchases.

Employees and labour practices

	Number of employees			
	P	PT	FT	T
2003				
Executive	34			
Management	172	1		
Factory	1 140		60	
Office	335	1	3	1
Total	1 681	2	63	1
2002				
Executive	32			
Management	184			
Factory	1 046		318	
Office	281		16	22
Total*	1 543		334	22
Change	+138	+2	-271	-21

P: Permanent, PT: Part time, FT: Fixed Term, T: Temporary

* *The number of employees in 2002 has been enhanced by including 196 employees in Africa outside South Africa. This information was not available for the 2002 annual report.*

Average annual hours of training per employee:

Category	Hours
Senior officers and managers	24
Technical	40
Administrative and clerical	36
Sales and service	24
Craft workers	10
Plant machine assemblers and operators	40

Programmes supporting continued employability include:

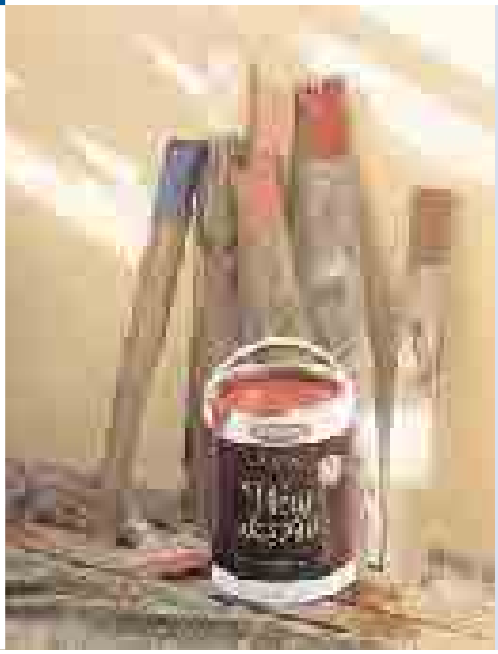
- Careers in manufacturing and logistics embracing leadership skills, as well as skill and knowledge in technical and processing aspects;
- Access to study assistance;
- Competency based training and development, identifying needs after a comparison to fit specific competencies documented for every job;
- Injury management with emphasis on rehabilitation.

There is informal supportive preparation for retirement.

Subject to applicable legislation and the employment equity policy, employment equity and skills development forums ensure that discrimination is prevented. Employment equity audits review all policies and practices to ensure that standards are maintained or improved where necessary. These policies relate to recruitment and selection, training and development, performance management and harassment.

AFRICA

Barloworld Coatings continued



Progress is being made towards achieving employment equity targets as set for the period 2003 – 2007.

Research

An amount of R0,2 million was received in 2003 as part of the grant of R1,4 million (representing 50% of development costs) from the Department of Trade and Industry as part of their Support Programme for Industrial Innovation, on Vesiculated Beads Development.

Governance

Any gifts received may be only of a token nature. These are declared to the relevant head of department or executive depending on the level of the recipient.

Health and safety

In terms of the Occupational Health and Safety Act, all manufacturing sites have health and safety committees. All employees are covered.

Incident and investigation reports, based on the provisions of the Act referred to above and the Compensation for Occupational Injuries and Deaths Act, have been compiled. Monthly reports are submitted to the group occupational health manager at corporate office.

An internal health and safety policy with procedures and guidelines, ensures that safe processes and work practices are followed and that a healthy working environment is maintained. Regular health and safety audits are conducted by independent parties.

Health and safety policies and procedures facilitate employee participation and provide forums for resolution of infringements of the rights of the employer and employees.

Regular training of managers, committees and employees is conducted. Every mission directed work team has health and safety on its agenda. A dedicated manager at each site ensures compliance with health and safety standards.

Employee representation on health and safety committees allows concerns to be raised and contributions to be made towards a safe working environment.

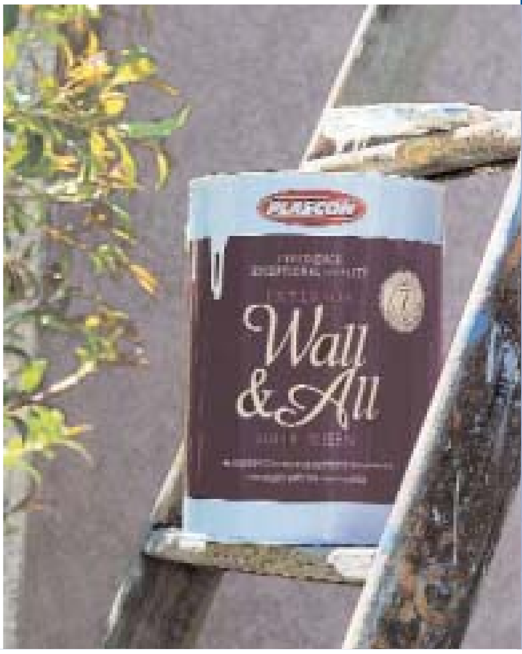
Recognition agreements with the trade unions include procedures for addressing health and safety in the workplace. Bargaining council agreements govern general principles of health and safety in the workplace.

In terms of the Barloworld Guidelines on HIV/Aids, a national steering group and regional work groups have been established. The implementation plan has been agreed with all stakeholders. Knowledge, attitudes and practices studies in regard to HIV/Aids have been completed on an anonymous basis in all regions with 70% participation. Voluntary screening has been completed through the University of Natal. Peer groups have been trained and an ongoing awareness campaign is in progress. Consultation with and the support of trade unions and employment equity committees have raised the level of success.

Environment

Annual consumption of materials used is typically:

	Metric tons
Emulsions and alkyd resins	21 221
Titanium dioxide	5 739
Extenders and fillers	17 081
Additives and colourants	2 908
Solvents	22 019
Packaging	46 million (units)



GOOD PROGRESS IS BEING MADE IN SOUTH AFRICA TOWARDS 2007 EMPLOYMENT EQUITY TARGETS

Waste in various forms is dealt with as follows:

Category	Quantity	Destination
Solvent	336 kilolitres	Recycled
Scrap metals and empty tins	259 tons	Recycled
Pallets	28 274 units	Re-used
Plastic containers	8 664 units	Recycled
Effluent	66 653 kilolitres	Recycled
Steel drums	20 559 units	Recycled
Sludge	363 500 litres	Landfill
Solids and general waste	2 247 tons	Landfill
Paint	52 131 litres	Oddment sales
Paper and plastic	88 tons	Recycled
Water	12 653 kilolitres	Discharged

The primary source of energy is electricity. Annually, some 54 801 000 mega-joules is consumed. Control of unused lighting has been introduced. Indirect energy use in the production of electricity and fuel use for deliveries are not known. Energy consumed by the use of gas is estimated at 7 250 mega-joules annually. Changes in cleaning procedures have reduced gas consumption.

Total annual water use is 142 858 kilolitres, sourced from municipal suppliers, of which 12 653 kilolitres are discharged to effluent. No water sources and related ecosystems are significantly affected nor is any ground or surface water withdrawn.

Land used for production and associated activities totals 195 327 square metres of which 182 580 square metres are impermeable. None is on a biodiversity rich habitat. There have been no uncontrolled or accidental releases into the environment nor are there any operations in protected or sensitive areas. Containment measures will minimise any unexpected discharge.

All suppliers and contractors involved with environmental programmes or procedures have had appropriate training. They are required to sign a performance agreement linked to the required environmental management standards.

Environmental expenditure has been incurred as follows: R1 417 000 on rehabilitation, comprising R703 000 in respect of waste and R714 000 for consulting and monitoring services.

An outside agency, Poltech, is used to monitor emissions into the atmosphere. All plants have filters in their extraction systems to minimise the effect of dangerous gas emissions during the manufacture of hazardous products.

Effluent pumped into the storm water system is monitored before discharge. Samples are taken weekly to ensure that it is within limits set by the Department of Water Affairs and the local authority.

Environmental assessments are carried out before any new process is introduced on a production site.

Society

Support is given to various charities nominated by the staff, through annual financial donations and involvement in improvement programmes.

Employment and wealth are being created for previously disadvantaged individuals through black economically empowered joint ventures. Supply arrangements with black contractors who employ other blacks, are helping to create a multiplier effect on the families of those contractors. Unemployed previously disadvantaged persons are being trained in paint application.

Dialogue with communities is conducted as part of the procedure for application to a local authority for the introduction of a new process.

AFRICA

Barloworld Coatings continued

Barloworld Motor

Support is given to "Business Against Crime" through annual financial donations and involvement in improvement programmes such as upgrading of prison and warder facilities.

Ten executives actively participate in a variety of industry and general business related associations

BARLOWORLD MOTOR

The principal business is the operation of franchise motor retail dealerships. These include passenger, light-, medium- and heavy-commercial vehicles. These dealerships are located mainly in South Africa with operations also in Botswana and Namibia. All are wholly owned, with the exception of a newly formed empowerment joint venture in KwaZulu-Natal.

Other business interests include Coachworks operations, Barloworld Truck Hire and Subaru SA.

The significant shareholding in Avis Southern Africa Limited is a strategic investment that also has synergies with the motor retail and coachworks operations.

Customers

Corporate, fleet and retail customers, mostly in major metropolitan areas, require both new and pre-owned motor vehicles as well as related after-sales services. These services include vehicle maintenance, parts supply as well as coachwork repairs, finance and insurance services, vehicle importation and distribution, and short-term truck hire.

All advertising is conducted strictly in accordance with the relevant manufacturers' standards and requirements and a premium is placed on ensuring that it is both honest and ethical.

Customer information is treated as confidential unless the customer consents to it being made available or disclosure is obligatory under statute.

Products and services

Currently 53 franchise motor retail dealerships are in operation in strategically located sites. There are also a number of parts distribution centres and sites for the sale of pre-owned motor vehicles, nine coachwork locations and premises for the division's other businesses. In total, there are 87 operating sites in southern Africa. These are based in the major cities of southern Africa.

Financial, insurance and other related packages are available and marketed under the brand name "Optimum".

A wide variety of motor manufacturers' brands are represented. These include: Alfa Romeo, Audi, BMW, Chrysler, Fiat, Ford, Freightliner, Isuzu, Jaguar, Jeep, Land Rover, Lexus, Mazda, Mercedes-Benz, Mini, Mitsubishi, Nissan, Opel, Subaru (sole importer/ distributor in South Africa), Smart, Suzuki, Toyota, Volvo and Volkswagen.

All of the represented manufacturers are primarily based outside South Africa. A number 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. Products are developed, supplied, tested and guaranteed by the manufacturers.

Product development or improvement suggestions are transmitted through dealer councils but dealer influence on the manufacturers is limited.

Proper predelivery inspections and servicing confirm that customers receive reliable products. Each vehicle is delivered to the customer with a handbook compiled by the manufacturer and containing operating and safety instructions. The manufacturers monitor their products and customer satisfaction through surveys conducted in all regions of operation.

Customer satisfaction is measured by independent surveys, mainly sponsored by the manufacturers. Such information is provided to the retail network in a structured and regular manner. Most manufacturers operate customer-care lines, some of which are toll-free. Any complaints are addressed forthwith and are monitored by management.

Suppliers

Longstanding relationships exist with most of the motor manufacturers.

Most supply contracts require payment within 30 days of delivery. In some cases, payment is required on a shorter period. All amounts due to manufacturers and suppliers have been fully paid in terms of the respective contracts.

Suppliers from whom the division sources more than 10% of its annual purchases are: BMW, Volkswagen/Audi, DaimlerChrysler, Ford and Toyota.

The division is committed to ongoing investment into facilities and infrastructure to ensure its sustained competitiveness into the future.

Employees and labour practices

In South Africa, the motor industry has a Bargaining Council dispensation governed by statute. To some extent this limits flexibility in labour relations within the workplace.

IN SOUTHERN AFRICA WE REPRESENT MANY OF THE WORLD'S LEADING MOTOR BRANDS

The South African motor industry is unionised overall to the extent of 61%. Employees of the relevant employer association are unionised to the extent of 47%. This high level of unionisation is also a consequence of membership being a prerequisite for participation in the industry retirement funds and medical schemes.

The Bargaining Council agreement in South Africa stipulates terms and conditions of employment, such as working hours, minimum wages and, qualifications for a position. It sets the framework and standards for such issues in the industry.

Within the division, collective bargaining arrangements apply at several dealerships and these regulate the plant-level relationship with the unions and their members.

For the South African operations, trade union membership comprises 86% of the division's workforce.

National Union of Metal Workers SA	51%
Motor Industry Staff Association	23%
South African Motor Union	10%
Motor and Allied Workers Union SA	1%
Steel, Mining and Commercial Workers Union	1%

Of the workforce in the joint venture in KwaZulu-Natal, 85% are trade union members, as follows:

National Union of Metal Workers SA	71%
Motor Industry Staff Association	8%
South African Motor Union	6%

There are no trade union members in the operation in Namibia. Trade union membership at the operations in Botswana is not significant.

Number of employees	P		FT		T
		Joint venture		Joint venture	
2003					
Executive	16	3			
Management	355	40	13		
Skilled	2 322	464	45	10	
Semi-skilled	503	78			
Unskilled	250	46			
Total	3 446	631	58	10	
2002					
Executive	17				
Management	379		13		
Skilled	2 741		10		
Semi-skilled	652				1
Unskilled	267				1
Total	4 056		23		2
Change	-610	+631	+35	+10	-2

P: Permanent, FT: Fixed Term, T: Temporary

The joint venture was established in 2003.

Voluntary labour turnover in South Africa is currently in the region of 11%.

In Botswana and Namibia minimum terms and conditions of employment are legislated. These regions do not have industry forums that deal with such issues.

The division has a comprehensive set of policies and procedures in place, access to which is freely available to all employees. Such policies include: Recruitment, Employment Equity, Sexual Harassment, Benefits, Employment Code, Employment Contract, HIV/Aids as well as a formal Disciplinary Procedure and a Grievance Procedure.

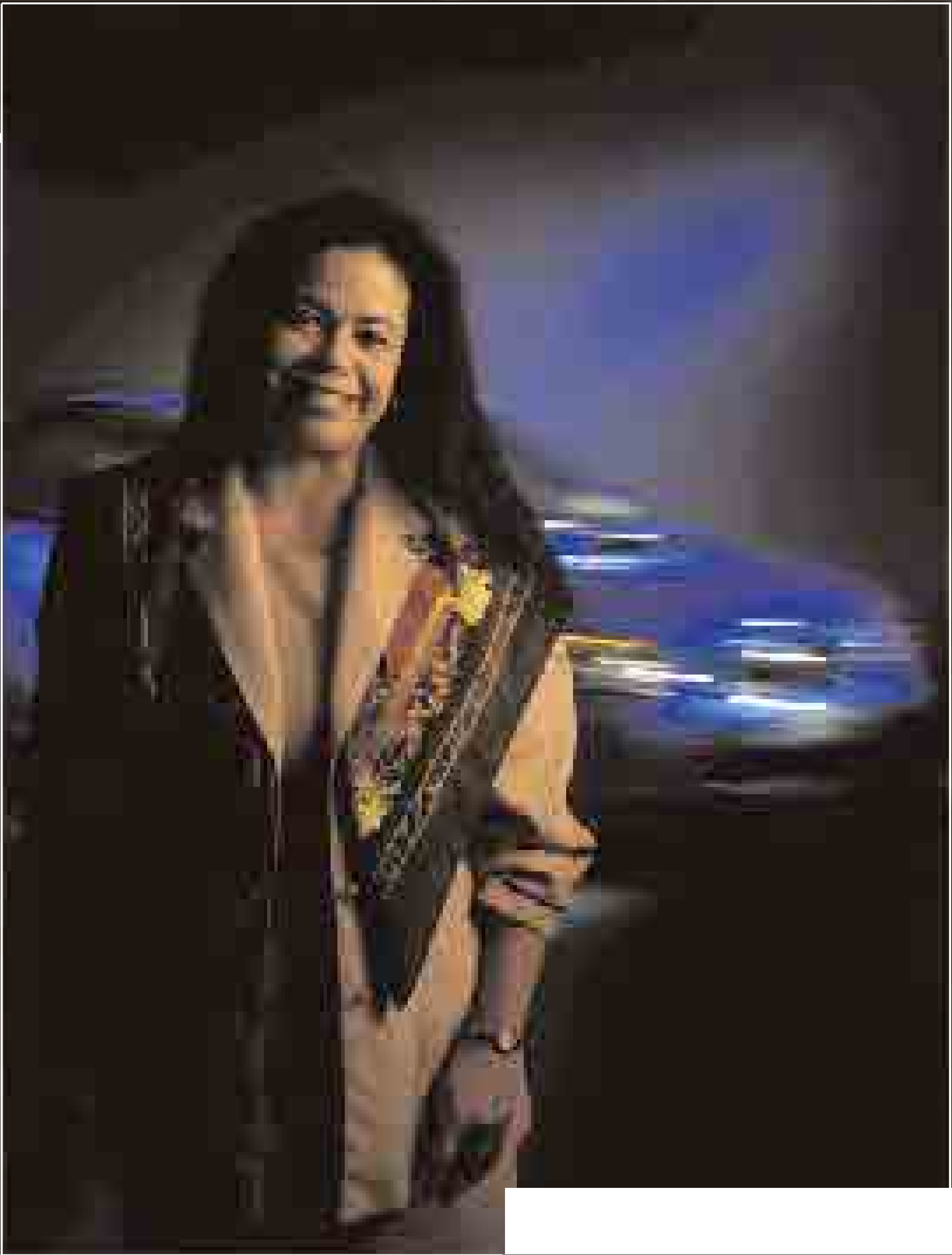
Benefits

Benefits differ in various regions. Salaries and wages are above the minimum rates legislated.

All employees sign an employment code. The induction programme creates awareness of the rights and obligations of employees.

An exit interview is conducted with employees who leave the organisation and regular reviews of industry and market remuneration ensure fair and competitive remuneration policies and practices in the division.

The division's approach to HIV/Aids focuses on Awareness and Prevention. Its policy in this regard ensures confidentiality, voluntary testing, counselling and non-discrimination.



Teresita is Subaru South Africa! She has created value, done things differently and made her colleagues at Barloworld Motor proud.
As Operations Director for our Subaru distributorship Teresita is responsible for all the day-to-day operational aspects of the business and has been single-handedly responsible for the success of the Subaru brand in South Africa.
Her warmth, passion and commitment to her team and her business are unique, as is her brand. Subaru is a niche product in a highly competitive market, with limited resources and infrastructure and a principal that is based in Japan.
Teresita and her small team of 19 are pioneers in Barloworld Motor who established a countrywide distribution network for Subaru vehicles. Teresita has earned the respect and trust of her dealers and has taken the time to learn what it is that makes them tick. All stakeholders have been immensely rewarded by Teresita's personal approach. Achieving immense publicity on a restricted budget, Teresita has proved her passion, commitment and enthusiasm. Using her extensive network of personal contacts, her eye for opportunity and a keen sense of timing, Teresita has exposed 14,5 million readers to the Subaru brand. Through her efforts at Subaru and in times of rapidly escalating car prices, she has secured a significant reduction in pricing and restrained price increases – a remarkable achievement. The unity of Teresita's team is proven by the fact that in an industry with a very high staff turnover, only one member of staff has left her team. Under Teresita's watchful eye, over the past year, operating profit has tripled. The Subaru brand continues to grow and gain popularity through the example that Teresita sets for all Barloworld employees in terms of sustained value – she is a true ambassador for the company.

2003 CEO'S AWARD FINALIST: **TERESITA VAN GAALEN,** BARLOWORLD MOTOR

WE HAVE STRONG LOCALISATION AND SKILLS DEVELOPMENT PROGRAMMES ACROSS SOUTHERN AFRICA

Training and development

The division has a comprehensive Training Prospectus and approach. In South Africa each operation has submitted a Workskills Plan as required by legislation. There are currently 56 plans in place. Such plans are monitored by committees at the workplace that are trained in both employment equity and skills development.

Throughout the year approximately 4 100 training interventions took place.

As it is not practical to record detailed training hours, annual training expenditure in South Africa is set out below:

	R000
Executive and senior management	177
Other management	867
Skilled	3 239
Semiskilled	564
Apprentice and technical	381
Unskilled	20
	5 248

The diverse training undertaken ranges from Adult Basic Education, Business Simulation, Technical (in total 175 apprentices benefit throughout the division including the joint venture) through to managerial and leadership training and development.

The division is supportive of industry training initiatives and in a number of instances has participated and assisted in pioneering industry training schemes.

In addition to the training costs mentioned, in South Africa, levies are paid under the Skills Development Act and these amounted to approximately R4,2 million.

Of the managers, some 500 have attended the three-day High Performing People course that is presented on a regular basis.

Much of the executive and senior management costs and infrastructure in respect of executive and senior management training and development is carried by Barloworld Limited in the form of "in-house" training and development programs presented in association with the Gordon Institute for Business Science in Johannesburg.

Other aspects of training that support lifelong learning include: a performance management system, adult basic education, product knowledge and technical skills provided by manufacturers as well as sales training. In South Africa a number of employees are also participating in accelerated development programmes provided by the industry.

The performance management system covers target and standards setting, employee development and appraisals using a balanced scorecard for every employee.

This system also ensures career paths and succession plans are in place throughout the division.

In South Africa various amounts of training expenditure were recovered in terms of the Skills Development Act's levy-grant system and tax rebates were claimed in respect of the division's apprentice training programme.

Employment equity

Equal opportunity plans, including targets, are submitted to the authorities in South Africa and Namibia. Skills development plans are also required in South Africa. These plans are monitored by workplace committees that are trained in both employment equity and skills development.

Across the division, both progress and targets are reviewed regularly by an employment equity steering committee.

Any complaints in this regard are addressed through formalised grievance and dispute procedures. Management incentive schemes require specific performance levels in meeting employment equity targets.

In Botswana, training and localisation plans are submitted every five years. Training issues in Namibia are addressed as part of the employment equity plans.

In South Africa a Graduate Trainee scheme has also been implemented to accelerate the introduction of skills of previously disadvantaged individuals into the division at a managerial and senior level. All the division's trainees on the industry's accelerated development training programmes in South Africa are from the designated groups.

Communication

Apart from a comprehensive set of regular structured management and other meetings throughout the division, communication is ensured by executive briefing sessions to the operations, videos, posters, formal in-house publications and a regular CEO's Newsletter.

AFRICA

Barloworld Motor continued

Barloworld Robor

Health and safety

Appropriate and required committees are in place at all operations throughout the division. These consist of employer and employee representatives and conform to statutory regulations.

No fatalities or serious injuries have arisen involving external investigation by the relevant authorities.

All operations are covered by the Occupational Safety and Health Act.

Environment

Generally the motor retail business in itself is not environmentally unfriendly and the negative environmental effects of the few non-motor retail operations are negligible. In all operations environmental control systems are in place to minimise any adverse environmental impacts.

Annually, some 1,25 million litres of replacement lubricants and spare parts are used in the service and repair of motor vehicles.

Used lubricants are recovered and recycled. Broken or replaced parts are recycled or sent for landfill. Oil traps are professionally cleaned and a high percentage of all dealerships recycle all paper and cardboard.

Oil rags are disposed of in an environmentally effective manner, where the operation has a certification from the International Standards Organisation, or to landfill.

Spills of fuel or lubricants are insignificant.

Most air conditioner gases are recycled. Otherwise, no greenhouse gases, ozone depleting substances or nitrous oxides or other significant air emissions arise as a result of retail activities.

Little electricity or other energy is consumed directly or indirectly in these activities. Up- and down-stream energy use by the relevant motor manufacturers is not yet known.

Limited quantities of water are used mainly for washing vehicles. No ground water is drawn. Water used in the vehicle washing process is generally cleared and filtered. Discharges of water are minimal.

The showrooms and service centres are all in urban localities. Activities have no impact on biodiversity, protected or sensitive areas, heritage sites, fresh water sources or related ecosystems.

All new developments and investments in buildings and infrastructure are fully compliant with relevant environmental legislation and local bylaws.

Three BMW dealerships are ISO 14001 compliant.

Ongoing environmental expenditure is incurred in all operations to ensure compliance with legal and required standards. Apart from the initial investment in any new premises to ensure appropriate environmental standards, expenditure is mainly incurred in respect of waste disposal.

The motor manufacturers relevant to the division have an acute awareness of environmental matters and each has its own policies, programs, systems and approach to the environment. Although the quantity varies between manufacturers, a high proportion of components and materials in vehicles is reclaimable.

Against this are engine emissions, demand for fossil fuel and physical waste such as tyres, old parts and vehicles without reclamation value.

The environmental impacts of supplying motor vehicles to society are congestion on the roads, noise, use of fossil fuel and pollution of air with carbon-monoxide and other carbon products, accidents and physical waste.

The Coachworks operations are all fully compliant with environmental legislation.

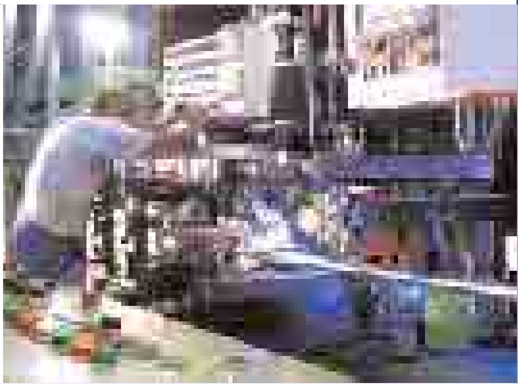
Society

The division is mindful of its role of a responsible corporate citizen and conducts itself and its business operations accordingly.

The division makes a substantial contribution to the group's fund for sponsoring community initiatives and social upliftment of dis-advantaged societies. This is in addition to the various donations, sponsorships and initiatives undertaken by operations within their own regions and communities.

In addition to financial support, in South Africa much time and effort is spent in motor industry forums contributing towards the operation of the industry and the setting of minimum standards.

The division is committed to Black Economic Empowerment. In this regard its approach

WE HAVE CREATED THE LARGEST BLACK ECONOMIC EMPOWERMENT BUSINESS IN THE SOUTH AFRICAN MOTOR INDUSTRY

centres around: equity, skills development and employment equity. Evidence of the division's commitment is the establishment of a joint venture in Natal. To date this is the most significant empowerment transaction in the South African motor retail Industry.

So far as procurement is concerned, the vast majority of product sourcing is from the manufacturers who are themselves addressing Black Economic Empowerment issues.

The division has cooperated with major motor manufacturers in pursuing their own empowerment initiatives and it has also made significant contributions in this regard.

Again, the motor manufacturers relevant to the division each have their own policies, programs and systems in support of various communities and relevant social issues.

BARLOWORLD ROBOR

Customers

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. Local customers range across all sectors – government and business, wholesale and retail. Approximately one-quarter of sales, by value, relate to exports.

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.

Products and services

Pipe, tube and structural sections are manufactured from carbon and stainless steel coils, which are purchased from primary steel producers. Steel fittings and flanges are also manufactured. Carbon steel products, sections and structural steel are also galvanised on behalf of third parties.

There are manufacturing facilities at Elandsfontein and Chamdor. These are ISO 9002 compliant, supporting the highest standards of product quality and service. A world class distribution centre employs a state-of-the-art information, order tracking and logistics system.

A separate unit researches new uses for existing products and new tube and pipe related 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.

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.

Suppliers

Carbon steel coils, used in the production process, are supplied by Iscor and Highveld Steel. Stainless steel coils are obtained from Columbus. Some 70% of purchases comprise products obtained from these suppliers. 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. Regular discussions are held with suppliers on quality, delivery and payment issues.

Meetings involving both suppliers and customers are held regularly.

Manufacturing and the environment

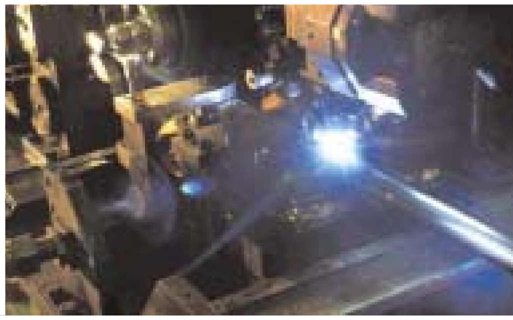
Carbon and stainless steel are used as primary production inputs during various mill processes. About 570 kilolitres and 140 tons of various other inputs are also used. In galvanising processes, some 9 300 tons and 12 000 litres of various acids and other chemicals are consumed.

Post-production steel tube pickling is performed, where required. Some 406 tons and 14 kilolitres of various acids and chemicals are used in these processes.

Finished production for South African deliveries is usually bundled and strapped. It is delivered to customers by third party transport contractors. A sizable portion of tube production is exported to other countries. This is mainly bundled, strapped and wrapped. Stainless steel tube is crated. Approximately 520 tons, 4 230 cubic metres and 54 000 items of various packing materials are utilised annually.

AFRICA

Barloworld Robor continued



Approximately 260 000 gigajoules of electricity, 6 200 gigajoules of Sasol gas and 1 000 tons of various types of other gases are applied annually in the production processes, as well as some 245 000 kilolitres of water.

All business units have power factor correction and load sharing equipment as a means of increasing electricity usage efficiencies. Two electric induction heaters have already been installed and a third will shortly be installed replacing the electrically fired furnaces in the steel coupling production plant. An estimated 15% saving n electricity consumption is expected.

Most operations are located on property which is owned by the businesses. These cover 508 513 square metres. Approximately 70% is impermeable, being factories or large open yard storage with concrete inter-locking paving. Access roads are either paved or tarred.

Production processes generate some 76 tons, 280 cubic metres and 60 000 litres of waste and sludges. Disposal is undertaken by registered third party waste disposal companies. Three operations also have their own effluent plants, which treat waste water to an acceptable standard prior to discharge into various municipal waste water disposal systems. About 4 700 tons of various wastes are sold to external waste contractors for reclamation.

A site waste water management control and improvement project has been commenced by the tube manufacturing operation. This will involve draining and lining an existing storm water buffer dam. A new pumped site waste water system will also be installed so that excess waste water, which might gather in two existing storm water separation pits and the new buffer dam, can be pumped to an existing effluent plant for treatment, prior to discharge into the municipal waste water drainage system.

An acid fume scrubber has been installed at the new pickling and effluent plants. This prevents atmospheric pollution. The effluent plant dewaters spent acids which are pressed into sludge cakes and disposed of by a registered waste disposal company to an approved waste disposal site. Waste removal has been reduced by 40% and waste water discharged into the municipal system has been halved.

All operations are formulating site environmental management plans. Identification of all significant environmental aspects has been completed. Control and monitoring plans will now be developed and training needs identified.

There have been no significant spills of fuel, acids, chemicals and no gas leakages.

Employees and labour practices

	Number of employees		
	P	T	A
2003			
Executive	11		
Management	180		
Factory and office	1 005	66	522
Total	1 196	66	522
2002			
Executive	8		
Management	183		
Factory and office	971	191	484
Total	1 162	191	484
Change	+34	-125	+38

P: Permanent, T: Temporary, A: Agency

Almost all are employed in Gauteng. Small operations are conducted in Cape Town, Durban, Port Elizabeth and Malawi. The labour turnover rate approximates 9%. About 41% are members of trade unions.

Employees are consulted in terms of the local recognition agreement procedure. Where such agreement is not applicable, the provisions of the Labour Relations Act are observed.

Any dispute declared by either party is referred to the Metal Industries Bargaining Council. If this fails, the matter is referred to higher levels under the provisions of the Labour Relations Act.

WE ARE THE MARKET LEADER IN STEEL TUBE IN SOUTHERN AFRICA

Employee benefits include membership of the Barloworld Medical Scheme with the employer paying two-thirds of contributions and the employee the balance.

Retirement funding receives a contribution of 14% of qualifying earnings from the employer, while the employee pays 6%. Retirement benefits include disability and death cover funded by the employer.

Employees with more than two years' service have maternity benefits equivalent to 78% of qualifying earnings. The benefit is funded by the company to the extent that the full benefit is not claimable from the Unemployment Insurance Fund.

Employee forums, such as mission directed work teams, are used to identify, communicate and resolve important work related issues.

Healthy and safe working conditions for all employees and contractors are an imperative.

A health and safety programme is conducted in terms of the Occupational Health and Safety Act. Regular surveys of effectiveness are conducted through accredited external assessors. Where feasible, risk is removed. The remaining risks are subject to improvement projects.

Health and safety committees are active at all manufacturing operations. Employees are represented on these committees which meet monthly to review and improve workplace health and safety matters. Incidents are reported monthly.

The disability injury incidence rate has steadily declined over the year.

Ongoing training programmes aim at avoiding or minimising exposure to accidents.

The death of a contracted crane technician, reported last year, was investigated by the Department of Labour. No one was found to be responsible for the accident. A contracted slit coil buttwelder who was handling a slit coil was fatally injured during September 2003. The Department of Labour and the SA Police Service inquiries have not been conducted on site yet, but the internal investigation indicates that all reasonably practicable steps had been employed to prevent the accident from happening. All existing work practices which include current written safe work procedures, all coil handling equipment and storage facilities have been critically re-examined, and improvements are being implemented wherever necessary. This will also include the retraining of all workers involved.

Average days of training were 6,7 per employee. Individual development plans exist in respect of senior management. Similar plans will be introduced for other levels.

A written employee equity policy is available to all employees. Formal Employee Equity Plans cover all employees and targets set for 2005 are being pursued.

Freedom of association of employers and employees is recognised in terms of the Labour Relations Act.

Disciplinary procedures include an appeal process. A written motivation lodged within three days will result in a hearing under a different chairman and the matter finalised.

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

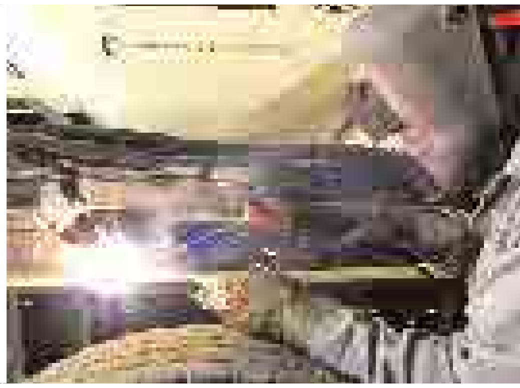
Society

Operations are conducted in industrialised areas where mutual expectations are shared with surrounding businesses. Communities are affected only to the extent of traffic arising from heavy vehicles entering the area to deliver raw materials or to collect finished goods.

The products traded are not hazardous.

2003 CEO'S AWARD FINALIST: **DEBBIE BROODRYK,** BARLOWORLD ROBOR

As Eastern Steels' Internal Sales Manager Debbie is a dynamic worker who, because of her great impact on her company, has beaten a thousand other employees to be the Barloworld Robor nominee at the 2003 Barloworld CEO Awards. Having been unable to gain direct access to a major paper industry customer who use a substantial amount of stainless steel, Debbie proved her devotion to her job and showed initiative in the extreme. She discovered that a competitor held the annual contract with the customer and their sub-contractor. Debbie managed to gain access to the plant to see the sub-contractor. Impressed with her endurance, the sub-contractor asked her for a quote and subsequently placed an order. Having returned to Johannesburg on a Friday, Debbie received a call from the customer who said they needed material on site by Sunday. Enlisting the help of her husband, Debbie drove to the office, loaded the material into her car and sat in the boot while her husband drove the car to their home. Together they loaded the material into their 4x4 and drove a 600 km round trip, delivering the order on time. The contract is now worth R560 000 per annum and through her commitment has opened the potential for work with this customer and its sub-contractor that is worth millions. Debbie is a stainless steel expert who will stand her ground and yet is always open and honest. Debbie has been described as an 'unforgettable' woman who will tackle any challenge. Although she is dedicated to her work, Debbie will always find time for her teenage son and husband who she assists in breeding exotic birds. Thanks to Debbie, Barloworld Eastern Steels is now an approved supplier to the paper industry customer.



WE ARE A RAPIDLY GROWING FORCE IN LOGISTICS IN SOUTHERN AFRICA

BARLOWORLD LOGISTICS

Vision

The vision is to become a significant international provider of supply chain solutions and the preferred provider in southern Africa, as well as a partner and employer of choice. This is based on the business proposition of design, implementation and management of integrated supply chain solutions for corporate clients.

The logistics supply chain spans all industries and is estimated to comprise 10% of global gross domestic product. Current focus is on corporate clients in southern Africa where more than 90% of turnover is generated. However, activities are also conducted in Europe and the United Kingdom, the United States and Australia.

Customers

Logistics benefits clients by providing innovation and improvement of current systems.

Customer needs and satisfaction are measured through independent surveys. Non-conformance and customer complaints systems are operated. These ensure that complaints are dealt with, corrective action is taken and a response is given to the customer.

Services

Logistics is an industry that is completely reliant on clients outsourcing some of their traditional in-house activities. Services offered are supply chain audits, procurement, inbound logistics, transportation, transportation optimisation, warehousing, inventory management, outbound logistics, electronic data interchange and connectivity, supply chain modelling and design.

Most logistical activities, with the exception of transportation, are environmentally clean. Transport consumes fossil fuels, rubber, as well as maintenance spares and vehicles emit exhaust fumes.

Suppliers

Mutually beneficial long-term relationships with suppliers are encouraged. Contractual terms and conditions are maintained with all suppliers. All amounts due under these contracts are paid in accordance with the contract.

Suppliers from whom more than 10% of purchases are made are Sasol and Shell South Africa in respect of fuel, DaimlerChrysler South Africa in respect of vehicles and Transport & Equipment Engineering Company.

Employees and labour practices

	Number of permanent employees		
	Africa	Europe	North America
2003			
Executive	35	2	
Management	88		
Factory	674		
Office	198	8	5
Total	995	10	5
2002			
Executive	35	2	
Management	75		
Factory	638		
Office	177	8	
Total	925	10	
Change	+70	0	+5

AFRICA

Barloworld Logistics continued

Organic growth in labour is the result of additional contract and new business requirements. The underlying turnover rate is between 5% and 10%. Approximately 60% of employees are covered by The National Bargaining Council (Road Freight) Agreement with that council, where employer and employee bodies represent their constituencies. Business units are encouraged to enter into local recognition agreements with unions in respect of members at their operations. Some 35%, comprising mainly heavy duty truck drivers, belong to the South African Transport and Allied Workers Union. Subscriptions are deducted by the employer from members and paid to the union.

Labour law in South Africa is very prescriptive and Bargaining Council agreements also specify procedures to be followed in consultative processes with employees or employee representative bodies. Agreements between employers and unions contain similar provisions.

In order to attract the most suitable employees, remuneration packages are generally about 25% above the industry norm. Participation in annual salary surveys ensures that packages are appropriate. All employees participate in an annual discretionary incentive scheme. Annual pay and benefits amount to R119 501 000.

All employees are members of a pension and/or provident fund. Membership of a medical scheme is voluntary.

Induction and Climate Creation sessions outlining rights and obligations of employers and employees have been conducted with about 700 employees so far. This will ultimately include all employees.

Application of the required business skills is achieved through appropriate universities, business schools and specialised consultants. Four driver trainers are on the permanent staff. Employees have access to study assistance and are encouraged to continue learning and self-development.

Employment Equity and Workplace Skills plans, including targets, are submitted to the Department of Labour. Targets are being achieved. Progress and targets are reviewed quarterly.

Each business unit has a health and safety committee, comprising employer, employee and union representatives. All issues arising under the Occupational Health and Safety Act and non-conforming items are recorded on a Lotus Notes "achiever plus" database and dealt with. No deaths and only minor injury compensation have occurred. There were eight accidents in which the loss from all consequences exceeded R100 000. Annual audits are carried out by consultants from Marsh Inc.

Environment

Replacement of vehicles by more fuel efficient vehicles has resulted in an estimated 21% reduction in fuel usage. Closely matching fleet size to medium term payload requirements, routing optimisation and reduced downtime are also areas of constant pursuit of improvement.

A fleet of some 240 vehicles is operated. In a typical year, they are likely to travel 25 million kilometres and to consume 13 million litres of diesel fuel, 45 000 litres of lubricants, 1 650 tyres and up to R25 million in maintenance spares, as well as unknown quantities of electricity and stationery. The suppliers of diesel are Sasol and Shell, both of which have excellent environmental programmes.

Although extended oil change intervals have reduced the amount of wastage, lubricants are sent for recycling to the Rose Foundation. Tyres are returned to the manufacturers for retreading or recycling. Maintenance spares are disposed of. All maintenance and disposal activities are contracted out. Proper waste disposal activities are a precondition for doing business.

Heavy vehicles typically emit 0,13 kilograms of sulphur dioxide per 100 kilometres travelled. Lower consumption through use of more efficient vehicles is estimated to reduce overall emissions by 5,2%. Emissions of other ozone depleting substances are insignificant. By using ultra low-sulphur diesel fuel, this has been reduced by 80%. About 60% of vehicles derive this benefit. In respect of vehicles, about 94% of the content can be recycled

2003 CEO'S AWARD FINALIST: **ERROL CHETTY,** BARLOWORLD LOGISTICS

Errol is Regional Manager in the Western Cape for Barloworld Logistics and has been managing the two Distribution Centres in Cape Town for retail clothing client Pep Stores since June 2000. Errol has always been ready and willing to go the extra mile. In early 2000 he spent three months in East London running a blanket warehouse on behalf of Pep, pushing out huge volumes of blankets to reach the market timeously. In early 2002, Errol restored order to the Ackermans pick and pack operation in Johannesburg. Shifting his focus to Durban at the end of 2002, he created a stimulating work environment, stabilised processes and spent many late hours and weekends on site getting the hub back to peak performance. In 2003, at the request of Pep Stores management, Errol returned to Johannesburg where he observed processes and worked alongside key role-players to restore order and stability. As the hub was the largest throughput facility at the time, the challenge was great and Errol had to win the client's confidence back. This he did through his dedication and passion for his business. He directly reduced costs by R50 000 per month and the client now knew that Barloworld Logistics had their best interests at heart.

Errol has never worked a normal 8 to 5 shift and has been present at the heart of operations at the most crucial of times. He is passionately committed to adding value to the lives of clients and has impressed done so to an incredible degree, identifying shortcomings and working 15-hour shifts to ensure that problematic situations were brought under control. Errol epitomises world-class performance. Unparalleled commitment comes naturally to Errol and he is a great role model who has achieved exceptional results.

AFRICA

Barloworld Logistics continued

Barloworld Corporate Office

on break-up. Water for domestic use and washing vehicles, with recycling at washbays, is minimal.

In addition, many clients' transport requirements are outsourced to third party operators. The number of such vehicles and their consumption of fuel and other items is not yet known.

Some 13 000 tons annually of spent pot liner are transported from BHP-Billiton operations at Richards Bay to Pretoria Portland Cement operations at Dwaalboom, Port Elizabeth and Slurry. There it is disposed of in cement kilns in a manner which meets all environmental requirements. This material is a class 4.3 (dangerous when wet) hazardous waste, also identified as UN3170. Before the transportation programme commenced, a full environmental impact analysis and certification exercise was completed.

Society

The logistics industry in southern Africa is following world trends and growing rapidly. Currently, there is no centralised body to monitor industry movement, standards and growth. With several partners, Barloworld Logistics is sponsoring the 2003 Foresight Logistics and Supply Chain Survey of key issues in the South African logistics market. This will be conducted by a leading independent international supply chain and logistics specialist.

The Campus delivers people growth through technology

At Barloworld Logistics in South Africa a culture of lifelong learning, pre-empting change and driving innovation is entrenched through The Campus. This virtual learning centre provides opportunities to learn and apply knowledge and skills that assist in establishing uniformity and consistency in our approach and providing coherence and integration across our various business units – and most importantly it equips our staff with the skills to add value on an ongoing basis. In the period April – October 2003 the Campus delivered in excess of 1 200 training days with some 300 staff being trained on various courses.

BARLOWORLD CORPORATE OFFICE

The corporate office provides strategic direction and support, as well as specialised services, to the Barloworld Group. Through mutual interaction between the directors themselves and with the professional staff control of the overall direction of the business is achieved. Recommendations on important issues or projects are also formulated in this way. These activities assist the chief executive officer in performing his duties in relation to the board of Barloworld Limited.

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 represent the majority of personnel.

Intragroup fees are charged on an appropriate basis and significant progress has been made towards full cost recoveries.

Employment and labour practices

	Number of employees		
	P	FT	T
2003			
Executive	36		
Management	71		
Office	105	1	6
Total	212	1	6
2002			
Executive	35		
Management	55		
Office	84		
Total	174		
Change	+38	+1	+6

P: Permanent, FT: Fixed Term, T: Temporary

2003 CEO'S AWARD FINALIST: **TERRY DEARLING,** BARLOWORLD CORPORATE

Terry is Barloworld's global head of Internal Communication. She joined the company in Barloworld Equipment managing all aspects of Human resources including Training and Development and Change Management. During her time at Barloworld Equipment she realised that communication was critical to the success of the change process and got involved in focusing on this area. Terry was awarded the Barloworld Equipment CEO award for outstanding achievement in 2000 for her "first class internal communications". Terry joined the Barloworld corporate office in 2000 and has been responsible for setting up all the global communication structures. The values of Barloworld are reflected in our code of ethics, which embraces the ambition of the company to protect the environment. Terry certainly went the extra mile to achieve this ambition through her management of the company's centenary tree-planting project in southern Africa and Australia. An enormous logistical exercise requiring dedication and enthusiasm beyond the norm, some 23 000 trees were planted in honour of Barloworld's 100th anniversary. Through her enthusiasm and commitment of much of her personal time, Terry ensured that the project ran smoothly from start to finish. Terry has improved regular communication structures and has single-handedly unified Barloworld by keeping all divisions fully informed about the goals and objectives of the company. Terry has enhanced and solidified the reputation of Barloworld on both a social and environmental level Terry also spends time with her daughter and is a Chapter Board member for the International Association of Business Communicators as well as a board member for their African region.

AFRICA

Barloworld Corporate Office continued

Barloworld Cement & Lime

Electronic communications take place between the corporate office and worldwide business units. A secure network, accessible only to predetermined 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.

Policies are being formalised that will, inter alia, ensure that employees comply with relevant domestic and international laws and regulations; personal information collected does not exceed the purpose for which it was obtained; and no such information may be passed on to any third party or used for direct marketing purposes without the prior consent of the person concerned.

Information in physical form and electronic information systems are valuable assets influencing competitiveness and ability to meet customers' needs. An information security programme is being established. This will balance information security against business risk.

The remaining personnel provide services such as office management, organisation of social functions, catering and maintenance. Garden, medical aid, office cleaning and security services have been outsourced. Provision of these services involves no gas emissions.

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. Domestic refuse is collected by a private contractor on behalf of the local authority.

BARLOWORLD CEMENT & LIME

Customers

Cementitious and lime products are supplied to the building and construction, steel manufacturing, chemicals, pulp and paper, food, sugar and mining industries, as well as some retail outlets.

Product and service initiatives include training and skill development for consumers as well as quality assurance services to guarantee the quality of the product.

Interaction with customers, external market surveys and toll free care lines are used to measure customer satisfaction. Procedures are in place to deal with complaints.

Relationships with customers are governed by confidentiality provisions. Sales figures are submitted to an independent auditor who consolidates the results for publication by the cement industry.

All advertisements are analysed to ensure compliance with the National Advertising Authority guidelines.

As part of the overall compliance process, the Maintenance and Promotion of Competition Act has been analysed and an appropriate policy implemented for prevention of anti-competitive behaviour.

Products and services

Products are produced at various mining and manufacturing operations. Paper sacks, bags and material products are manufactured in Durban. Certain services are outsourced to local small, micro and medium enterprises as part of empowerment initiatives.

Approximately one-third of South African cement demand, half in Zimbabwe and four-fifths in Botswana are supplied, as well as more than half of the lime used in southern Africa.

Information regarding the safe use of each product is printed on the bag and the relevant delivery note. The South African Bureau of Standards ISO 9001:2000 Quality Management Standard is applied. Safety data sheets are also available for each product. In addition, technical, sales and laboratory services staff have direct interface with customers. Product labels comply with the requirements of the South African Bureau of Standards.

Recycling of cement is not done due to the risk of contamination during such activities. Technical support to consumers, in the form of mix designs and quantity estimates, helps to achieve better results and reduce waste.

Suppliers

Contracts with suppliers are formally documented. Specific terms and conditions covering the rights and obligations of each party are strictly implemented.

BARLOWORLD'S CORPORATE OFFICE IS FOCUSED ON GLOBAL VALUE CREATION

The majority of suppliers are paid within 45 days following delivery of the goods.

Specifications regarding quality of the product delivered are included in the contract. These are enforced at operational level by the relevant production, engineering or administrative personnel. These requirements form part of the ISO 9001:2000 Quality Management System. Suggestions for improvements are mutually exchanged on a continuous basis with benefits to both parties.

A vigorous screening process is applied to accredit suppliers of goods and services. As part of this process, significant suppliers' competence in commercial, financial, engineering, health and safety, environmental and other relevant business functions is examined. This includes evaluation of human rights considerations. The purpose is, inter alia, to ensure responsible environmental management throughout the supply chain. Small, micro and medium enterprises are offered assistance in including sound environmental practices in their business plans.

Sustainable use of non-renewable resources

The division has committed itself to greater sustainability through the implementation of an integrated and proactive approach to environmental management. Our business does not only focus on economic prosperity but also on the other two legs of sustainable development viz. the environment and society. Sustainable business is good business and it is imperative to reduce the negative impacts of business activities on employees, the environment and society at large.

Environmental programmes

All of the cement and lime manufacturing operations have retained their ISO 14001 certifications. In addition, Afripack, Group Laboratory Services and the sales and marketing operations achieved certification to the ISO 14001 standard for environmental management in 2003.

All operating mines have approved environmental management programmes and systems to monitor compliance. These ensure that the environmental footprint remains as small as possible and that concurrent rehabilitation takes place. Only the De Hoek mine did not achieve full concurrent rehabilitation in 2002. However, a project is already under way in this regard. Full financial provision is made for the final closure of all mines partly by way of contributions to the PPC Environmental Trust, and partly by the division in terms of its accounting policy.

In regional competitions organised by the Department of Minerals and Energy, the category for new small opencast mines was won by Grassridge in the Eastern Cape; the category for large opencast mines by the De Hoek Zoutkloof quarry in the Western Cape; and the category for mines in the closure phase was won by the Loerie mine in the Eastern Cape.

At the 2002 World Summit for Sustainable Development, the Batelle Report was released and the Cement Sustainability Initiative was launched. Although not among the largest 10 cement manufacturers which commissioned the report the division volunteered data for it and has committed itself to the Action Plan under that initiative.

Raw material inputs

Manufacturing processes use limestone, clay or shale raw material inputs. These are extracted through direct mining operations. Factories are established in proximity to the relevant raw material deposits.

Risk assessments and inspections form part of all new projects. These are conducted throughout the planning, implementation, approval and commissioning phases and include health and safety, quality and environmental evaluations.

The limestone and other raw materials are extracted by mining. Annual consumption was:

Tons	2003	2002
	8 350 701	8 581 115

Alternative raw materials and extenders have continued to be introduced into the manufacturing process to reduce the quantity of mined raw materials used to produce the required tons of finished product. These include industrial wastes from other industries in the following quantities:

Tons	2003	2002
As raw materials	415 209	414 298
As extenders	343 867	292 224
As fuel	17 473	85 515

The reduced usage of industrial wastes as a fuel can be attributed to the fact that the division no longer utilises the fine coal dust from Saldanha as an alternative source of fuel.

AFRICA

Barloworld Cement & Lime continued

Energy consumption

Energy efficiency is essentially using less energy for the same production volumes. Improvements in energy efficiency produce direct and indirect environmental benefits.

Cement and lime manufacturing processes are energy intensive. Electricity is supplied by the national power utility in each operational area. Although there is little alternative, efforts are continually made to substitute fossil fuel with energy generated through the use of secondary waste materials from other industries and municipalities.

During 2003 the division used 17 342 tons of secondary materials, which would have been landfilled as waste, to fuel kilns at various locations.

Some 21 142 gigajoules of energy, derived from the consumption of 796 697 tons of coal, are used directly in manufacturing and ancillary processes annually. Other annual energy usage is estimated at 533 661 megawatt hours of electricity and 8,8 million litres of diesel fuel.

Over an assumed period of 25 years, estimated cumulative future energy requirements are 500 million gigajoules derived from coal and 5 million gigajoules from consumption of diesel fuel.

Water consumption

Annual water usage, excluding lime operations, is 2 083 934 kilolitres.

The manufacturing and mining operations are not in water sensitive environments. Water is used mainly in conditioning towers and cooling plants, and is subsequently recycled.

In some cases, mining operations are conducted below the water table. Seepage water is pumped back into the environment to support the ecosystems. Water effluent quality is measured at all production plants with no evidence of any significant negative impact.

Although withdrawals of renewable water have not been quantified, no reduction in supply from boreholes or watercourses has been experienced to date.

Emissions

Direct greenhouse gas emissions from coal combustion, excluding carbon dioxide emissions from electricity consumption and calcination of limestone, were:

Tons	2003	2002
Carbon dioxide	1 919 770	895 442

The increase in the carbon dioxide emissions reflected is the result of using an adjusted ratio for carbon content in the coal. This adjusted figure is more accurate than that used for previous years.

Indirectly, greenhouse gases arise from the generation of large quantities of electricity and the use of diesel fuel.

Emissions of ozone depleting substances are not applicable to the cement industry. Some nitrous oxides and sulphur oxides are emitted as a result of the manufacturing processes and monitoring is conducted at some plants. Periodic external testing has shown that sulphur dioxide emissions are well below the guidelines.

Short, medium and five year plans, developed and administered by each production plant, include environmental considerations. Expenditure for environmental improvement and ISO 14001 certification is identified. Provision is made for pollution prevention infrastructure and equipment.

All plants operate within dust emission limits contained in operating permits issued by the Department of Environment and Tourism (Air Pollution Control Directorate). Results of dust monitoring, conducted by use of modern CODEL™ monitors, are reported.

Waste

Mining waste material is collected on overburden dumps. These are fully rehabilitated to blend with the surrounding environment. Waste from mining operations was approximately:

Tons	2003	2002
Overburden	8 700 000	9 800 000

Spent pot liners from the aluminium industry in KwaZulu-Natal are transported to cement and lime plants in the Northern Cape, Eastern Cape, Limpopo and North West provinces. They are used as an alternative raw material or fuel in cement and related manufacturing processes. Permits have been obtained for the use of the waste in this manner. Transport is carried out by an authorised service provider. Intensive supply chain auditing is carried out on the provider.

Building rubble, which is chemically inert, is commonly used as backfill at construction

WE ARE THE LEADING CEMENT PRODUCER IN SOUTHERN AFRICA

sites and for levelling. Lack of economies of scale has restricted efforts to initiate recycling of building rubble. Uncontrolled dumping has a negative visual impact.

Effluent

Cement and lime manufacture do not generate significant liquid waste streams. Effluent is discharged to municipal sewers in urban locations. In rural areas, effluent discharge takes place from some small sewerage plants after treatment.

Mixing equipment and cement residues are, sometimes washed off by third party construction contractors in an uncontrolled manner. This can negatively impact surface and ground water. Bags create negative visual impact at construction sites if they are not disposed of. These impacts are beyond the direct control of the division.

Biodiversity

Total land owned, leased or managed for production activities is 53 206 hectares.

Approximately 1 330 hectares of land classified as Loerie fynbos, 16 000 hectares of Grassridge bontveld and two hectares of Riebeeck renosterveld are owned, leased or managed in biodiversity-rich habitats. Any negative impacts are mitigated by the implementation of appropriate and approved environmental programmes which include the protection of sensitive environments. The bontveld is protected through all stages of mining with the objective of restoring affected areas to the extent of at least 90%.

Land use potential is reduced temporarily where mining operations are carried out. Once overburden dumps have been rehabilitated, pastoral or arable farming can be commenced or restored.

Removal of invasive vegetation from large tracts of previously disturbed farm land at Dwaalboom has allowed bushveld vegetation to be re-introduced. This supports a wide variety of game. Similar rehabilitation has been completed at Riebeeck and De Hoek, where wheat is being grown on rehabilitated land.

In the North West Province, worked out quarries have been successfully rehabilitated as water features that have attracted bird life to the area.

Escalating the fight against Aids

The division has for many years implemented initiatives that are aimed at minimising the social, economic and developmental consequences of HIV/Aids to its businesses and its employees and, where practical, to the communities where it operates.

Voluntary tests have shown that the prevalence of HIV/Aids in the division remains low. The division encourages personnel to ascertain their HIV status and to use the assistance available to them through their medical aid funds and the Employee Assistance Programme including counselling and treatment.

In addition, peer educators continue to build awareness and provide an avenue for counselling in the workplace. Several clinic medical health practitioners have been trained and are qualified to provide counselling and assistance to those who are affected with HIV/Aids.

This year the PPC Achiever Award was granted to an employee who had taken it upon herself to extend the abovementioned initiatives into all surrounding communities in the Northern Cape.

Health and safety

Health and safety agreements are in place with all recognised unions, as well as contractors who carry out work at various plants. In addition, anyone on site to carry out any work has to complete an induction. Employees and contractors have access to health and safety services on site.

To promote employee wellness, an Employee Assistance Programme, funded by the division, has been made available to all employees and their families. Usage of this service is increasing steadily. As distance from Employee Wellness Centres is a problem in rural areas, arrangements are being made to establish centres closer to the plants.

In rural areas, clinics provide primary health care to employees and their families. Occupational health surveys were conducted at all clinics to verify legal compliance and optimal use of facilities. Practitioners are all registered with the Occupational Health Professionals Council.

Compliance with standards set by the Mine Health and Safety Act and the Occupational Health and Safety Act is complemented by additional best practices. Risk assessments were completed for falls of ground in opencast mines, mine residue deposits and for fitness to perform work at a mine. Codes of Practice have been developed for those mines where this was considered necessary and submitted to the relevant authorities for perusal.

An in-house joint audit process monitors compliance with legislation, internal standards and other requirements. Deviations are reported to the management and significant deviations (if any) to the

AFRICA

Barloworld Cement & Lime continued

compliance committee. Corrective plans are agreed, implemented and subjected to audited follow-up procedures.

Annual upgrades to the process are made to include new or amended legislation or revised internal standards thereby ensuring continued improvement.

Health and safety controls are regularly audited by the National Occupational Safety Association. The De Hoek, Riebeeck and Hercules factories have achieved FiveStar Platinum status for their integrated risk management systems. The prestigious Five Star National Occupational Safety Companies Award Recognition status has been achieved at Slurry for health and safety and at De Hoek for health, safety and environmental management.

In 2002 a decision was made to have the health and safety management systems certified to the Occupational Health and Safety Assessment Series Specification 18001. These are compatible with the ISO 14001 environmental and ISO 9001:2000 quality management systems. The Lime Acres, Riebeeck and Hercules operations have already qualified and Afripack achieved the conversion to ISO 9001:2000 as have all the other plants in South Africa.

The integrated risk management system now in place includes all aspects of quality, health and safety and the environment. While not the main objective, savings of over R4 million were achieved in 2002 in the process.

All systems for health, safety and environmental management are integrated into a single database accessible to all divisional users in South Africa. It effectively shares best practice, provides assurance that all operations are aligned with corporate requirements and assists in the consistent implementation of procedures and practices.

The fundamental principle that, when the risk of minor incidents is removed, the probability of major incidents occurring is reduced has been widely communicated among the workforce. The Riebeeck factory achieved one million disability free hours in December 2002. This is commendable as it was a busy export period and the packer, palletise and warehouse construction projects were in progress. There were also high numbers of contractors on site.

Zimbabwe

Across the border, in Zimbabwe, success has been achieved in developing and implementing a health and safety management system which is compliant with the South African National Occupational Safety Association (NOSA) standard. The Porthold Bulawayo factory was judged to be the most progressive manufacturing operation in Zimbabwe during 2003.

The Bulawayo plant also won third place overall in Zimbabwe in the awards from the National Social Security Authority, based on occupational health and safety programmes applied in the past few years. It has also logged one million hours since its last lost time accident. The Bulawayo plant holds a NOSA four star rating and the Colleen Bawn plant a three star rating.

Employment and labour practices

	Number of employees		
	FT/P	**FT**	**T**
2003			
Executive	21		
Management	240	3	
Factory	2 253	85	558
Office	571	7	54
Total	3 085	95	612
2002			
Executive	21		
Management	249		
Factory	2 369		20
Office	630		11
Total	3 269		31
Change	-184	+95	+581

FT/P: Full time, Permanent, FT: Fixed Term, T: Temporary

The moving annual turnover rate in the workforce in 2003 was 10% in South Africa, 16% in Zimbabwe and 11% in Botswana. This is regarded as low for the industry.

At remote factory sites, where alternative housing is not available, housing is provided to employees at rates approaching market related rentals. Employees are liable for fringe benefits tax on the difference between market rentals and the rate actually charged.

Company cars are allocated to sales and technical employees as well as those in other approved grades where extensive travel is necessary. Car allowances are related to job requirements of the employee, thus enabling the employee to acquire and maintain an appropriate vehicle for business purposes. The amount paid takes account of financing, fuel, servicing, insurance and tyres.

ALL OF OUR CEMENT OPERATIONS ARE ISO 14001 COMPLIANT

No housing loans are provided but various retirement funds facilitate borrowing by the employee from a financial institution. Monies attributable to the employee as a member of the relevant fund are used as collateral security. Subject to an instalment payment not exceeding 25% of monthly earnings, the employee may borrow, solely for housing purposes, an amount equivalent to 60% of the employee's accumulated credit in the relevant fund.

Employees are encouraged to join a medical scheme approved by the division, unless proof of membership of another scheme is provided by the employee's spouse. Contributions to an approved scheme are subsidised to the extent of 67% (2002: 60%).

Membership of a sponsored retirement fund or negotiated provident fund is compulsory in the South African operations. Both funds also provide death and disability benefits. The employer pays 14% of relevant earnings, which includes the cost of death and disability benefits and administration, and the employee pays from 6,0 to 7,5% of monthly salary into the relevant fund. In addition, all employees are covered free of charge under a Group Personal Accident insurance policy. The issue of "benefits" is a complex one and considerable time is being devoted to training and improving the understanding thereof by employees.

Some 41% of employees are members of a trade union. Recognition agreements exist with the relevant unions. All business units have health and safety committees functioning under legislation relevant to the operation.

Occupational accidents and notifiable diseases are reported to the relevant authorities under the applicable statutes. Accidents and incidents are monitored. Trends are analysed to prevent any recurrence that would adversely affect the health and safety of any employee or visitor.

Human resources

Human intellect is regarded as the most critical factor in growing competitive advantage in all businesses, more particularly to sustain this by:

- attracting, motivating and retaining the very best people;
- capturing unique know-how and culture and transferring these to new employees;
- developing the full potential of all employees; and
- guiding the organisation to future success.

Each of the above requires a healthily functioning set of organisational systems and policies including training systems, study assistance and bursary schemes, effective recruitment drives, succession planning, employment equity plans, work place skills plans and mentoring plans. These are some of the vital elements which underpin and sustain the future.

Much emphasis is placed on "performance culture" always striving for continued improvement and superior individual and business performance. Accordingly the division recognises the efforts and achievements of employees through formal awards, incentives and gain share programmes. The Kambuku intervention is central to this drive to improve and reward superior performance in the interests of creating a better life for employees and to deliver lasting benefits to all stakeholders.

Empowering the workforce

Over the past three years great emphasis has been placed on capacity building for employees. Training, study assistance and bursary policies are complemented by programmes that promote personal development. These are:

- An Employee Career Development Programme which analyses a mutually agreed likely career path and leads to an action plan in respect of development needs;
- An Executive Development Programme and a Leadership Development Programme facilitating internal development of senior staff. These programmes are run in conjunction with Barloworld Limited and the Gordon Institute of Business Science;
- A Competency Programme facilitating promotions and succession planning uses internal and external assessors, and explores cognitive, emotional and social dimensions of intelligence and competence of an employee on the job, as well as development requirements;
- Learner Paths Programmes assist ambitious employees in understanding the competencies and behaviour required for the level above them;
- Financial assistance is given to those who wish to study courses identified in Employee Career Development discussions; and
- Mentors assist at some sites.

More than 190 assessors have been trained in terms of the Skills Development Act. The City and Guilds qualification has been received by 96, of whom 56 are registered with the Mining Sectoral Training Authority. Under the South African Qualifications Act the latter can assess and qualify employees in qualifications registered on the National Qualifications Framework. Three moderators have been certified and two have been registered.

BARLOWORLD CEMENT & LIME

2003 CEO'S AWARD FINALIST: **SISTER IRIS ROSS,** PPC LIME ACRES

A woman who has walked the extra mile, gone beyond the call of duty and who is a powerful representation of selfless service, dedication and caring for others is Occupational Health Nurse at PPC Lime Acres Sister Iris Ross.

She strives on a daily basis to create a better life for all in PPC and the communities in which the company operates. Managing two clinics at Lime Acres, liaising with the clinic in the village, coordinating the transportation of serious medical cases to Kimberley, Sister Iris's work is never done. Working in an isolated community, she is a confidant, marriage counsellor, community worker, sociologist, psychologist and medical counsellor to all employees and their families. But, apart from fulfilling these duties, it is her one-woman stand against HIV/Aids that really sets Sister Iris apart. Refusing financial assistance from the company, she completed a diploma in the study of HIV/Aids and is currently studying for her National Diploma in Safety Management. Sister Iris has trained volunteers to assist in her HIV/Aids programme and has educated the children and adults of the community, creating an awareness of the facts related to the disease.

Iris's drive and commitment was instrumental in convincing employees to agree to voluntary prevalence testing. The result? After 18 months, the HIV/Aids infection rate at Lime Acres had stabilised!

PPC Lime Acres is the first business unit in the group to attain our goal standard in our Employee Value Creation Model as regards HIV/Aids.

In the words of some of the community members whose lives have been touched by Sister Iris, "Her enthusiasm is contagious, she is a pillar in the community, she is able to reach out and touch many people, she has brought together people from many walks of life."

Policies have been developed in respect of internal assessors and recognition of prior learning:

- internal assessors must be registered with a relevant Sectoral Training Authority and must comply with uniform standards during assessments;
- the division is committed to training and developing employees by ensuring that employees get recognition for all experience gained in the workplace;
- open access allows employees the opportunity to gain competencies;
- evaluation of evidence ensures that an employee has access to development of skills in the workplace;
- formal communication channels have been established to deal with disputes and appeals arising from assessments; and
- fair and reliable assessment of all employees is promoted, it being an inherent right of an employee to gain a fair pass upon assessment.

These assessments enable focus to be placed on overcoming competency deficiencies to improve performance in each job.

Estimated average annual hours of education and training per employee	Hours 2003	2002
Management	209	40
Professional	122	40
Technical	122	40
Administrative	117	6
Production and dispatch	95	16
Maintenance	95	16
Total	760	158

All employees have equal opportunities for employment and advancement. Full support is given to the spirit and intent of the Employment Equity Act 1998 in South Africa. Employment Equity Plans and targets are regularly reviewed. The aim is to achieve 40% blacks, coloured and Asians at senior levels by 2007. The division is already progressing satisfactorily towards its targets and in some instances is ahead. The policy is to develop and promote from within. Many employment equity employees have grown and progressed and a number have more than eight years of service.

Succession plans and career development paths have been drafted and discussed with affected employees in career counselling sessions. Also, a skills exchange and learning programme is being run with selected South African and Zimbabwean employees.

Society

The division is a member of the World Business Council for Sustainable Development and subscribes fully to its charter and initiatives; Membership is held in the following international, national, industry or business advocacy organisations: the International Labour Organisation, the National Economic Development and Labour Advisory Council mandated by the Constitution of the Republic of South Africa, the International Lime Association, the Aggregate and Sand Producers Association of South Africa, the Cement and Concrete Institute, the Association of Cementitious Material Producers, the Institute of Quarrying, the National Association of Clean Air, the National Lime Association, and the Waste Management Institute.

Minerals used in the manufacturing processes are located in rural areas and the factories provide employment for people who would otherwise have to incur travel costs and family separation if they could find work in an urban area.

Wear and tear caused by heavily loaded vehicles transporting cementitious and lime products results in quicker deterioration of the roads. A strict policy, controlled through weighing before and after loading, prohibits overloading of trucks.

Systems have been implemented at all plants to effectively manage environmental risks in the surrounding communities. These include the establishment of community forums and open days, where ideas and concerns can be exchanged. Comments and concerns are recorded and addressed with a view to continued improvement and legitimacy.

A well defined management procedure controls the safe introduction of new processes, plant, and materials at all operations. Quality assurance, continued safety of personnel and the well-being of surrounding communities are of the utmost importance. Engagement with communities is part of this process.

The continued viability of local communities after the cessation of mining or the outsourcing of services is of particular importance.

The business plan for the closure of the Loerie mine, which is still to be approved by the Department of Minerals and Energy, contemplates retention of the mine infra-structure for use by the community. Activities will include poultry farming, briquette production, market gardening, needlework etc. These businesses will ultimately be owned by the community; however mentoring assistance will be given.

Business opportunities for emerging entrepreneurs

At the time of privatising the town at Lime Acres by selling houses to current and former employees, and after consultation with the community, the Lime Acres Trust was registered. Representatives of the division and affected employees in equal representation are trustees. Its business includes the provision of construction, maintenance and garden services for the community. Revenue in the first year was R1,7 million. As skill and confidence grow, the division will scale down its involvement.

AFRICA

Barloworld Cement & Lime continued

The Department of Water Affairs and Forestry is building Nandoni Dam. It is expected to be completed in the last quarter of 2004 and will provide domestic water to rural communities in the Limpopo Province. It will have a water capacity of 164 million cubic metres and is expected to take a year and a half to fill. By establishing an Affirmative Business Enterprise, to supply 30% of the cement required for the project, black entrepreneurs have been assisted in the creation of a meaningful new business in the construction industry in that region. This joint venture with black business will also facilitate the development of skills and job creation.

A Waste Buy Back Centre has been established in Katlehong on the East Rand. Cement and construction material were supplied to Phambili Women in Construction cc, who constructed the cement slab for the centre. Not only has this contribution initiated an interest among women in construction, it has also provided a facility where others can be employed to sort and collect waste. Importantly, it also encourages a cleaner environment for the community.

An incinerator was built in the Pilanesberg National Park to upgrade the park's waste management system in an environmentally acceptable manner. The division donated the cement to build the platform on which the incinerator is installed. The new system cuts down on waste pollution since it is designed to convert four cubic metres of waste to a spade full of ash within twenty minutes. The ash is then added to the composting plant and recycled to the gardens within the park. The project has provided employment for the local community and all monies raised from waste recovery and recycling are retained in the community. It also provides important educational programmes.

Sponsorships

In partnership with the United Cricket Board of South Africa, the Department of Sports and Recreation, the Department of Trade and Industry and other companies, a Cricket Legacy Project has been started, as an extension of the long established PPC Cement Pitches Programme. This is the biggest sports development programme undertaken in South Africa and will provide club houses, ablution and other facilities at cricket ovals. Project management, technical service and on-site training will be provided by the division. The first such club house and score board have already been built at Eersterus in the Northern Province.

In co-operation with the Pretoria based Associations of Arts, annual awards are presented to the most promising young sculptors using the medium of concrete. Artists are expected to show excellent knowledge of all forms of concrete, fluid and solid, and the contrast between colour and texture. Evoking emotion in art by manipulating concrete is a special talent.

A two kilometre PPC Discovery Trail, which enables wheelchair bound and other disabled persons to access their natural surroundings, has been established at the Addo Elephant National Park in the Eastern Cape. Constructed from environmentally friendly poly-wood, the boardwalk has a rope rail to assist the partially sighted to navigate, and although the trail was built for the disabled, all are welcome.

Communities

Transport is provided for school children who live near the rural operations. Clinics providing primary health care, recreational, sporting and shopping facilities are available to surrounding communities.

A corporate social investment programme addresses the skills transfer and business empowerment needs of communities from which labour is drawn.

Values including respect for the individual, non-discriminatory practices and care for communities demonstrate commitment to previously disadvantaged individuals and businesses.

Empowerment procurement

Relationships are encouraged that support the drive to satisfy customer needs by supplying quality goods and services through small, medium and micro-enterprises associated with the ideal of black economic empowerment.

OUR KAMBUKU EMPLOYEE PROGRAMME IS A KEY DRIVER OF VALUE

In terms of an affirmative procurement policy, the promotion, development and sourcing of goods and services from such enterprises in a manner that adds value to the partnership is imperative.

Selecting the right supplier is fundamental. Suppliers who meet the requirements make an important contribution to the business and its sustainability. In order to facilitate the rigorous process the division has committed to identifying, developing and maintaining mutually beneficial interfaces with previously disadvantaged suppliers.

A challenge facing all organisations aspiring to conduct business with previously disadvantaged suppliers is that of ascertaining the credibility of such suppliers as legitimate black empowered businesses.

As an active board member of the Corporate SMME Development Forum, the division has elected Empowerdex for the purpose of accrediting Black Economic Empowerment suppliers.

The amount of BEE and SMME spend for the 2003 financial year was R155 million against a target of R110 million and R80 million in 2002.

In the latest Deloitte & Touche – Best Company to Work For in South Africa survey – PPC was voted as the sixth best company to work for, overall, and as the number one employer in the manufacturing sector.

Deloitte & Touche's ranking is based on engaging with a cross section of all employees within an organisation. Deloitte & Touche selects employees, who are sent questionnaires, to which employees give a confidential response. This ensures empirical fairness to the survey.

"This is the culmination of four years of extremely hard work and dedication from the PPC team. We have concentrated on applying best practice principles to everything we do, in an effort to achieve overall excellence, by building a company of champions," said John Blackbeard, chief operating officer of PPC.

This transformation was supported by PPC's Kambuku programme (named after one of the big seven elephants in the Kruger National Park), which set out to align the behaviour of the organisation with the specific targets and goals of value creation. Kambuku was a particularly apt name for this programme, based on the fact that PPC uses the elephant as an icon to demonstrate the qualities of the organisation – they being strength, durability and reliability.

By using the Kambuku programme, our employees continue to create the better company and therefore the better life that they all aspire to. This award has given them valuable external validation that the organisation they have worked so hard to create, is amongst the nation's best.

"This was the first year that we participated in the survey and our employees are pleased at the outcome. The award shows that our people are fiercely proud of our company, brands, the service they offer and the quality product they produce. This pride drives them everyday to constantly improve, in their quest to add value for both customers and shareholders. The satisfaction, which they derive from doing this well, puts the weight of an elephant behind PPC's motto 'OUR STRENGTH IS YOUR STRENGTH'," concluded Blackbeard.

EUROPE

Barloworld Industrial Distribution

Barloworld Scientific

EUROPE

Operations in Europe are conducted by Barloworld Industrial Distribution, Barloworld Scientific and Barloworld Equipment with activities in Andorra, Belgium, Bulgaria, Cape Verde, Denmark, France, Germany, Italy, Netherlands, Portugal, Russia, Spain, Sweden and the United Kingdom. All businesses are wholly-owned by Barloworld Limited.

BARLOWORLD INDUSTRIAL DISTRIBUTION

Vision and strategy

The vision of Barloworld Industrial Distribution Europe is to be the market choice for the provision and management of materials handling solutions to meet the global needs of manufacturers, retailers, government and logistics companies. This entails an analytical understanding of a customer's needs and provision of ideas, equipment and service that fulfil those needs in a manner and at a cost that improve on the customer's existing solution.

Customers

Customers include the British Ministry of Defence, a number of FTSE 100 companies and small independent businesses.

Customer satisfaction is determined through both in-house and independent surveys commissioned by the respective manufacturers in respect of the relevant product and support and service. Meetings with larger customers are held to evaluate satisfaction levels and to gather input on suggested improvements. No issues of major import were raised by any party. Those actions agreed are aligned with value creation and key performance indicators.

Migration to the new ISO 9002: 2000 Standard has recently been achieved.

Some 70% of sales in the United Kingdom are financed through an in-house finance company.

Products and services

Distribution and maintenance of Hyster forklift trucks is conducted by Barloworld Handling in the United Kingdom and Belgium. Manufacture in the United Kingdom and distribution in world markets of Lamson vacuum conveyance equipment for money and documents which is mainly used in the financial services sector, and of BVC floor maintenance equipment is undertaken by Barloworld Vacuum Technology.

Business expansion opportunities have been realised by Barloworld Industrial Distribution in the United Kingdom through such successes as the contract with the Ministry of Defence. This provides appropriate equipment and related maintenance services for handling of materials and stores in a non-combative support role on a global basis.

Operations are predominantly related to the supply and servicing of Hyster handling equipment. These are similar to the Hyster operations in the United States. As management systems and operational techniques are integrated, the explanations given in regard to the Hyster operations in the United States are equally applicable in the United Kingdom and have not been repeated here. Reference should be made to pages 83 to 87 inclusive.

Suppliers

Approximately 60% of total annual purchases are made from Hyster Europe Limited. The value of total annual purchases is considerably less than 5% of the Gross Domestic Product of the United Kingdom.

Employees

	Number of employees	
	P	PT
2003		
Executive	10	
Management	116	
Factory	913	
Office	536	78
Total	1 575	78
2002		
Executive	10	
Management	118	
Factory	927	
Office	533	96
Total	1 588	96
Change	-13	-18

P: Permanent, PT: Part time

There are no ongoing agency employees. No trade unions are involved nor are there any collective bargaining agreements. A small number of individuals at Barloworld Handling are members of trade unions. It is not yet possible to estimate the number of jobs in the supply and distribution chain.

Each employee receives a Contract of Employment and other documentation containing an overview of employment policies. These cover equal opportunities, anti-discrimination and human rights policies, as well as guidance on their enforcement. Appeal practices available to an employee are also included. No retaliation may be taken against an employee who files a complaint.

WE ARE THE WORLD'S LARGEST INDEPENDENT LIFT TRUCK DEALER

All employees have an element of their remuneration package related to business performance.

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 on site by independent survey companies. Employees views of their own job, their supervision and the business as a whole are covered. The results are then fed back into revised human resource strategies.

Training in the European business covers the whole of the workforce. Internally a training team is focused on upgrading the skills of engineers and also the applications knowledge of the sales force. External training providers are used to provide supervisory and management skills, health and safety and senior management development.

Approximately 35 apprentices are progressing through a four year programme at any one time.

Training costs amounted to £620 000.

New employees attend orientation and induction programmes.

Accidents on duty which cause absence from work are reported to the Health and Safety Executive. There were 28 accidents resulting in three or more days of absence.

Environment

Operations are conducted at sites, which have mostly impermeable surfaces, in industrialised areas within greater urban districts. They have minimal effect on any biodiversity-rich habitat, fresh water or marine environs.

Certain products sold to customers emit greenhouse gases. The emissions are not measured.

Waste arises from the servicing of manufacturers' products and consists of scrapped spare parts, tyres, motor oils, fluids, batteries and cleaning and packing materials. Systems are in place to collect all such waste materials both from the business sites and those of customers. Certified waste management organisations are contracted to systematically remove and discard these items in a manner that conforms with applicable legislative and regulatory requirements.

The annual costs of disposal of tyres and other waste are £200 000.

Electricity is used mainly for lighting and office purposes. Consumption is minimal within the context of urban development in southern England.

No spills of oils or fuel occurred during the year. Water is used for cleaning and domestic purposes. The quantity is not measured as it is insignificant.

BARLOWORLD SCIENTIFIC

Vision and strategy

The vision of Barloworld Scientific Laboratory is to be one of the largest brand based suppliers of laboratory products. Many of the products manufactured and distributed contribute significantly to the furthering of human knowledge and aid in the diagnosis and treatment of disease.

The strategy is to grow value for stakeholders by providing high quality products which meet their application needs, supported by world class customer service. Customer needs will be met by ensuring that products are manufactured to meet their required quality standards and are delivered to the correct place at the correct time, with the correct value being charged.

New product development is driven by knowledge and understanding of customer needs and by application and use of the most appropriate technologies.

Long-term relationships with significant customers at all stages of the supply chain are a vital focus. Regular meetings are held with these customers to ensure that the performance in relation to supply and delivery is satisfactory.

Employees are provided with the resources, training and working environment necessary to enable them to contribute value and develop their potential in a safe and harmonious working environment.

Effective sustained internal communication and progress briefings are the fulcrum of all activities and employees are encouraged to participate in continuous improvement. Employees are responsible for ensuring that customers are more than satisfied.

Plans for the management of any unwelcome events and for disaster recovery have been developed and refined over the past few years. These are internally audited annually. Most are also externally audited annually by Marsh risk consultants, with the remainder audited every second year.

Customers

A broad range of customers worldwide, comprising Fortune 500 companies and small

EUROPE

Barloworld Scientific continued

independent businesses, are served. The markets served are generally of low growth and not subject to significant swings in demand.

Customer satisfaction is measured through formal surveys and face to face contacts. Complaint systems conform to ISO 9001.

Service performance is measured through a variety of key performance indicators, such as on-time delivery and rate of issue of credit notes. No issues of significant import have been raised by any party. Any agreed actions are aligned with value creation and key performance indicators as part of a continuous improvement strategy.

When appropriate, in order to ensure high quality and to improve communication and service, joint meetings are held with customers. The outcomes of such meetings are transmitted to the relevant employees, who are responsible for achieving customer satisfaction.

Policy in regard to customers is implemented through ISO 9001.

Complaint systems conform to ISO 9000 and are independently audited.

The Logistic Supplier of the Year award has been received from the largest domestic customer.

Products and services

Scientific and laboratory products are manufactured and supplied through multinational retailers to laboratories engaged in food analysis, clinical microbiology, environmental and other scientific research.

Glass and plastic products and scientific equipment are manufactured for use in laboratories. Brands include Pyrex, Sterilin, Azlon, Quickfit, Emil, Techne, Jenway, Stuart and Carbolite. Operations are conducted in Italy, France, Germany, Spain, the United Kingdom and the United States. Sales are not significant in relation to any national market or to the gross domestic product of any country of operation.

All products are manufactured to internationally recognised standards. Electrical products must be approved by an external assessing body for conformance to required standards. No product may be marketed before this approval has been given. For example, all electrical equipment is CE marked. The expression CE means "Conformité Europééne" and the marking indicates that the product conforms to the relevant European Community Directive, which also covers safety, public health and consumer protection. Compliance is externally audited through ISO 9000. All advertising is approved by management and conforms to Advertising Standards Authority requirements in all countries in which operations are conducted.

Current catalogues contain sections on safe use of products, glass and electrical equipment. Extensive training on the use of products, especially electrical equipment, is given to customers.

All equipment is supplied with instruction manuals. Product labelling and instructional materials are reviewed and approved by in-house technical specialists before being issued and comply with all known requirements. These specialists are present on key international regulatory bodies which set standards.

These products and services have no environmental impact. The proportion of the weight reclaimable at the end of the life of products sold is not measured. Within the next two years, in accordance with European Union law, the United Kingdom will introduce new directives in regard to waste electrical and electronic equipment and restrictions on the use of certain hazardous substances in electrical and electronic equipment.

Suppliers

Few long-term contracts have been entered into with suppliers. Fair contractual terms and conditions have been negotiated with all suppliers. All terms have been reviewed for conformity with competition law. Contract behaviour is governed by a formal compliance procedure. Payment terms, ranging from 30 to 90 days, are complied with. Small businesses are usually paid within this time span because some customers require different terms.

Standards of materials and services received from suppliers are controlled by written specifications and agreed drawings, where appropriate. Incoming goods are checked against the agreed standards on a sample basis and, if the controls are breached, to the extent of 100% or returned in bulk after discussion with the supplier. Deliveries are logged in the vendor control system and monitored. Vendor performance is reviewed when appropriate and internal satisfaction is evaluated monthly. In some cases, suppliers who exceed the control standards over a specified period, are allowed to ship to stock. A small number of suppliers are assisted in setting up manufacturing processes and production scheduling for finished products.

Co-operation with and suggestions to suppliers in regard to improvement or development of products is continuous.

WE ARE THE MARKET LEADER IN LABORATORY GLASS AND PLASTICWARE IN THE UNITED KINGDOM

Employees and labour practices

	Number of employees FT/P
2003	
Executive	35
Management	254
Factory	699
Office	331
Total	1 319
2002	
Executive	32
Management	270
Factory	758
Office	369
Total	1 429
Change	-110

FT: Full time, P: Permanent

Employee benefits, including pension schemes, sick pay, holiday entitlement, maternity leave, etc, exceed minimum legal requirements. Salary survey data is used regularly to ensure that pay and benefit practices are in line with competitive and national norms.

About half of the workforce in the United Kingdom are represented by independent trade unions and are covered by collective agreements. Employees in other European countries have legally enforceable minimum entitlements derived from national collective agreements. While there is no specific policy or procedure that requires consultation or negotiation where employees are affected by changes in operations, all European Union countries have minimum legal requirements for individual and collective consultation in these circumstances.

In all United Kingdom operations, quarterly health and safety meetings are held in compliance with the safety representatives and safety committees Regulations 1997. These committees cover the entire workforce in the United Kingdom. Businesses based elsewhere in the European Union comply with the health and safety laws of the relevant country.

Annual labour turnover is some 9% or less except for the manufacturing unit in Wales where the rate is 39% as a result of severe competition for local labour. As the total complement has declined slightly, there has been no net employment creation during the year.

Each business unit has a designated manager responsible for training and development. The two main units in the United Kingdom conduct on-the-job training to ensure maintenance of the skills necessary for ongoing business. Each business unit also has a Lifetime Learning Policy that funds and encourages employees to learn new skills. Additionally, outside training sources, such as local colleges, are used for off-the-job training. Many employees have obtained externally verified National Vocational Qualifications.

Average annual hours of training are 45 for senior managers, 55 for middle managers, 41 for administrative staff, 14 for production personnel and 25 for maintenance employees. Training expenditure was £127 000.

The manufacturing unit at Stone has been awarded the Investors in People Quality Standard for employee training and development.

Within the United Kingdom, frequent meetings are held with local trade union representatives.

Human rights

Policies have been established to ensure compliance with governmental regulations on human rights. Each business has a designated manager with responsibility for compliance. Each employee is provided with information and advice about such regulations in order to ensure that these are complied with.

No retaliation may be taken against any employee who files a complaint. Grievance procedures are laid out in each employee's contract read with the accompanying handbook.

Policies relating to equal employment opportunities and anti-discrimination are published to all employees. These are designed to align with Barloworld Group policies and the relevant legislation regarding employment and employment practices relating to minorities and females. They also set out appropriate steps to be followed by an employee who feels that the letter and intent of the policies has been broken. All employees are required to adhere to these policies and to governmental regulations on fair employment practices.

Where required, reports are filed annually with the authorities stating current employment by ethnicity and gender. These are compared with population census data for the areas where operations are conducted. No minors are employed.

Anti-harassment and anti-bullying policies have also been published to all employees.

2003 CEO'S AWARD FINALIST:
NEIL COXON,
BARLOWORLD SCIENTIFIC

Neil is from Barloworld Scientific and has worked his way through the ranks from factory worker to production manager. He is ambitious, hard-working and motivated and transfers these values to others. He is central to the introduction and implementation of the LEAN business programme at the laboratory factory in Stone, Staffordshire. LEAN is the principal vehicle for the delivery of Value Based Management. Neil is the 'champion' of the programme whose main objective is to identify and reduce the cost and impact of waste. Organisation, training and information are vital foundations of this reduction in waste and Neil has been instrumental in the development of a structure of LEAN coaches drawn from all areas of the business to provide training to all employees. Neil's progress has created interest from outside sources who visit us to see our successes and plans. The UK Department of Trade and Industry will soon publish an article on our achievements, thanks to Neil's hard work. Inventories will be reduced by 40% within three years and already factory floor stock has been reduced by £350 000. We foresee a 50% reduction in scrap worth £250 000 in operating profit by the end of 2004 and a 40% reduction on total inventory by £3,5 million over three years.

Neil was also instrumental in the relocation of the Stuart Scientific business to Stone and the recruiting of an entirely new workforce. Despite this relocation, service levels were maintained, productivity gains of 27% have been achieved and levels greatly improved.

The new employee induction programme is used to inform employees of rules and regulations and employment benefits.

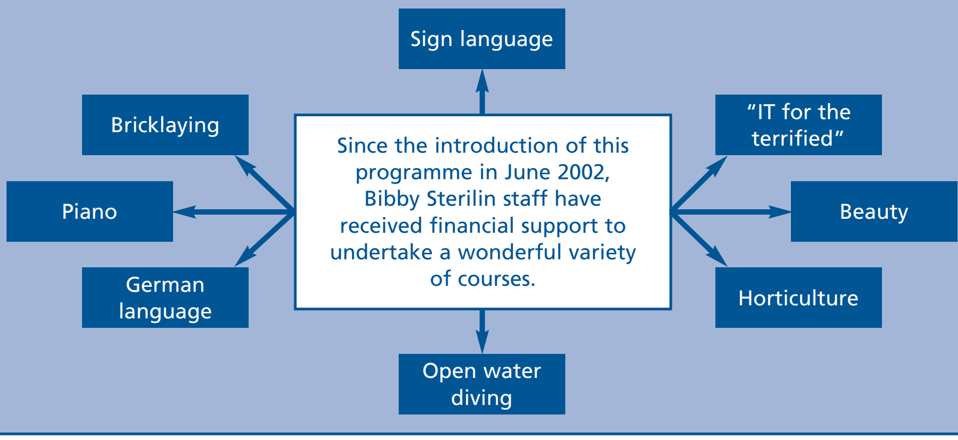
All employees are provided with information about disciplinary and appeal procedures that are available. Resolution of disputes at source with their immediate supervisor is encouraged. However, all employees are provided with information about appeal procedures to take disputes higher up the management line, with or without personal or trade union representation.

Employee opinion surveys are conducted every second year. Independent contractors come on site and interview employees on all aspects of their employment, including compensation and benefits, working conditions, safety, supervision, senior management and communications. A written questionnaire provides an opportunity to give further general comments.

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

Lifetime Learning at Barloworld Scientific

At Barloworld Scientific's UK Laboratory Group the "Lifetime Learning for All Scheme," helps employees to pay for any training programmes of their choice, regardless of whether or not the training is related to business needs.



Environment

Estimated total annual material inputs and wastage, other than water	Tons			
	2003		2002	
	Purchased	Waste %	Purchased	Waste %
Glass	2 000	2	2 000	2
Polymer	5 500	3	5 500	3
Cardboard	850	5	850	5
Wood	30	3	30	3

Most glass waste is recycled – a small proportion to landfill. Significant proportions of plastic, paper and cardboard are recycled with the remainder sent to landfill. General waste is either incinerated or sent to landfill.

Estimated annual energy use	2003 KW HRS Million	2002 KW HRS Million
Electricity	14,5	14,5
Gas	9,0	9,5

EUROPE

Barloworld Scientific continued

Barloworld Finanzauto

Improvements have been made to the internal heating system. The heating schedule has been revised to keep the heating period to a minimum while providing adequate comfort for working hours.

Some oil is used within electrical transformers.

Indirect energy use is not measurable.

Estimated water used annually	2003 Cubic metres	2002 Cubic metres
Water	42 000	42 000

Recycling of waste water is a feature of machinery with high water requirements.

Some 60 acres of land are used for production and other business purposes, of which three-quarters is covered by buildings or impermeable surfaces. One business unit is located at Hope in the Peak District National Park in northern England. Neither this nor any other operation has any major impact on its immediate surrounds nor on any biodiversity in terrestrial, freshwater or marine environments.

Emissions of greenhouse gases and ozone depleting substances are not measurable. No noxious substances are emitted.

Hazardous waste, mainly asbestos material removed from buildings, has been removed from the relevant sites where this was economical. Any remaining asbestos material will be managed in accordance with the applicable United Kingdom regulations. Insulating material used within some scientific equipment is collected and returned to the supplier.

All waste disposal is conducted in full compliance with United Kingdom environmental law. This is audited by independent risk consultants, Marsh.

Annual expenditure on environmental protection activities is approximately £60 000.

Society

The Barloworld Code of Ethics is prominently displayed in all businesses. Adherence to its intent is monitored and policies against conflicts of interest and acceptance of bribes or excessive gratuities are in place.

Involvement of many employees on a voluntary basis in community assistance is supported. Funds are contributed to community service projects.

Membership is held in the following industry or business advocacy organisations: The Association of British Health Industries, British Glass, Glass Training Limited,Bristol Contributory Welfare Association Limited and Gambica Association Limited.

Consumer privacy is protected under the Data Protection Act 1998.

BARLOWORLD FINANZAUTO

Customers

Products and services are provided mostly to corporate and public sector customers for purposes of earthmoving, mining, public works, construction, marine and transport applications, as well as prime and stand-by electrical power generation.

Customer satisfaction is measured through periodic independent surveys. Toll free care lines operate in Spain and Portugal. Although operations are geographically fragmented, complaints are dealt with expeditiously and monitored by management.

Products and services

Operations comprise mainly Caterpillar dealerships in Spain (including the Canary Islands where a market share of 20% is being maintained), Portugal, Bulgaria and Siberia in Russia. Earthmoving equipment and related parts, power generating and marine equipment are distributed, as well as Fantuzzi and

WE ARE THE MARKET LEADER IN EARTHMOVING EQUIPMENT IN SPAIN

Reggiani container and port handling equipment and Mak marine and terrestrial engines. In addition, Atlet, OMG and Quadra handling equipment is distributed in Spain and Mitsubishi handling equipment in Portugal.

Products and services supplied in Spain, comprise about 80% of total activity.

As there is a great deal of co-ordination between the operations of Barloworld Equipment worldwide, relationships with Caterpillar and other suppliers are conducted in a manner similar to that explained in regard to operations in Africa. Reference should be made to pages 43 to 46 inclusive.

There is little reliance on outsourcing of services. Purchases from Caterpillar represent more than half of annual purchases of trading stock.

Employees and labour relations

Number of employees			
	Iberia		Russia Bulgaria
	P	T	P
2003			
Executive	12		
Management	155		6
Factory	825	116	49
Office	922	133	27
Total	1 914	249	82
2002			
Executive	14		
Management	162		6
Factory	832	65	45
Office	907	98	24
Total	1 915	163	75
Change	-1	+86	+7

P: Permanent, T: Temporary

In Spain 18% of employees have involvement with three trade unions: Union General de Trabajadores, Comisiones Obreras and Confererecion General de Trabajadores. No trade unions are involved in Bulgaria, Portugal and Siberia.Employee rights are supported by legislation.

Consultations are conducted every three months between management and worker representatives, both sides having equal representation.

Formal health and safety committees, on which management and workers have equal representation, meet quarterly. The employees are covered by these activities. The overall annual absenteeism rate is estimated at 5%.

Rosario joined Barloworld Finanzauto in Spain in 1975 and began in the Finance department, doing primarily administrative tasks. In 2001 she became involved in the implementation of the SAP ERP system project team. Although a completely new position for her, Rosario confronted the challenges of the project with enthusiasm and 100% dedication. Although this was a large complex project, she remained calm throughout and her professionalism was evident right from the beginning. Rosario is now a superuser of SAP and willingly offers her support to anybody who should need it. Over the last two years she has more than surpassed the expectations of her managers, clients and all those who work with her. Rosario continues to make an impression on the company. She is currently working in procurement where she handles all relationships with suppliers. Despite her quiet nature she is totally devoted to her job. Rosario symbolises the unwavering commitment and highly efficiency that is the hallmark of Barloworld people worldwide.

2003 CEO'S AWARD FINALIST: **ROSSARIO CASTILLA GOMEZ,** BARLOWORLD FINANZAUTO


Environment

Waste arises from service activities and is disposed of in compliance with relevant legislation:

Waste	Metric tons	
	2003	2002
Used oil	283	179
Batteries	98	45
Tyres	24	22
Filters	28	23
Effluents	1 230	745
Scrap metal	1 634	726
Other	254	46

Water is used for cleaning and domestic purposes. It is drawn from the relevant local authority. Annual consumption is approximately 16 800 000 litres.

Property owned amounts to 35,5 hectares, while 15,9 hectares have been leased.

The operations in Bulgaria and Siberia do not have major workshop facilities. Service and repair operations are carried out on customer sites. The disposal of waste products, used oil, scrap metal etc, is carried out by the customers. In most instances, used oil is either added to fuel for power and heating stations, or collected and sent for refining. There is a small repair facility in Siberia. Arrangements have been made for this operation to receive components with the oils and fuels previously drained by the customers. Scrap metal is collected by a local organisation for disposal.

All premises are rented and are mainly in commercial areas. There is no major impact on any biodiversity-rich habits nor are any terrestrial, fresh water or marine environments or protected areas affected.

NORTH AMERICA

In the United States, operations are conducted by Barloworld Industrial Distribution and Barloworld Scientific. All businesses are wholly-owned by Barloworld Limited. There are no joint ventures or outsourced operations.

BARLOWORLD INDUSTRIAL DISTRIBUTION

Vision and strategy

The vision of Barloworld Industrial Distribution is to be the market choice for industrial equipment and total solutions.

The strategy is to create and grow value for customers, employees and shareowners through expansion of total solutions, based on strong customer relationships and achieving operational excellence. Principles of Value Based Management drive the involvement of all employees in this mission. There is regular communication with customers through day-to-day performance of duties and often partnership meetings with some large customers are held. Generous employee benefit programs and self-development opportunities represent a significant commitment. All employees are engaged in development of the vision and implementation of the strategy by conducting monthly meetings. All employees are encouraged to identify improvements and enhancements that will favour all stakeholders. No grouping of stakeholders is favoured more than any other.

While most of the operating territory of Barloworld Industrial Distribution has withstood economic decline in the past twelve months, strides have been taken to further secure long lasting partnerships with some of the bigger customers. Efforts have also been made to provide ongoing positive employment opportunities.

Most failures incurred during the year were related directly to the poor economic environment that affected many businesses in the United States. Going forward, the biggest opportunities lie in trying to grow revenues in mature geographic and industry markets. Regulations for conducting business that is cognisant of environmental and social concerns have existed in all of the relevant markets for some years.

Customers

Customers in the United States use Hyster products mainly for the handling of goods and materials in the manufacturing and distribution sectors, while Ditch Witch products are used for power, telecommunication and water reticulation purposes. Both Freightliner and Sterling trucks are used in the transport and distribution sectors.

Some customers are Fortune 500 companies. Others are relatively small independent owner or operator type businesses.

Satisfaction is measured through independent customer surveys conducted by the manufacturers, the level and nature of complaints, and partnership meetings held, usually semi-annually with major customers identified by volume of annual sales. This is in addition to normal day-to-day contact with customers. Complaints are monitored to ensure quick and full resolution. No major issues arose during these meetings.

Customers are advised of safe operating procedures when each product is delivered and they receive a copy of the manufacturer's

NORTH AMERICA

Barloworld Industrial Distribution continued

operating manual. Comprehensive operator guides are provided with equipment delivered. Most of the information covering customer health and safety while using products sold is supplied by the manufacturer. In respect of forklift trucks, comprehensive driver training is provided for customers who choose to use it.

Some 25% of sales are financed through an in-house finance operation.

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

Products and services

The world's largest independent Hyster dealer, Barloworld Handling supplies and services a full range of lift trucks, warehousing and handling equipment in the south-east quadrant of the United States. It also distributes Ditch Witch trenching equipment in Georgia. Supply and servicing of Freightliner long haul trucks from 12 locations in Arkansas, Mississippi and Tennessee and of Sterling trucks from three locations in Arkansas and Tennessee is undertaken by Barloworld Freightliner. The Sterling truck operation was acquired with effect from 1 February 2002. Also distributed are Rail King railcar movers.

As a dealer in these products, which are sourced from the manufacturers, the division ensures full back-up to the products by providing parts and service.

In respect of each product, a dealership is awarded by the manufacturer. The area covered by the dealership is determined by the manufacturer. There are no outsourced operations.

Out of total annual purchases, Hyster products account for 76% of materials handling purchases and Freightliner for 95% of long haul trucks.

About 88% of new equipment sales and 81% of used equipment sales are represented by Hyster products. Warehousing and handling equipment, and trenching equipment are also sold. The remainder relates to the provision of support and service for these products.

Sales of Freightliner products represent about 88% of total sales of long haul vehicles.

Suppliers

Agreements with manufacturers detail performance levels for supply of products and periods for payment. Suppliers are paid within 0 to 45 days according to the relevant agreement. Product warranty filings also alert the supplier to specific problems with a product. Information on product improvement is shared with suppliers through participation in dealer council sessions.

Products are backed by the respective manufacturer's guarantees. The dealer guarantees prompt and reliable service.

Any complaints to regulatory bodies in connection with the health and safety of products and services are the responsibility of the manufacturer.

	Number of employees
	FT/P
2003	
Executive	15
Management	172
Administration	275
Technician	1 078
Total	1 540
2002	
Executive	13
Management	187
Administrative	414
Technician	824
Total	1 438
Change	+102

FT/P: Full time/Permanent

In Barloworld Handling, 32 new jobs were created and in Barloworld Freightliner, owing to the acquisition, the complement rose by 92. No trade unions are involved nor are there any collective bargaining agreements. It is not yet possible to estimate the number of jobs in the supply and distribution chain.

Pay and benefits practices are kept in line with competitive and national norms through regular surveys of competitors and participation in trade association surveys.

The life insurance benefit sponsored by the employer with a commercial insurer is equal to three times annual base salary for executives and twice for other employees. A disability benefit of 60% of base monthly salary during the period of disability is sponsored by the employer with a commercial insurer. Premiums are paid by the employees.

Employee benefits include a retirement savings plan, health and life insurance, sick

WE ARE RAPIDLY MOVING TO BE THE LARGEST FREIGHTLINER TRUCK DEALER IN THE WORLD

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 to employees who choose to further their education in anticipation of improving their current work performance or moving into positions of greater responsibility. An employee is reimbursed for 80% of tuition classes or work completed at accredited institutes of high learning.

Training of employees is conducted, with a bias towards technical skills. Each business has between two and six technical trainers. They facilitate acquisition by employees of the skills necessary for effective performance of the service function. Training resources of manufacturers or other suppliers, as well as local technical schools, are used to provide training for non-technical staff.

The Freightliner business has contracted with Arkansas State University for an apprentice programme. The first six apprentices are expected to graduate during the last quarter of 2003. Upon graduation, they will be offered employment with Barloworld Freightliner.

Training activities may be summarised as follows:

Category of employee	Annual hours per employee
Management	
– senior	8
– middle	12
Technical	17,7
Administrative	14,9

New employees attend orientation and induction programmes.

Each employee receives a handbook containing an overview of employment policies. These cover, inter alia, equal opportunities, anti-discrimination and human rights policies, as well as guidance on their enforcement. Appeal practices available to an employee are also included. No retaliation may be taken against an employee who files a complaint.

Each employee who performs a function involving confidential information signs an agreement governing dissemination of that information. This includes customer confidentiality. Employees are forbidden from working for competitors in an additional job.

Complementing the Barloworld Group policy, the division has an equal opportunity policy complying with United States governmental requirements towards employment and employment practices affecting minority groups and women.

Employee surveys are conducted on site by independent contractors. Compensation and benefits, working conditions, safety, supervision, senior management and communication are covered.

Equal Opportunity Reports are filed annually with the government, stating current employment by ethnicity and gender.

Each facility has a safety committee, comprising local branch management and hourly paid workers. The committee, which meets monthly, oversees inspections and conducts accident investigations when necessary.

No fatalities occurred during the year.

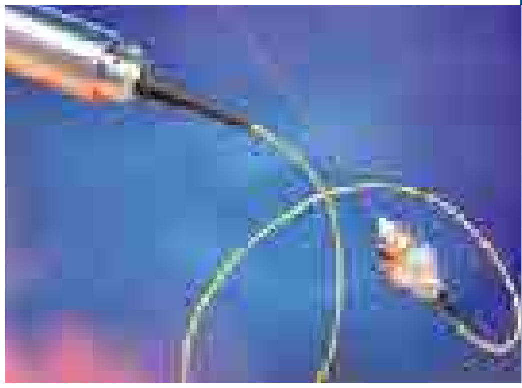
Accidents on duty are reported to the Occupational Safety and Health Administration in the United States. In conjunction with independent consultants, Marsh, annual audits are conducted to ensure that safe practices are followed.

	Barloworld Freightliner		Barloworld Handling	
	2003	2002	2003	2002
Medical treatment cases	16	47	70	108
Lost work day cases	4	17	28	32

BARLOWORLD INDUSTRIAL DISTRIBUTION UNITED STATES

2003 CEO'S AWARD FINALIST: **STEVE ARNOLD,** BARLOWORLD FREIGHTLINER

Technical Trainer for Barloworld Freightliner in Little Rock, Arkansas, Steve has earned his reputation as one of the ten best trainers throughout the Freightliner dealership network around the United States. Steve's burning commitment and desire to impart knowledge that he has honed over the years has seen him creating value not only for Barloworld, but for young people throughout the Southwest. Having seen that the pool of interested and available technical talent was drying up due to the advent of the computer age, Steve approached the faculty and staff at Arkansas State University to provide college students with the option to become qualified diesel mechanics whilst earning college credits. The curriculum, developed by Steve saw candidates sponsored by Barloworld becoming certified technicians. The flow of technicians into the heavy mechanic field began again. The competency of these technicians was assured through data-based assessment benchmarks developed by Steve and the Academic Affairs staff at the University. Steve's commitment to service, his concern for his company and community and his distribution of knowledge sees him becoming a perfect role model for all Barloworld employees.



Environment

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

Electricity is used mainly for lighting and office purposes. Usage is very small in relation to consumption in surrounding industrial and urban areas.

Water is used for cleaning and domestic purposes. The quantity is not significant. Usage is not measured.

Waste arises only through the support and servicing activities and consists of used motor oils and fluids, scrapped spare parts, tyres, batteries and cleaning and packing materials. Certified waste management organisations are contracted to systematically remove and discard these items in a manner that conforms with applicable legislative and regulatory requirements. Fluids and other items are disposed of at an annual cost of US$25 000 and $34 000 respectively.

Society

Involvement by employees in community assistance or with their children in public schools is strongly supported. Many employees volunteer to serve in such projects. Contributions are made towards community service projects. The handling business has a policy of paying up to eight hours pay annually to such volunteers.

The Barloworld Code of Ethics governs dealings with all stakeholders. Copies are prominently displayed in each operation. Its intent is adhered to in all actions. Policies against conflicts of interest and acceptance of bribes or excessive gratuities are strictly enforced.

Membership is held in the Material Handling Equipment Dealers Association, the American Truck Dealers Association and the National Association of Wholesalers.

BARLOWORLD SCIENTIFIC

Business definition and strategy

Barloworld Scientific's Melles Griot manufactures, sources, distributes and services photonics related components and subsystems. Flexible solutions are offered to the global market place. These serve to create light, control its efficient use, and reliably hold or position photonics devices. Original equipment manufacturers, institutional research, product development, and capital equipment applications are served.

The strategy is to deliver increasing value to the three primary stakeholders; shareowners, customers and employees.

Shareowner value is measured by cash flow return on investment, with a target of delivering returns greater that the cost of capital over the business cycle. Performance is measured through financial accounting methods, and considers revenue, operating profit, working capital and fixed assets.

Customer value is monitored through customer interviews, internally commissioned surveys, and surveys conducted by independent third parties. Facilities in the United States, Europe and Asia are ISO 9000/ISO 9001 certified, and incorporate independently audited customer complaint tracking and resolution. Key areas include breadth of offering, on-time delivery, lead-time reduction and increased service life/reliability.

Employee value is measured through an Employee Value Model. This consists of a three tier assessment by executive, management and employee team forums. Opportunities for improvement are identified and prioritised for action. Currently focus is on management by objectives, pay-for-performance, and training/employee development. Community value forms part of this. It includes support for educational institutions through equipment donation, company-sponsored transportation initiatives, and community service team forums.

Risk management and disaster recover programmes are included in the Risk Register programme. It is internally audited in conjunction with Marsh risk consultants.

Customers

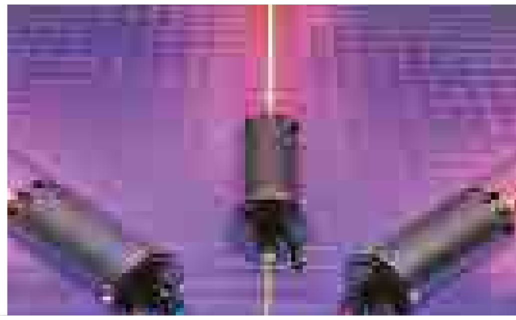
Melles Griot components and subsystems are primarily sold into the technology sector. Products manufactured and supplied are mostly used as components by customers for sale in other end-user markets.

North America makes up 55% of total revenue, with Europe at 28% and Asia at 17%. The market base is very broad, with more than 20 distinct segments. Primary applications include semi-conductor wafer/microelectronics manufacturing equipment; analytical instrumentation in biotechnology, pharmaceutical, and genomics applications; and metrology instruments including material and chemical analysis. The products also find use in laboratory research and in specialty applications such as entertainment (laser light shows), rapid prototyping, and robot control and guidance (machine vision).

The top ten customers make up 18% of total revenue, with more than 11 000 customers

NORTH AMERICA

Barloworld Scientific continued



worldwide. The largest customers are leaders in their respective industries.

Products and services

Products, designed, manufactured and distributed under the Melles Griot brand comprise gas and solid-state lasers, semiconductor laser modules, optical components and assemblies, optical hardware and tables, and optomechatronic assemblies. Business is conducted directly in the United States, Japan, the United Kingdom, Netherlands, France, Germany, Sweden, Canada and Singapore and through a web of agents and representatives in other territories.

Products are manufactured to internationally recognised standards, including compliance with Federal agencies such as the Centers for Devices and Radiological Health in the United States (part of the Food and Drug Administration), and the International Electrotechnical Commission in Europe and Asia. Electrical products are CE marked (Conformite Européene) signifying their compliance with relevant European Community Directives involving safety, public health and consumer protection. Compliance is subject to audits by independent third parties.

Product information and labelling is controlled both through corporate marketing guidelines on branding and regulatory requirements, applying to specification sheets, layouts and promotional materials.

Channels to market include direct sales activities, distributors and representatives, and e-commerce via the internet. However, in helium-neon lasers, a global market share of some 60% has been achieved.

Suppliers

Owing to the hi-tech nature of nearly all of the products, quantities of materials used in manufacture are relatively small. It is not meaningful to measure these in terms of weight.

Approximately 95% of amounts owed to suppliers are paid in accordance with the agreed terms of purchase. No supplier accounts for 10% or more of total annual purchases.

Total annual use of materials, other than water is:

	2003	2002
Laser optics – US dollars (million)	2,8	2,7
Glass – US dollars (million)	1,9	1,8
Steel – Pounds sterling (000s)	185,0	194,0
Acetone – grams (Rochester)	110,0	275,0
Methylene chloride – grams (Rochester)	20,0	0

Insignificant quantities of waste material are used in manufacture. Some packaging is re-used.

Annual water consumption is estimated at 12 million gallons.

Employees and labour practices

	Number of employees	
	FT/P	
	North America	Asia
2003		
Executive	11	1
Management	124	58
Administration	183	54
Technician	138	18
Total	456	131
2002		
Executive	12	1
Management	125	61
Administrative	176	50
Technician	143	19
Total	456	131
Change	0	0

FT/P: Full time/Permanent

There is no trade union representation.

WE ARE GLOBAL MARKET LEADERS IN CERTAIN SPECIALITY LASERS

Training is estimated at 6 600 hours annually at a cost of approximately US$165 000. This may be summarised as follows:

Category	Hours per employee year
Senior management	36,5
Professional	56,8
Technical/sales	3,0
Administration	14,0
Production	26,5

Each year, an employee hours agreement is concluded with every employee. The annual performance review with each employee includes career discussions and development plans.

All employees receive a handbook setting out policies, procedures and guidelines relating to employment, freedom of association and non-discrimination, as well as grievance procedures. Human rights are protected by federal and state law. (State laws regulate the minimum hiring age without school release. Proof of age is required prior to employment.

Operations in the United States have an Educational Assistance Programme. Designated employees can pursue an Associate, Bachelor or Masters Degree in a specific work related field. Similar arrangements apply also in Europe.

Legal requirements relating to workplace accidents are stringent, equalling or exceeding the standards contemplated by the International Labour Organisation.

The Federal authorities require a log to be kept under the Occupational Safety and Health Act in which all workplace incidents are recorded. In the event of an accident a copy of the report is sent to the Federal Occupational Safety and Health Administration.

Every manufacturing operation has a safety committee, comprising employees and managers.

Information on equal employment practices is monitored throughout the division. Operations in the United States are required to furnish to the Federal government an analysis of the workforce by job group, ethnicity and gender. This is submitted annually and a comparison made with census data for the same job groups for the area from which workers are sourced. The Equal Employment Opportunity Consolidated Report and Headcount Report are based on the September payroll each year. They form the basis for more balanced representation to be achieved if replacements have to be found or new jobs filled over the next calendar year. Females and minorities are well represented in management positions.

In the United States, purchase orders contain a statement that the company is an equal opportunity employer. Sub-contractors are informed that they should also be equal opportunity employers. If required by regulations, sub-contractors must also have a written affirmative action plan.

Environment

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

Use of ozone depleting substances has been banned in Melles Griot since 1993.

Gas and other air emissions are minimal and do not contain nitrous oxides or sulphur oxides. These are not measured except in Japan, where the operation is ISO 14001 registered and passed the bi-annual audit during the year with high ratings.

Society

A donation of old optics and computer hardware was made to certain universities in the United States during the year, while 120 000 yen in cash was given in respect of the Barloworld Green project in Japan.

Employees in Rochester support the United Way Campaign, assist Families in Need, the American Career Society and the American Heart Association. Blood is donated to the American Red Cross.

AUSTRALIA

Barloworld Coatings

AUSTRALIA

Businesses are operated in Australia by Barloworld Coatings and Barloworld Motor.

BARLOWORLD COATINGS

Customers

Barloworld coatings manufactures three brands in Australia: Taubmans, Bristol and the specialty range White Knight.

Taubmans and White Knight brands are distributed through corporate hardware chains, independent retailers, mass merchants and a network of independent dealers and company owned stores. The Bristol brand is only distributed through company owned and independently owned Bristol retail outlets to the trade and do-it-yourself markets.

Although no formal customer satisfaction surveys are conducted, day-to-day feedback from customers is documented through a complaints system managed as part of the ISO 9001 Quality Management System. Regular internal and external audits are conducted.

Information relating to product labelling and regulatory requirements is subject to the QPX/19/002 approval procedure used as part of the ISO 9001 Quality Management System.

Prior to broadcast, new television advertisements have to be approved by the Advertising Standards Council of Australia. If approved, a viewer rating is assigned to the advertisement and this also determines the time during which it may be broadcast. Newspaper and radio advertisements are also controlled by that council but no prior approval is required. Any concern of the public can be raised with that council through its complaints procedures.

Customer health and safety are regulated in Australia, inter alia, by the Dangerous Goods Code for transport and storage. No cases have arisen relating to non-compliance with any regulations relating to customer health and safety.

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.

Market share is 23,5%.

Suppliers

Purchases from Millennium Chemicals represented 23,9%, Rohm and Haas 16,2% and Nuplex Industries 16,2% of total purchases.

Between 65% and 70% of supply contracts are paid strictly in accordance with their credit terms and the remainder within 30 days of delivery date. Raw material purchases from any one country do not constitute more than 5% of the gross domestic product of that country.

Most of the major raw material suppliers are members of either Coatings Care or Responsible Care or they are certified to ISO 14001 standards and are National Packaging Covenant signatories in respect of product stewardship.

Product stewardship initiatives include efforts to improve product design and manufacturing processes to minimise negative impacts on the environment, and to ensure that product is used and disposed of in accordance with the regulatory requirements. Specifically, packaging changes agreed with suppliers aim to reduce waste. Improved lining of metal can rims is being investigated to prevent rusting and improve the lifespan of the can and reduce contamination from rust. Less contamination increases the recycling potential of the can and its contents, as well as packaging; bulk bag recycling is being promoted with the Australian Paint Manufacturers Federation and procurement staff attend recycling plants with major suppliers (Visy and Viscount) to gain understanding of the process and its impediments.

WE ARE GROWING OUR COATING BUSINESS FROM AUSTRALIA INTO CHINA

Employees and labour practices

Number of employees					
	Full time	Part time	Fixed term	Temporary	Agency
2003					
Executive	9				
Management	65				
Factory	243	2		3	
Office	383	72	4	80	2
Total	700	74	4	83	2
2002					
Executive	9				
Management	60				
Factory	249	2		4	1
Office	355	78		63	2
Total	673	80		67	3
Change	+27	-6	+4	+16	-1

The Federal Workplace Relations Act incorporates conventions of equal opportunity, family responsibilities and parental leave, and termination of employment. It also contains many regulations governing conciliation, arbitration, fair wages, bargaining and making of agreements. These practices evolved in the International Labour Organisation, where representatives of Australia played a prominent role, during the 20th century. Collective agreements of Barloworld Coatings Australia are approved within this legal and historical framework. Both federal and state laws in this regard are complied with.

Four indigenous people are employed on the same terms as other employees with no differentiation. Under Equal Opportunity for Women in the Workplace legislation, reports are regularly submitted to the relevant authorities.

Positions available are advertised through e-mail, fax and notice boards to encourage promotions and transfers within the business.

Structured interview guides containing competency based questions ensure consistency and lessen the possibility of discrimination during employment interviews. External recruitment is arranged through a small number of preferred recruitment agencies. They work on a specific position or a group of positions in a fair and equitable manner to ensure Barloworld can select from a diverse pool of candidates. One recruitment related grievance was lodged and resolved at no cost to the business.

On induction, all employees are informed of all policies including internal standards for preventing discrimination. These standards invite employees to raise any concerns with management. Any complaints are investigated. Individuals may complain directly to external authorities.

Women have access to training and development opportunities in a formal performance management system. These programmes are: leadership development; point of difference sales in stores; product awareness; team building; customer service and relationships; retail traineeships; and certificated courses; competency based training; and women in business.

All policies about the Employment Relationships are being upgraded to a Barloworld 2003 version. These will replace existing policies soon and will be available to employees on the Barloworld intranet.

In respect of disciplinary practices, an employee may appeal to either executive level or an external tribunal. Where Certified Agreements have been concluded with a

AUSTRALIA

Barloworld Coatings continued

trade union, an employee who is a member of such union, has access to its assistance in disciplinary matters.

Contractors and suppliers are required to demonstrate sensitivity to human rights, to manage impacts of their activities on affected communities or individuals and to comply with federal and state law.

Approximately one-fourth of the workforce is covered by collective Enterprise Bargained agreements, thus represented by independent trade unions. Approximately another 55% of the workforce is covered by State Awards with individual contracts of employment.

Within the Enterprise Bargaining Agreement framework, two Certified Operations Agreements have been bargained with factory and distribution employees who are members of a trade union. These agreements govern conditions of employment, including wage rates, benefits and productivity measurement arrangements. For the remainder of the workforce, employment is based on an individual contract of employment under Common Law wherein standards are determined by market competition, legislation and national community standards.

Consultative committees and team meetings are convened regularly. These are chaired by an executive or senior manager and encourage feedback from employees. Corporate performance is discussed in a quarterly video issued to all business units in Australia.

Occupational Health and Safety legislation and enterprise bargaining agreements govern consultation practices between workers and management. These committees have a ratio between workers and management of about nine to one. Some states require the appointment of a dedicated employee representative in occupational health and safety matters. Legislated information sharing principles are followed in the consultation processes.

Workplace changes are communicated and managed through Team Leader meetings, Consultative Committee meetings, management meetings and employee briefing sessions.

Pre-defined guidelines under state, territory and local legislation are observed for recording occupational accidents and diseases. This includes Occupational Health and Safety Acts and Regulations, supported by codes of practice and guidance material. These cover matters set out in ILO-OSH 2001. For instance, they relate to development and implementation of policies and procedures for dealing with concerns, consulting with employees, identifying hazards, assessing risks and implementing preventative and corrective actions, as well as continual improvement. Internal policies align with the ILO code for recording and notification. Local authorities like Workcover and Workplace Health and Safety monitor compliance.

No fatalities occurred during the year, nor were there any incidents involving independent contractors. Based on one full shift lost due to a workplace accident, the lost time injury rate was 16,34 per million manhours worked in 2003.

Federal and state employment Awards and Enterprise Bargaining Agreements include workplace health and safety conditions covering about 55% of the workforce. Welfare policies and procedures support a safe working environment. They protect from discrimination any employee suffering from HIV/Aids.

Written training policies have been developed in respect of an annual needs analysis, a training plan and commitment to extend the formal Competency Standards of the Australian National Training Authority. This is a Commonwealth statutory authority responsible for developing a national vocational education and training system in co-operation with state and territory governments, the Commonwealth government and industry.

Support of continued employability of employees is given through Competency Standards Projects directed at "employability"; injury management programmes which emphasise rehabilitation; and by an employer initiative preceding an employer decision to terminate or, following termination by the employer, a counselling, warning and discipline formal process. Retirements follow an informal supportive preparation.

Exit interviews were introduced in 2002.

An informal code of conduct has been replaced by a formal Code of Ethics. Standards for workplace conduct were introduced in 2001 and are enforced. Such enforcement has sometimes required summary dismissals and legal defence against subsequent union or employee challenges to those dismissals. Formal anti-corruption educational programmes are being introduced.

2003 CEO'S AWARD FINALIST: **KEN McILWAIN,** BARLOWORLD COATINGS AUSTRALIA

Ken is from Barloworld Coatings. He began his employment as Manager of a Trade Centre paint outlet in Brisbane, Australia, in 1988. Ken worked his way up to National Sales Administration Manager for Barloworld Coatings Australia in 1999. Shortly after the introduction of the BaaN Computer System and the Stores Point of Sale System thousands of errors were being generated causing enormous customer complaint and damaging the company's reputation. Ken found the error with the BaaN to POS pricing transfer, which was the cause of the huge problems. He rewrote the formula for the Sure-fire programming team to incorporate all the BaaN price tables we use at Barloworld Coatings, thus solving the problem. He spent hundreds of hours, often working weekends without additional pay, building workbooks in a user-friendly format to allow the sales team to focus on creating value for our shareholders and customers. Outside of his area of responsibility Ken developed many report workbooks and formulated spreadsheets for other sections of the business to assist in their day-to-day work. Ken is known as the Barloworld Coatings action man, participating in triathlons, marathons and ultra marathons. It is this energy that he applies to his business, ensuring ongoing results at Barloworld Coatings.

AUSTRALIA

Barloworld Coatings continued

Barloworld Motor

Freedom of association is upheld by the Workplace Relations Act. No child labourers are employed.

Environment

Substances imported or manufactured and used in Australia are required to be registered on the Australian Inventory of Chemical Substances. This is administered by the National Industrial Chemicals Notification and Assessment Scheme.

Once so registered, materials are further classified and regulated by a number of authorities:

Transport

The Australian Dangerous Goods Code essentially copies the UN system of classification of materials for storage and transport. This affects the division in regard to flammable liquids (solvent based paints) and gases in aerosols.

Use in the workplace

Worksafe regulates chemical safety issues in the Workplace. Materials classified by Worksafe as being "hazardous" are required to have labelling and Material Safety Data as specified by Worksafe.

Poisons

Poisons are regulated by the Therapeutic Goods Administration of the Department of Health. Certain materials are classified as poisons in the Standard for Uniform Scheduling of Drugs and Poisons which regulates packaging and labelling for poisons. Paints and colourants are exempt from poisons labelling, but thinners are not.

The Therapeutic Goods Administration also issues the Uniform Paint Standard that prevents use of even trace amounts of highly toxic materials, such as benzene or mercury, in decorative paints.

Typical annual usage of materials is:

Input	2003	2002
Driers	75	77
Extenders and fillers	7 418	8 429
Additives and colourants	3 440	3 418
Emulsions and Alkyd	13 364	14 184
Titanium dioxide	5 036	6 884

Waste is dealt with as follows:

July 2002 – June 2003		
Type of waste	**Quantity**	**Destination**
Plastic	6,5 tons	Recycled
Paper and cardboard	47,5 tons	Recycled
Metal	138,0 tons	Recycled or re-used
Pallets	8,7 tons	Re-used
Solvents	48,0 tons	Re-used or recovered
July 2001 – June 2002		
Type of waste	**Quantity**	**Destination**
Plastic	4,6 tons	Recycled
Paper and cardboard	19,22 tons	Recycled
Metal	No data available	Recycled or re-used
Pallets	No data available	Re-used
Solvents	No data available	Re-used or recovered

Significant environmental impacts are unwanted waste paint, packaging and Volatile Organic Compounds liberated from paint products. Up to 20% of waste paint gathered from collection points in recent trials was recoverable according to predetermined criteria. Steel containers can be recycled but often are not because of collection logistics and associated costs. If plastic containers are free of paint contamination, metal handles and paper labels, they have recycling potential.

WE STRIVE TO BE A MODEL CORPORATE CITIZEN IN EVERY COUNTRY IN WHICH WE OPERATE

No solvents are recycled and no waste from external sources is used.

The primary source of energy is electricity with some 16 768 341 megajoules used annually. Indirect energy use in the production of electricity and fuel use for deliveries are not known. Paint products have no energy consumption requirements. Energy consumed annually by the use of gas is estimated at 12 546 307 megajoules. No use is made of renewable energy.

Total annual water use is 21 250 kilolitres, of which 339 kilolitres are re-used. An estimated 1 448 kilolitres of water is wasted annually. No water sources and related ecosystems are affected, there being no water discharges, nor is any ground or surface water withdrawn. Water used is drawn from municipal suppliers.

Land used for production and associated activities totals 109 789 square metres, of which 80 773 square metres are impermeable. None is in a biodiversity-rich habitat. There have been no uncontrolled or accidental releases into the environment nor are there any operations in protected or sensitive areas.

Greenhouse gases emitted comprise 4,8 million kilograms of carbon dioxide. Emissions of ozone depleting substances measured by the Environmental Protection Agency were 30 kilograms per annum at the Villawood site. Other readings showed minimal effects. No chlorinated fluorocarbons are used in aerosol products.

Indirect greenhouse gas emissions are not measurable. Environmental impacts of transport used for logistical purposes are not measurable.

Society

Staff from South Australia were proud to be part of The Murray Darling Tree Rescue Programme. Over 4 000 trees were donated to improve soil quality by preventing erosion and salinity. The programme is a ten-year partnership between Greenfleet Australia and Scouts Australia which aims to plant millions of native trees to bring life back to this failing river system. The Murray River basin spans four states and provides 41% of Australia's food.

The division is a signatory to Coatings Care, a self-auditing paint industry initiative that covers most ISO 14000 requirements. Impacts on communities in areas affected by the divisions activities are regularly monitored.

The Australian Paint Manufacturers Federation is an industry body that pursues industry issues with the government or other industries. It also develops solutions common to all manufacturers. Any product, marketing or pricing strategies arising from such initiatives are retained and are completely independent of other manufacturers. An active role is played on various committees of that body.

There have been no court decisions pertaining to anti-trust or monopoly regulations, supervised by the Australian Competition and Consumer Commission, an independent statutory authority that mainly administers the Trade Practices Act 1974 and the Prices Surveillance Act 1983. The Commission's consumer protection work is complemented by that of state and territory consumer affairs agencies. Legal advice is sought whenever possible anti-competitive behaviour is perceived.

As a result of voluntary compliance with regard to social and environmental responsibility, the Coatings Care, steel can recycling and Greenhouse Challenge logos are used.

The Privacy Act 2000 regulates the use or disclosure of any information of a personal nature. Internal policies and procedures have been implemented to ensure compliance with privacy legislation and maintain privacy of personal information about employees, customers and suppliers. No complaints have been received regarding any breach of privacy.

BARLOWORLD MOTOR

Five franchise motor retail dealerships are operated in Melbourne and one in Sydney. Brands represented are Holden, Mercedes-Benz and Volkswagen. In total there are eight operating sites in Australia.

Apart from a joint venture in Melbourne with Mercedes-Benz, all operations are wholly owned.

Customers, product and services

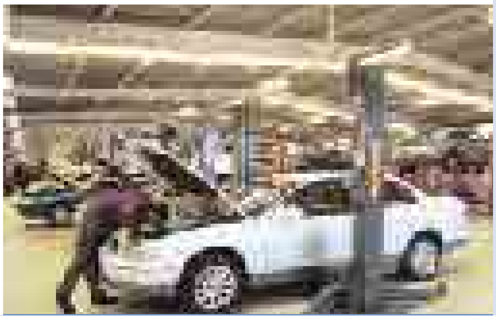
Some of the Holden products are manufactured in Australia with a large proportion imported from Europe and east Asia. All Mercedes-Benz and Volkswagen vehicles are imported.

Through the manufacturers and distributors, the dealerships participate in quality programmes that aim at reducing or eliminating customer complaints. The programmes are heavily focused on all aspects of customer satisfaction and retail dealerships are now being incentivised on

AUSTRALIA

Barloworld Motor continued

General



the achievement of acceptable Customer Satisfaction Index (CSI) measures.

Where possible, the manufacturer and distributor programmes have been coordinated with our Value Based Management (VBM) programme. While the majority of surveys are conducted by the manufacturers and distributors, the dealerships also conduct their own internal customer review analyses.

The dealerships all subscribe to the National Privacy Principles regarding the collection, storage, use and distribution of confidential information. To the extent allowed by law, this information might be used for marketing purposes.

Suppliers that individually constitute more than 10% of the division's purchases are: Volkswagen Group Australia, DaimlerChrysler Australia and Holden Limited.

Supply contracts with the manufacturers and distributors that are represented work differently from those in South Africa. All vehicles shipped to the division are paid for by a designated financial institution as the vehicles leave the distribution point. No vehicles are wholesaled on "open account".

Employees and labour practices

An analysis of the workforce is given below:

	Number of employees	
	FT	A
2003		
Executive	7	
Management	33	
Skilled	207	14
Semi-skilled	10	
Unskilled	9	
Total	266	14
2002		
Executive	7	
Management	22	
Skilled	214	20
Semi-skilled	14	
Unskilled	11	
Total	268	20
Change	-2	-6

FT: Full time, A: Agency

The total annual rate of labour turnover approximates 26%. Voluntary labour turnover is marginally lower at around 22%.

Minimum wages and conditions of employment are regulated by law and industry institutions. These are mandated through legislation but can be modified through certified agreements or Australian Workplace Agreements.

A limited number of these are in place. The framework of operation is explained under Barloworld Coatings in the preceding section.

As described in the Barloworld Coatings section, the division is obliged to report annually progress on Equal Opportunity for Women in the Workplace.

Positions that become available are first publicised internally through the Dealer Principals, Department Heads and by being placed on all company notice boards.

Certain training expenditure is recovered through grants where these are available.

Environment

Energy use is minimal as no manufacturing work is undertaken and there are negligible discharges of waste water. Removal of waste fluids (water from car washing processes and cleaning of workshops in particular) is tightly controlled and all our dealerships comply with the regulatory requirements.

The showroom and service facilities are all in urban localities. Activities have no impact on biodiversity protected areas, heritage sites, fresh water sources or related ecosystems.

Other characteristics

As the operations in Australia are an integral part of Barloworld Motor worldwide, many

WE ARE BUILDING A MAJOR PRESENCE IN MOTOR DISTRIBUTION IN AUSTRALIA FROM OUR BASE IN MELBOURNE

aspects of business operations have identical or similar characteristics. These are dealt with in the report on operations in southern Africa and are not repeated. Reference should be made to pages 50 to 55 inclusive.

GENERAL

Except where otherwise stated, there is no country where national sales represent 5% or more of gross national product.

There is no country where total purchasing represents more than 5% of gross national product.

Unless otherwise stated, there have been:

- No court decisions pertaining to anti-trust or monopoly regulations;
- No instances of non-compliance with regulations concerning customer health and safety, nor any penalties or fines for any breach;
- No complaints upheld by regulatory or similar official bodies in regard to health and safety in respect of products and services;
- No instances of non-compliance with any regulation concerning product information and labelling or environmental issues, nor any penalties or fines for any breaches;
- No breaches of advertising and marketing regulations;
- No substantiated complaints regarding breaches of consumer privacy;
- No expenditure incurred on hospitals, schools or similar other non-core infrastructure outside of main business activities;
- No shares of revenue derived from operations in any particular area or region that have been redistributed to local communities;
- No spills of oils, chemicals or fuels, nor any discharges of greenhouse gases or ozone depleting substances;
- No occasions where child, compulsory or forced labour has been used; and
- No fines for environmental non-compliance

INDEX TO ANNUAL FINANCIAL STATEMENTS

CURRENCY CONVERSION GUIDE

	2003	2002
Australian dollar	4,83	5,74
Euro	8,23	10,38
Japanese yen	0,06	0,09
UK pound	11,77	16,48
US dollar	7,03	10,53

REPORT OF THE INDEPENDENT AUDITORS

for the year ended 30 September 2003

TO THE MEMBERS OF BARLOWORLD LIMITED

We have audited the annual financial statements and the group annual financial statements of Barloworld Limited, set out on pages 100 to 104 and 128 to 189 for the year ended 30 September 2003. 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 2003 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

14 November 2003

DIRECTORS' RESPONSIBILITIES AND APPROVAL

for the year ended 30 September 2003

The directors of Barloworld Limited have pleasure in presenting the annual financial statements for the year ended 30 September 2003.

In terms of the South African Companies Act 1973, as amended, the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the company and of the group at the end of the financial year and of the profit or loss for that year. To achieve the highest standards of financial reporting, these annual financial statements have been drawn up to comply also with International Financial Reporting Standards and South African Statements of Generally Accepted Accounting Practice.

The annual financial statements comprise:

- the balance sheets;
- the income statements;
- the cash flow statements;
- a seven year summary of balance sheets, income statements, cash flow statements, as well as statistics in respect of ordinary share performance, profitability and asset management, liquidity and leverage, and value added;
- a summary in other currencies; and
- segmental analyses.

A separate directors' report has not been prepared. The reviews by the chairman, the chief executive officer and the finance director discuss in detail the results of operations for the year and those matters which are material for an appreciation of the state of affairs and business of the company and of the Barloworld Group.

Supported by the audit committee, the directors are satisfied that the internal controls, systems and procedures in operation provide reasonable assurance that all assets are safeguarded, that transactions are properly executed and recorded, and that the possibility of material loss or misstatement is minimised. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgments are prudent. They are of the opinion that the annual financial statements fairly present the state of affairs and business of the company at 30 September 2003 and of the profit for the year to that date. The external auditors, who have unrestricted access to all records and information, as well as to the audit committee, concur with this statement.

In addition, the directors have also reviewed the cash flow forecast for the year to 30 September 2004 and believe that the Barloworld Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis and the external auditors concur.

The annual financial statements were approved by the board of directors and were signed on their behalf by:

WAM Clewlow
Chairman

AJ Phillips
Chief Executive Officer

CB Thomson
Finance Director

Sandton
14 November 2003

CERTIFICATE BY SECRETARY

for the year ended 30 September 2003

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
14 November 2003

VALUE ADDED STATEMENT

for the year ended 30 September 2003

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.

	2003		2002	
	Rm	%	Rm	%
REVENUE	34 603		35 999	
Paid to suppliers for materials and services	25 538		26 281	
Value added	9 065		9 718	
Income from investments*	274		277	
Total wealth created	9 339		9 995	
WEALTH DISTRIBUTION				
Salaries, wages and other benefits (note 1)	5 450	58	5 834	58
Providers of capital	1 449	16	1 050	11
Finance cost	531		401	
Dividends to Barloworld Limited shareholders	736		459	
Dividends to outside shareholders in subsidiaries	182		190	
Government (note 2)	809	8	762	8
Reinvested in the group to maintain and develop operations	1 631	18	2 349	23
Depreciation	1 226		1 305	
Retained profit	405		1 044	
	9 339	100	9 995	100
VALUE ADDED RATIOS				
Number of employees (30 September)	22 749		23 192	
Revenue per employee (Rand)#	1 506 410		1 550 845	
Wealth created per employee (Rand)#	406 565		430 587	

Notes

	2003 Rm	2002 Rm
1. Salaries, wages and other benefits		
Salaries, wages, overtime payments, commissions, bonuses and allowances	4 385	4 717
Employer contributions†	1 065	1 117
	5 450	5 834
2. Central and local government		
Current taxation	637	588
Regional Service Council levies	33	29
Rates and taxes paid to local authorities	54	63
Customs duties, import surcharges and excise taxes	76	76
Skills development levy	11	8
SA withholding taxation borne by the company/group in respect of interest payments to foreign creditors	2	
Cash grants and cash subsidies granted by the government	(4)	(2)
Gross contribution to central and local government	809	762

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

FINANCE DIRECTOR'S REVIEW

for the year ended 30 September 2003

Group operating performance

Worldwide revenues decreased by 4% to R34 603 million primarily due to the impact of the rand appreciation on the translation of offshore revenues which accounted for 52% of total revenues (2002: 58%). Most geographic areas showed revenue growth in local currency terms.

Operating profit rose 19% to R2 455 million notwithstanding the fact that the profits from the offshore businesses were diluted on translation due to the relative strength of the rand. Included in operating profit is a trading benefit of approximately R218 million mainly in the equipment business in South Africa. This arose primarily from higher gross margins resulting from the sale of inventories at selling prices based on rates in forward cover contracts, whereas cost of sales is recorded at average spot rates at the transaction date (as required by IAS21). This favourable impact at the operating profit level, however, is more than offset by the related IAS39 (Recognition and Measurement of Financial Instruments) mark-to-market adjustments on financial instruments referred to below.

In accordance with group policy, the South African operations cover all foreign exchange trade commitments. In terms of IAS39, which was applied for the first time in the 2002 financial year, derivative financial instruments must be recorded at fair value with the resultant mark-to-market gain or loss taken to income. Where hedge accounting is applied under IAS39, gains/losses on derivative financial instruments may, under certain circumstances, be deferred in equity. However, the requirements of IAS39 are highly restrictive in this regard and, in many cases, the group's economic hedging relationships do not qualify for hedge accounting.

Due to the strengthening of the rand against the US dollar, the application of IAS21 and IAS39 resulted in a charge to income of R334 million (2002: R55 million gain) as a result of marking-to-market financial instruments. The major impact in the year under review was in the equipment business in South Africa where forward exchange contracts were taken out to cover machine and parts purchases denominated in US dollars. After taking into account the amount recouped by the group at the operating profit level, the overall impact was to decrease profit before tax by R116 million and after tax profit by R81 million. This equates to approximately 41 cents at the headline earnings per share level.

Finance costs increased from R401 million to R531 million, mainly as a result of higher average local borrowing costs when compared to the prior financial year. Average borrowings were also slightly higher due to growth in the short term rental business and working capital needs arising from increased activity levels in certain operations in the first half of the financial year. As a consequence, interest cover (excluding leasing operations) was lower at 4,1 times (2002: 6,1 times).

Income from investments of R274 million (2002: R253 million) includes higher interest received resulting mainly from strong operational cash flows at Pretoria Portland Cement Company Limited (PPC).

Amortisation of goodwill decreased from R116 million to R102 million due to the impact of goodwill impairments made at the end of the previous financial year and the rand appreciation on the translation of offshore goodwill.

Taxation declined from R636 million to R604 million. The current year's effective tax rate excluding exceptional items, Secondary Tax on Companies, prior year tax and goodwill is in line with the prior year at 31,7% (2002: 31,9%).

Income from associates and joint ventures at R114 million is in line with the prior year. The increased share of profits due to a higher shareholding in Avis Southern Africa Limited and the contribution from the NMI DSM joint venture, were offset by the exclusion of Natal Portland Cement (NPC) following its sale by PPC in the prior year.

The minority interest in profits, which comprises mainly the PPC minorities, increased from R207 million to R212 million. The prior year figure includes an amount of R89 million relating to the minority share of the exceptional profit arising on the sale of NPC.

Headline earnings per share decreased by 5% from 622 cents to 593 cents. The appreciation of the rand in the year under review was a significant factor impacting headline earnings. In addition to the mark-to-market adjustments on financial instruments, the strong currency also affected the translation of profits from our offshore businesses to the extent of approximately 60 cents per share.

Exceptional items

There were exceptional profits in the current year amounting to R81 million (2002: R369 million) which are made up as follows:

- Impairment losses of R45 million. This includes the write down of goodwill arising on previous acquisitions, which is reviewed for impairment in terms of IAS36 at each reporting date. The more significant amounts are R107 million in respect of Freightliner and Ditchwitch acquisitions in the United States and R30 million on the Geoff Brady Motors acquisition in Australia. These write downs are partly offset by a R101 million reversal of an asset impairment previously made in respect of Henry Cooke, our speciality paper business in the United Kingdom.
- Profits on the disposal of properties, investments and subsidiaries of R123 million. The significant items include profits on the sale of motor dealerships as part of manufacturer rationalisation programmes (R52 million), a payment for the impending termination of our dealership franchise in respect of Mercedes-Benz of Melbourne (R28 million), profits on disposal of properties (R27 million), and a profit arising on the disposal of the group's 49% interest in the Schenectady (Pty) Limited joint venture (R11 million).

Dividends

Dividends totalling 290 cents per share (2002: 275 cents, excluding the special centenary dividend of 100 cents per share) were declared in respect of the 2003 year. This represents a dividend cover of 1,85 times based on earnings per share excluding exceptional items, which is below our stated policy of between two and two and a half times cover. The board of directors considered the group's underlying operational performance in approving the final dividend, however the intention is to move into line with the existing dividend cover policy in future dividend declarations.

Cash flow

Cash generated from operations continues to be strong at R3 523 million (2002: R3 660 million). Net cash inflow from operating activities of R1 479 million (2002: R2 388 million) includes the impact of realised financial instrument losses, higher finance costs, and the special centenary dividend paid in January 2003.

Net cash used in investing activities of R1 812 million (2002: R2 621 million) includes capital expenditure of R843 million, investment in rental assets of R1 039 million, investment in lease receivables of R1 103 million, and proceeds on disposal of the motor leasing book of R881 million. The investment in our leasing book has been included under investment activities rather than operating activities in the current year in order to be consistent with the disclosure of our investment in long-term rental fixed assets. Comparatives are shown on a similar basis.

The net impact of the above is a cash outflow before financing activities of R333 million compared with an outflow of R233 million last year.

Balance sheet, borrowings and gearing

Total assets, which include goodwill and intangible assets of R1 464 million (2002: R1 903 million), decreased by R3 457 million to R23 640 million. The decrease is primarily due to the impact of the rand appreciation on the translation of international assets.

Total interest-bearing borrowings decreased to R6 143 million from R7 188 million last year. The group's borrowings and gearing ratios are impacted by the mix of assets between the trading and leasing businesses. Our leasing operations involve the provision of a range of financial services to our customer base including pure asset finance as well as long term rentals with maintenance. In view of the nature of the leasing business, these operations are highly geared (generally at an 8:1 ratio) 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 debt.

The debt:equity ratio (excluding leasing operations) increased to 26,7% from 23,3%. However, including the leasing debt, the debt:equity ratio was in line with the prior year at 59,5% (2002: 59,8%). Both these ratios remain comfortably within the upper limits of the present target ranges, namely 40% and 70% respectively. As we continue to invest in short-term rental fleets and the group's asset composition changes as a consequence, we will revisit our target gearing ratios as the capital structures appropriate to a rental business differ from those appropriate for both trading and leasing businesses.

The group's treasury operations are managed on a co-ordinated basis in two centres – Johannesburg and London. The South African treasury accesses the money market as well as other longer-term borrowing markets to provide funds to local operating companies at competitive rates. To this end, the company increased its successful commercial paper programme in the current year from R500 million to nearly R1 000 million. In the UK, Barloworld PLC's bilateral loan facility, which was due to expire in 2004, was replaced with a five-year syndicated revolving credit facility of £105 million. The renegotiated facility includes covenants which distinguish between the trading and leasing segments of the international operations.

Value Based Management

In terms of our 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 hurdle rate applied by the group is 8%. A CFROI® of 8,1% was achieved in 2003 which compares to the previous year's 8,5%.

All proposed acquisitions and major capital expenditure projects are evaluated on a discounted cash flow basis using the CFROI® valuation model. Some new investments may 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:

- An additional Freightliner truck dealership in northwest Arkansas for $4,9 million (R49 million)
- 676 138 additional shares in PPC for R59 million, taking our shareholding to 67,4%
- The expansion of our UK industrial distribution business through the acquisition of Unilift Limited for £2,1 million (R30 million)
- A further 14 564 418 shares in Avis Southern Africa Limited for R137 million, lifting our overall holding in the company to 34,7%

The following more significant disposals took place during the year under review:

- In April 2003 the group's South African Motor leasing book was sold for R881 million
- Certain motor dealerships were disposed of, principally in terms of dealer rationalisation programmes, for a total consideration of R180 million. As

part of this process, we entered into a 50/50 joint venture with Durban South Motors, which incorporated the ex-McCarthy Pinetown DaimlerChrysler operations.

- Barloworld Coatings disposed of its 49% investment in Schenectady (Pty) Limited for R30 million.
- PPC announced the sale, subject to conditions precedent, of its interest in Slagment (Pty) Limited and up to 75% of its interest in Afripack Limited. At year-end the conditions precedent were not yet met and accordingly these transactions were still to be finalised.

Post-retirement benefits

The group's retirement benefit funds comprise a number of defined benefit and defined contribution funds throughout the world.

The triennial valuation of the two United Kingdom defined benefit pension schemes at 1 April 2003 was recently completed. The funding position of these schemes has deteriorated since the last valuation primarily as a result of the significant falls in equity markets, and increased liabilities due to reduced interest rates and the use of increased longevity tables in respect of members. These schemes currently reflect a combined deficit, calculated in terms of IAS19, of £52,3 million, which will be funded by means of increased company and employee contributions, together with an adjustment to benefits. The schemes were closed to new entrants from 1 April 2002, with all new employees in the United Kingdom required to join the recently established defined contribution scheme.

Internationally, there are also defined benefit schemes in Australia, Japan and Spain. The Australian and Japanese schemes are small and reflect deficits, however the values involved are not material. The defined benefit scheme in Australia has been closed to new entrants whilst the Spanish scheme is fully funded.

As reported in the prior year, the board has approved the principle of winding up one of the group's South African pension funds and a gross provision of R100 million (R70 million net of deferred tax) was raised to cover additional costs projected to arise on the closure of this fund. This process is nearing finalisation and the level of the current provision is considered to be adequate.

Hyperinflation accounting

Due to the hyperinflationary environment that has prevailed in Zimbabwe, the group has applied IAS29 (Financial Reporting in Hyperinflationary Economies) to its subsidiaries and associates that operate in this country, namely Portland Holdings Limited and Barzem Enterprises (Pty) Limited. The change in the producer price index in the financial year was 534%.

Share capital

No further shares were repurchased in terms of the share buy-back programme during the year but 65 700 shares were acquired by a subsidiary company arising out of the odd-lot offer authorised by the shareholders in January 2003.

During the year, a further 1 111 929 shares were issued to satisfy the requirements of the company's share option scheme and 8 872 shares were issued to shareholders deciding to buy-up in terms of the odd-lot offer. At the year-end there were 215 430 249 shares in issue of which 19 090 900 are being held in a subsidiary company as buy-back shares.

The weighted average number of shares in issue for the year was 196 027 500 which was marginally higher than the prior year at 195 284 248 due to the impact of share options exercised and the odd-lot offer.

Post-balance sheet events

Subsequent to the year-end, the following events took place:

- The acquisition of 100% of the shares of an additional Freightliner dealership, Texarkana Truck Center of Texarkana, Texas, for $8,2 million (R57 million) in cash. The purchase consideration includes the acquisition of their truck leasing business which comprises lease receivable assets of $16 million (R115 million) and related borrowings amounting to $14 million (R98 million). The effective date of the transaction is 1 October 2003.

- Geveke Intern Transport B.V., the Dutch Hyster dealer, was acquired for €4,9 million (R40 million). The purchase includes Geveke's rental lift truck fleet of over 1 000 long-term and short-term rental trucks owned by a joint venture Geveke Heftruck Verhuur B.V.

- We reached an advanced stage in our negotiations to dispose of Henry Cooke, the speciality paper manufacturer based in the UK. A letter of intent has been signed for the sale of the business for £17,5 million (R206 million) on a cash free/debt-free basis.

- An offer was made to acquire the balance of the issued ordinary shares in Avis Southern Africa Limited. Under the terms of the offer, Avis shareholders will receive five Barloworld shares and R970 in cash for every 100 Avis shares they own. The total purchase consideration amounts to approximately R1 420 million of which R1 085 million will be funded through unutilised facilities and R335 million through issue of 5 589 755 Barloworld shares.

CB Thomson
Finance Director

OPERATIONS REVIEW

EQUIPMENT

Leadership team

Lester Day (57), CA(SA), Chief Executive Officer. *30*

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.

SPAIN, PORTUGAL, BULGARIA AND SIBERIA

Santiago Salazar Coronado (52), BCom, General Manager, Iberia. *27*
Alberto Garcia Perea (52), Degree in Law, Human Resources Director, Spain. *31*
Gordon Hall (62), NTC Mech, General Manager and Director, Siberia/Bulgaria. *34*
Graeme Lewis (43), MA (Cantab), ACA, Financial Director, Spain and Portugal. *8*
Alfonso Moraga (63), Business Admin, Development Director, Spain. *49*
Fernando Pastor (62), Degree in Law and Politics, Power Systems Director, Spain. *36*
Guillermo Romero (62), Degree in Law, Machine Sales and Marketing Director, Spain. *33*
Viktor Salzmann (57), BCom, After Sales and Information Systems Director, Spain. *34*
Fabriciano Velasco (61), Industrial Eng, Materials Handling Sales Director, Spain. *36*

SOUTHERN AFRICA

Peter Bulterman (48), HND Mech Eng, Chief Operating Officer. *28*
Kenny Gaynor (45), CA(SA), Group Financial Director. *11*
Chris Gibb (54), Managing Director, Mining. *34*
Terry Knight (56), B.Com, CA (SA), Managing Director, Barloworld Equipment Finance. *28*
Jackie le Roux (45), BCom, Human Resources Director. *10*
Charles Nell (46), MBA, Chief Information Officer. *23*
Geoff Tucker (52), CA(Zim), Managing Director, Handling, Agriculture and Energy. *22*
Rodney Wainwright (52), HND Mech Eng, Managing Director, Construction and Africa. *34*

	Revenue		***Segment result***		***Net assets***	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
R million	***2003***	2002	***2003***	2002	***2003***	2002
– Europe	**5 303**	6 199	**505**	520	**1 601**	1 777
– South Africa	**3 817**	2 790	**67**	88	**1 410**	1 197
– Rest of Africa	**1 501**	1 141	**170**	136	**145**	190
Trading	**10 621**	10 130	**742**	744	**3 156**	3 164
– Europe	**80**	69	**7**	11	**304**	432
– South Africa	**207**	99	**43**	12	**1 375**	931
Leasing	**287**	168	**50**	23	**1 679**	1 363
Total trading and leasing	**10 908**	10 298	**792**	767	**4 835**	4 527

Our solid relationship with Caterpillar is demonstrated by the US$600 million we spent buying their products this year. It was a 19% increase over 2002. This is the single biggest spend with any of our long standing principals and reflects the importance of Caterpillar to Barloworld.

Europe: demand in Spain remains strong with growth switching from new equipment to parts and service.

The large scale public sector infrastructure investment programme which commenced in 2000 continues to be the main driver of high activity levels in our Spanish business which accounted for €19,5 million of 2003 European revenues. Jointly funded by the European Community and Spanish National, Regional and Local government, it is focused on large scale earthmoving projects such as the high speed rail network, airports and toll highways. As we anticipated at this stage of the infrastructure cycle, demand for new and used machines has started to slow

as projects mature. However product support (parts and service) demand continues to grow and this, combined with our product and service diversification strategy have ensured that operating margins improved in 2003 to 10% and in Euros profits were maintained.

The powerful combination of the Caterpillar brand and its excellent products combined with our local market expertise ensured we maintained market leadership in earthmoving equipment in Spain with a 20% share of the market.

In Portugal the slowdown reported last year continued with public expenditure cuts adversely impacting customer confidence and the level of infrastructure and construction activity.

The supply of engines for power generation is a growing part of our business and accounted for 9% of Iberian revenues. Particularly, success has been achieved in supplying 41 units for emergency electricity and we estimate that we have an installed product base with our customers in Spain capable of generating 60 megawatts of electricity.

We have been able to capitalise on the opportunity represented by growing demand for parts and services by focusing on long-term contracts to maintain equipment. These contracts, marketed as part of our Smart Partnerships offering, help protect our revenues and accounted for 27% of our service revenues.

In Portugal, where future activity levels are expected to reflect a more conservative public expenditure commitment we have taken action to right size the organisation through staff reductions and branch consolidation.

We are now in our third year of a strategic thrust to diversify our revenue streams and become less reliant on the Spanish public sector infrastructure cycle. Part of our diversification programme has been to build our engine and lift truck businesses.

Another core element is to grow our rental business. It is a sector which has excellent potential and attractive margins. Developing this business is also an effective counter to a long-term trend of margin pressure with customers who purchase equipment outright. A key rental area is the Business Construction Products market where smaller pieces of equipment are required on short-term hire in the building contractor community which is enjoying a boom from the explosion in property development.

This has begun to bear fruit with a 17% increase in our machines and engines Rental business. Our Barloworld MERA Rental Store has become the market leader in the Madrid market and its success has been followed by the opening of five more outlets in Spain in the past year.

Our Power Systems (diesel and gas engines) business had an excellent year in both revenues and margins. Our focus has been to increase our market penetration in key market segments such as marine pleasure craft, ocean going vessels (especially fast ferries), tug boats, uninterruptible power supply (UPS) and emergency generator sets. Key elements in our success have been our ability to provide customised solutions to meet individual client's needs and our strength in after market service and support.

The market for marine diesel engines was strong and our sales were boosted by 16 large MAK units (2002: 11 units). We remained one of the most active European dealers in the industrial engine segment of the market (primarily locomotive engines) selling 26 units (2002: 32 units).

During the year we sold 306 EPG units, of which 276 were in the smaller 27 to 550 KVA output range. This was the highest volume of any European Caterpillar dealer. A highlight of the year was the start-up of the most powerful combined heat and power plant ever installed by us in Spain – a 25 megawatt plant for Aquagest in Lorca, Murcia.

In October 2003 we signed a Sales and Product Support distribution agreement with Volkswagen for the 40 BHP to 150 BHP pleasure craft and leisure marine market in Spain and Portugal. We expect to sell a minimum of 100 units during the first year and the establishment of a sales and service network throughout Iberia is at an advanced stage.

Construction of the plant by Finaltair Barloworld, our biomass joint venture continued during the year and is substantially complete. This plant burns waste wood from furniture factories and operates in a combined cycle with a CAT 3616 natural gas generator set and a steam turbine. It is scheduled to commence operation in March/April 2004.

Our lift truck business had an excellent year growing rentals by 17% and we were named dealer of the year by Atlet (a leading manufacturer of warehousing equipment) for the second consecutive year.

Maintaining market leadership requires continuous improvement in every aspect of the business. An example of this in 2003 was the improvements we made to our parts distribution system and service process. These included implementing service response time measurements and an RPI (Repair Process Integration) system, the modernisation of our workshops and logistics improvements. Our customer satisfaction surveys have confirmed that these improvements were well received in the market place.

Investing in our people in Iberia

The workforce in Spain and Portugal at year-end was 2 163 people (2002: 2 078). This reflected a reduction of 12% in Portugal to right size for a smaller market offset by growth in Spain to meet succession planning needs, higher parts and services demand and the addition of staff to meet the requirements of our various expansion and revenue diversification initiatives. The labour cost increases were in line with inflation and our trade union agreements were successfully extended. Our investment in training and developing people continued at high levels with expenditure equivalent to 5% of our wages and salaries bill. A key focus was on preparing our people to use the SAP ERP system.

Siberia moves into profit after five years

Our Siberian operation continues to expand and was profitable for the first time since its greenfields start up in 1998 on revenues of US$20 million. Notwithstanding excellent support from Cat Finance, our conservative approach to financing customers in Russia has resulted in slower growth in revenues than a more aggressive policy might have created. The quality of our business has been excellent as a consequence and we are building a sound long-term business. Revenues in Bulgaria remained small but prospects for the medium term are positive as the country joins the European Union in 2007.

South and southern Africa: Smart Partnerships continue to bear fruit

Our business units in South and southern Africa enjoyed much better trading conditions and produced commensurately improved operating profits although in South Africa, the gain was offset by the negative impact of marking to market forward cover contracts on imported equipment and parts. In southern Africa our Angolan business was a highlight posting a record year. Mozambique is gearing up for future heavy metals and coal mining projects as well as rehabilitation of road and rail routes.

Smart Partnerships continue to form the basis of our strategy and remained a significant contributor to the improved operating profit. Looking through the impact of the strengthening rand in South Africa our sustainable operating margin in South and southern Africa grew to a mid business cycle level of around 7%.

The operational reviews below cover both the South Africa and Rest of Africa results set out in the table above.

Market leadership in mining

Our mining business grew as a result of ongoing development of the Maintenance and Repair Contract (MARC) concept, despite the stronger rand negatively impacting many mining operations in South Africa and delaying upcoming projects. We estimate equipment demand within our mining sector grew by 25%. MARCs are a key factor in the growth of our Mining business as outsourcing trends continue and skills availability becomes a greater challenge amongst our customers.

Our market leadership position in the mining industry was further entrenched during the year with notable successes being the re-order of large truck fleets for both the Debswana diamond mines in Botswana and the De Beers Venetia diamond mine in South Africa, a large rental fleet for Namdeb Diamond Corporation in Namibia and substantial packages of equipment for Angola. Excellent business was concluded with BHP-Billiton under the terms of their global alliance with Caterpillar Inc. as their preferred supplier of earthmoving equipment. Our good relationship with Ingersoll Rand continued with important breakthroughs at both of the Debswana diamond mines and we have achieved a leading position in the market for rotary drills. In Namibia, the MARC agreements at Anglo American Corporation's Skorpion Zinc Mine and Namdeb Diamond Corporation's Daberas mine on the Orange River are now in full swing. Our operations in Namibia also increased the underground mining footprint with new machine sales at both Kumba Resources Rosh Pinah Zinc Mine and Ongopolo Copper, whilst in South Africa similar successes were enjoyed at De Beers Premier Mine, the new Messina platinum operation and Samancor's Wessels Mine.

The improved copper price contributed to a turnaround for our Zambian operation and a Smart Partnership with Glencore's Mopani Copper Mines, in particular, saw significant success with the Caterpillar (formerly Elphinstone) underground machines.

Following the upgrade of our component rebuild facilities in Boksburg and Isando near Johannesburg during 2002, we are positioned as the market leader in rebuilding components for both the mining and construction markets.

Underground mining, particularly in the expanding platinum industry, is also playing an increasing role in our operations and accounted for R144 million of revenue (2002: R94 million).

Our Total Solutions gained ground in buoyant construction markets

The South African construction market grew by 40% in the past year, fuelled by government spend on infrastructure growth. We used our Total Solutions capability which incorporates new, used and rental options, to capitalise on this growth, achieving higher revenues The first construction MARC agreement was signed with Alpha (Pty) Limited. This bodes well for the prospects of growing longer term Smart Partnerships with customers in this market.

Our joint venture with BLC Plant Company, the industry leader in the sale of good quality used Caterpillar machines, was granted Competitions Board approval in June 2003 and continued to grow.

Our total equipment management capability and ability to provide customised offerings led to our selection as preferred earthmoving equipment supplier for the bulk earthworks at the major new deepwater harbour, Port of Ngqura, being built near Port Elizabeth in the Eastern Cape, South Africa. The project involves 91 pieces of equipment which are expected to operate on the site for two years.

In southern Africa, we secured large used equipment deals for the rebuilding of the Angolan road infrastructure and despite the depressed economy in Malawi, we recorded good sales with ongoing maintenance contracts for the rural roads infrastructure.

Cat Rental Store concept becomes market leader in second year of operation

Part of our success on the Ngqura Port project is due to our equipment rental offering, strong proof of the growing rental trend in the construction industry. The Barloworld Equipment Cat Rental Store has become the dominant player in the southern African rental market since the opening of our first Cat Rental Store in Isando, Johannesburg in October 2002. While rental is already offered by all our facilities around the country, the next year will see the rollout of several more dedicated Barloworld Equipment Cat Rental stores throughout the region.

Record year for Handling

Barloworld Equipment Handling had a record year in new Hyster deliveries as well as strong growth in the used and rental business, despite high interest rates early in the year and the depressed local manufacturing market. During the year the introduction of the Hyster warehousing range, in addition to providing Handling with a full range of product to meet the requirements of all customer applications, was very well accepted by the market. The continued focus on adding value through Smart Partnerships, service excellence and superior products translated unto a 5% increase in market share and a 30% increase in operating profits. With a strong order book and the latest declines in interest rates, prospects for 2004 remain strong.

Agriculture bucks the trend

Barloworld Equipment Agriculture gained market share with both the Massey Ferguson and Claas product despite low rainfall and weak commodity prices. The business unit's solid showing was assisted by growth in Smart Partnerships with both existing and new dealers, notably the appointment of leading agricultural business Afgri Equipment as dealer for the central and western Free State.

Mixed fortunes for Energy

The Energy business unit had mixed fortunes, with our Perkins diesel engines business experiencing strong market share growth and dealer development. Our Power Systems business continues to struggle with low volumes. Combining the Circon and Power Systems sales forces is expected to contribute to improved results next year.

A successful SAP implementation

During 2003 we implemented a SAP ERP system across the South Africa, Botswana and Namibia Caterpillar business units without a performance dip. This was due to our ability to leverage the depth of expertise in Barloworld on such implementations.

Investing in people in South and southern Africa

The growth in complement to 3 388 from 2 827 was due to the expansion and growth in our MARC business and the development of our Rental business.

In South Africa, we have embarked on a new learnership programme in conjunction with Manufacturing Engineering and Related Industries Sector Education and Training Authority (MERSETA). The major difference between the new learnership and the old apprenticeship is that learnerships are obtained on a year-on-year basis. There are exit points included after each module that give learners the choice to continue, or to exit and start working at the acquired level.

Barloworld Equipment made a conscious decision to follow the learnership route as early as 1998 and has been working closely with the Merseta ever since. A total of 130 learners registered for the pilot learnership programme that started on 1 September 2003. A further 90 learners will make up the next intake in January 2004.

This new programme will enable us to qualify more mechanics in a shorter space of time and enable us to increase our intake of learners.

Two years ago we launched a performance ownership programme and all employees have now been trained. The acceptance of ownership and the drive to achieve results have been a major contributor to our improved performance. To support this programme all employees were trained in the principles of Value Based Management.

Meaningful BEE through the Earthmoving Equipment Learnership Programme

Barloworld Equipment is meeting the skills shortage in South Africa head-on by piloting a new learnership concept in training development. The training programme is being done as a Smart Partnership venture with the MERSETA. Barloworld Equipment, an acknowledged leader in training in the earthmoving equipment industry, is the first in the country to run a programme linked to a registered qualification.

The new "learnership" replaces the old, single qualification earthmoving equipment "apprenticeship" and has been developed in line with requirements set by MERSETA.

The finance book in South Africa continued to grow

Barloworld Equipment Finance, our equipment financing business experienced substantial growth in advances, including a number of large operating leases in the contract mining industry. There were minimal bad debts in the current year, leading to an excellent profit and above target returns.

Benefits to flow from implementation of SAP in all geographies

Looking to the future, process efficiencies will increase following the successful implementation of a SAP ERP system in our main operations. In addition to the standard operational efficiencies that flow from an ERP system implementation, we are using our Value Based Management expertise to enhance the way in which data is made available as a business management tool in SAP. This will push down into the daily work patterns our value driver philosophy which identifies the most important contributors to value creation in every part of the business.

2004 outlook is positive

Demand in Spain is expected to continue at current high levels with more potential to develop our machine rentals and product support contracts. Further growth in the contribution from non-infrastructure related businesses is expected as a result of our product and service diversification strategy.

In Siberia organic growth should produce higher revenues and profits.

In South and southern Africa, further market growth and stronger profits are forecast in all sectors buoyed by the positive impact of lower interest rates. A key uncertainty is the continued strength of the rand which, if sustained, will negatively affect the mining industry and consequently dampen growth prospects for the wider economy. Notwithstanding this, the Caterpillar (formerly Elphinstone) underground range and our strategic alliance with Boart Longyear are expected to contribute to a significant expansion of our business in the underground mining sector in the next few years.

The efficiency enhancements delivered by the newly installed SAP ERP systems in both Europe and southern Africa will start impacting positively on our operations in the year ahead.

In 2004 we expect further growth in segment profits, however rand strength and volatility would undermine our results.

INDUSTRIAL DISTRIBUTION

Leadership team

Brandon Diamond (52), ACIS, MBA, Chief Executive Officer. *33*

Keith Hay (55), CA, Managing Director, Barloworld Handling UK. *29*
James Holmes (43), BSc Business Administration, Vice-president, Corporate Services. *12*

Alan Knight (57), FCCA, Managing Director, Barloworld Finance. *28*
Robert Russell (43), BSc Accounting, CPA, Group Director of Finance. *16*
Stan Sewell (48), BA, President, Barloworld Handling, USA. *18*
Scott Simmons (47), BSc Accounting, CPA, President, Barloworld Freightliner. *23*

Rob Tennant (46), BSc, MSc, CPIM, APICS, Chief Information Officer. *24*

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.

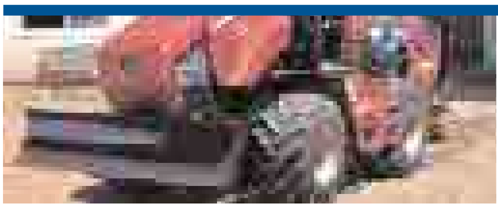
	Revenue Year ended 30 Sept		*Segment result* Year ended 30 Sept		*Net assets* 30 Sept	
R million	***2003***	2002	***2003***	2002	***2003***	2002
– North America	**3 135**	3 812	**10**	28	**1 029**	1 545
– Europe	**2 052**	2 202	**79**	95	**356**	550
Trading	**5 187**	6 014	**89**	123	**1 385**	2 095
– North America	**74**	61	**6**	2	**668**	627
– Europe	**383**	521	**40**	33	**1 660**	2 132
Leasing	**457**	582	**46**	35	**2 328**	2 759
Total trading and leasing	**5 644**	6 596	**135**	158	**3 713**	4 854
Share of associate income			**(3)**	–		

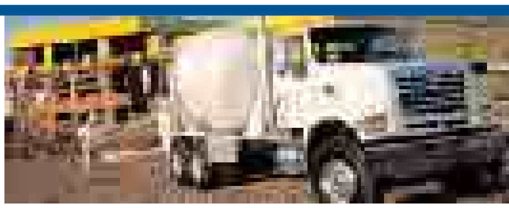
Despite the adverse impact of the strong rand on profit translation and a continuing difficult economy in the US, Barloworld Industrial distribution increased profits and margins in 2003.

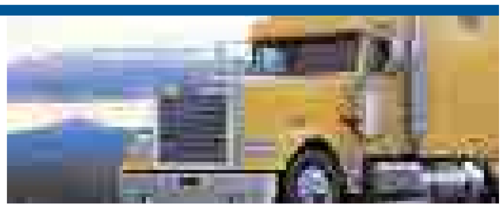
The European Handling operations performed well

In spite of a generally gloomy view of growth in the UK economy, the market for lift trucks increased 6% in 2003. Our traditional industry based counterbalance truck sales have held position after a good 2002 whilst the 'newer' Hyster warehouse truck sales to retail and distribution customers have seen continuing growth in market share. Warehouse units now account for 25% of new unit sales compared with 21% last year and 19% in 2001. This has been aided by further launches of improved electric products featuring AC drive technology – this provides for the high intensity needs of key customers. Continuing focus on retail and distribution customers has resulted in successful developments with Argos, Corporate Express, MFI, Royal Mail and Global Office World.

In the logistics sector, we were awarded what is believed to be the largest contract of its kind to date for the supply and management of a fleet of Compressed Natural Gas (CNG) powered lift trucks with







third party logistics specialist Pallex. CNG is a new and alternative fuel source which offers significant environmental benefits in terms of reduced emissions whilst maintaining the productivity and flexibility of I.C. engine power.

75% of our new business continues to be in the form of either a long or short-term rental. This provides long-term relationships and maintenance income streams and is supported by innovative Smart Partnership solution based strategies.

In December 2002 we acquired 100% of the shares of Unilift Limited, a South West Wales based independent lift truck company with a strong local customer base.

Overall, our after market (parts, service and short-term hire) activities made progress in delivering value to our customers through fleet management services and total solutions. Our management of the 4 500 units in the Ministry of Defence contract continued to perform well. In addition, our continued focus on margins has also added shareholder value.

In Belgium, which accounted for 12% of our European revenues (2002: 11%), trading conditions continued to be difficult in common with the surrounding European countries. Our performance improved as a result of restructuring commenced during 2002.

Southampton based Barloworld Vacuum Technology similarly has benefited from cost saving actions in the year.

Employee value underpins all of our activities. Initiatives were ongoing in 2003 to further develop the management team, enhance our skills base and focus on customer value creation. The introduction of balanced scorecard measures aimed at aligning all levels to our VBM strategy.

With effect from 1 October 2003, our territorial coverage in Europe was expanded to include the Netherlands following the acquisition of the Dutch Hyster dealer, Geveke Intern Transport B.V. This business which employs 150 people will be renamed Barloworld Intern Transport and is similar in size to the Belgian operation.

Signs of life seen in the weak US lift truck market

The economic recovery in the US began to emerge slowly during the year. However, excess manufacturing capacity and unemployment levels continued to restrict growth in the lift truck industry. The market for the southeastern US where we operate rose to 27 015 units compared to 25 994 in 2002. Despite lacklustre business investment, our market share grew by 1,6% as our new equipment sales revenues rose 20% over the prior year. Long-term equipment and maintenance contracts were finalised with Quaker Oats, Blue Bird Bus, Builders FirstSource, Cargill, Pasco Beverage, and Logistec. We continued to make gains in growing the contract maintenance business by delivering over 45% of all lift trucks leased internally with a long-term maintenance agreement (2002: 36%).

Our business relationship with the US Government Services Administration (GSA) was enhanced by our inclusion on their website, allowing federal and state agencies to procure our products electronically. Barloworld Handling is the sole approved Hyster supplier to the GSA.

The Logistics Support Center in Atlanta continued to expand its central procurement initiatives, which resulted in a savings of over $650 000. Further efficiencies in parts inventories have been realised.

Lower new equipment stock levels, a reduction in short-term rental fleets, and aggressive management of receivables were primary contributors to a further reduction in capital employed which was down US$4,5 million compared with 2002.

Providing service repairs and maintenance for customers remains a key value driver for the business. However poor economic conditions prevented branches from expanding the number of service technicians in order to achieve service revenue growth. The number of technicians employed remained at 480, down from a high of 620 technicians in 2000.

In the coming year, we will focus on growing used equipment sales to help generate aftermarket business for our 35 branches. This will provide a market for end-of-term off-lease trucks returned by Barloworld Fleet Leasing. A Parts Call Center for large customers with multiple site locations will be introduced and account teams established to grow contract maintenance opportunities.

We continue to seek ways to enhance customer value by differentiating customers by their needs and profitability, interacting with them in a cost effective manner, and customising some aspect of our service for them.

Employee value creation is ongoing and we provide structured training programs and learning experiences based on identified needs. Employee opinion surveys were conducted in the spring and feedback meetings were held in all branch locations. Overall survey scores were higher than national norms, and strategies for improving weaker areas were developed. Health and safety improvements in the workplace were significant, highlighted by employee accidents reducing by 32% over the prior year.

Ditch Witch: Rising out of the trenches

The US trenching industry experienced another difficult year as a stagnant market was flooded with new and used equipment. This resulted in significant pressure on margins.

Our Ditch Witch business experienced a tough year but generated significant cash flow by decreasing debtors, inventory and operating losses. It is now in a good position to generate profits as the economy improves and we are seeing signs of improvement in the battered telecommunications industry, which should help the directional drilling market.

Stan Sewell, President of Barloworld Handling in the United States serves on the board of TEA (The Employers Association), a Charlotte-based human resources non-profit organisation that provides HR solutions to small companies in the Carolinas.

Barloworld Freightliner: poor industry conditions continue

The continued weak economic conditions in the US created a poor trading environment during 2003, though some recovery appeared to be under way in the last quarter. While the total number of new units sold improved 26% to 1 614, margins were lower due to more heavy-duty units going to lower margin large fleet customers. There was a good increase in medium duty units, though at lower margins. Our market share in medium duty trucks was particularly strong in Memphis, with a share in excess of 30%. Over 100 Sprinter units were delivered this year.

As expected, deliveries of new heavy duty trucks were negatively impacted by the "pre-buy" of trucks in the fourth quarter of our 2002 financial year. This was due to the introduction of more stringent diesel engine emission standards by the US Environmental Protection Agency which had the effect of increasing the price of all engines manufactured after 1 October 2002 by approximately US$5 000 per unit. This resulted in the opening order book being significantly lower and fewer new deliveries in the first quarter. By September 2003 the order book had shown a vast improvement and reflected a more normal order intake.

Sales of used trucks increased 10% to 858 units. Values have begun to show some strengthening though the Owner Operator market has been severely reduced over the past two years, limiting the potential of the used truck market.

Credit finance for customers remained a difficult issue throughout the year. In this context, access to Barloworld Fleet Leasing continued to be a real asset to our business. Credit availability appears to be improving as we enter the fourth quarter of 2003 with DaimlerChrysler Services providing the largest percentage of our financing.

A new dealership with locations in Springdale and Van Buren, Arkansas was acquired in March 2003. A clean up and reorganisation has been accomplished over the second half of the year, and a considerable portion of our new vehicle order book has been generated from this territory. We expect good truck sales and improving aftermarket revenues in these dealerships. This acquisition gives us further strategic strength on Interstate corridors and positions Barloworld to have significant economies of scale in purchasing and inventory management.

Aftermarket revenues for the year show an increase of 13%. We have experienced continued growth in our National Parts Call Center, servicing some of our major customers with this Smart Partnership. We anticipate this unique initiative to expand to other customers in 2004. We had a difficult time in our Body Shop business but will benefit from the expansion of our salvage operations. The recent improvement in freight tonnage, combined with our marketing efforts should yield stronger results in the coming year.

While continuing to keep a tight reign on expenses through the year, Barloworld Freightliner implemented SAP as its operating system in the Little Rock and Memphis divisions. The implementation has been successful but in so doing, the operations have experienced some additional costs relative to training and the "switch-over" of information.

With effect from 1 October 2003 our Freightliner territory expanded to include northern Louisiana and parts of east Texas following the acquisition of Texarkana Truck Center, Inc. This acquisition expands our US footprint to include two new states.

Our financial services activities are growing to add value to our operating businesses

Under its brand names Fleet Leasing (USA) and Fleet Rentals (Europe) Barloworld Finance supports the operating divisions by providing a comprehensive range of leasing, retail instalment and other financing options. In 2003 our fleet grew by 13% to approximately 20 000 units. The value of new business written exceeded £82 million (2002: £76 million).

On 1 October in conjunction with the Geveke acquisition we acquired a 50% interest in a leasing JV managed by a bank in the Netherlands. This supports the activity of the Geveke Materials Handling business. We also acquired a leasing book with the Texarkana Truck purchase that effectively doubled the size of our Freightliner lease book.

The US materials handling market has accelerated its use of our lease with full maintenance option and now represents over 45% of new signings. Despite interest rates falling to their lowest level for 25 years, leasing demand remained strong as Banks tightened credit lines in the weak economy. We support our Freightliner dealership business with a combination of niche in house funding of selected owner operators and arrangement of third party off balance sheet financing direct to the end user. In 2003 our preferred market orientated to used equipment with its lower level of residual risk and where we achieve a good margin spread. Both US books (lift trucks and Freightliner) experienced an increased level of chapter filings and bankruptcies but we were able to limit losses by utilising the remarketing expertise of our dealerships. We have been successful in signing a number of major accounts including some investment grade credits such as Collins and Aikman, Cargill and Dyncorp. A positive contribution to profit in the USA was achieved as we reaped the benefits of a settled and more experienced team.

The well established UK market for full maintenance rentals has increasingly become more longer term in nature with 10 year deals now more common. The materials handling market is mature with all major players in the industry similarly structured with an in-house finance offering. 80% of all units sold were financed (2002: 74%). We have an excellent remarketing facility through the dealership for the realisation of residual values at end of lease.

2004 prospects are encouraging

The US recovery bodes well for growth in both the Materials Handling and Freightliner businesses and the additional territory acquired through the expansion into the Netherlands will add significantly to our European market opportunity. Overall we anticipate profit and revenue growth in 2004.

MOTOR

Leadership team

Martin Laubscher (43), BCompt (Hons), CTA, MCom Bus. Management, Chief Executive Officer. *16*

Allan Carter (50), Director, Group Non-Franchise Operations. *23*
Rocky Cloete (59), CA(SA), Group Financial Director. *27*

Bob Smith (55), BEcon, CA(SA), Director, Group Franchise Operations. *10*
Andrew Weight (57), CPA, FAICD, FCIS, Chief Executive Officer, Australia. *18*
Chris Whitaker (46), BCom, LLB, Director, Strategy. *15*

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.

R million	Revenue Year ended 30 Sept 2003	2002	Segment result Year ended 30 Sept 2003	2002	Net assets 30 Sept 2003	2002
– South Africa	**6 652**	6 851	**72**	146	**1 008**	799
– Rest of Africa	**302**	357	**(7)**	10	**36**	24
– Australia	**1 393**	1 656	**17**	28	**412**	472
Trading	**8 347**	8 864	**82**	184	**1 456**	1 295
Leasing*	**75**	112	**10**	19	**8**	870
Total trading and leasing	**8 422**	8 976	**92**	203	**1 464**	2165
Share of associate income			**76**	46		

** South Africa*

Southern Africa

Motor retail

The slowdown experienced in the second half of the 2002 financial year continued throughout 2003. High interest rates, weaker demand at dealer level and an industry overstocked situation resulted in depressed margins and slower asset turn.

The NAAMSA reported vehicle sales for our financial year to September 2003 decreased by an overall 0,3% to 359 314 units (2002: 360 423). The dealer share of this market was 80,1%, compared with 80,0% in 2002. New Toyota product improved their dealer share and this was the major contributor to the year-on-year improvement.

Our share of the overall dealer market decreased to 8,9% (2002: 9,1%). A key factor was the relative strength of the Toyota brand in which we have a relatively small participation. We sold 25 748 new units (2002: 26 391).

As reported previously, changing manufacturer representation strategies have resulted in a revision of our BMW and DaimlerChrysler dealership structure. BMW South Africa now restricts any dealer or dealer group to a maximum share of 10% of its vehicle sales and has used this approach as an opportunity to initiate a Black Economic Empowerment drive. As a consequence we were required to sell three of our BMW dealerships to investors nominated by BMW South Africa. Club Motors in Bruma, Johannesburg was sold on 2 November 2002. We expect to conclude the sale of Auto Atlantic in Claremont and Club Motors in Selby, Johannesburg during the first half of the 2004 financial year.

During 2003 we also concluded the formation of the empowerment joint venture for DaimlerChrysler operations covering the greater Durban metro area in KwaZulu-Natal. Together with our partner Yunus Akoo, owner of Durban South Motors, we each have a 50% stake in the new company that commenced trading in April 2003 on an extremely positive note. It is anticipated that the annual turnover of this business will be in the region of R2,5 billion.

In Namibia we are responsible for the BMW brand. Our Windhoek based dealership experienced tough trading conditions that weakened its performance. Our share of the passenger vehicle market declined to 6,0% (2002: 7,7%). During the year work began on consolidating the after-sales facility on to the same premises as the showrooms. This will be more convenient for customers and will increase efficiencies within the business for the benefit of all stakeholders. We will start trading from the new facilities in December 2003.

Botswana, where we represent Audi, Volkswagen, Ford, Mazda, Volvo and Jaguar, experienced a particularly poor trading year. Our share of the passenger vehicle market declined to 18,4% (2002: 20,5%). Traditionally strong sales to civil servants were undermined by a general restraint in salary increases in government structures. Previously we reported that our Botswana operations were hampered by inadequate facilities and that we were scheduled to move into our new world-class facility in March 2003. Building delays resulted in trading only commencing from the new facility in August 2003.

Other businesses

While we generate the majority of our income through our retail dealership network, a key part of our strategy is to increase the contribution from "other businesses". These include:

- Barloworld Truck Hire is a niche player in the commercial vehicle rental business. Although small and operating only in Gauteng it has performed consistently over the years.
- Barloworld Coachworks operates nine panelshops in all the major centres in South Africa. During the year we took occupation of new state-of-the-art BMW-approved facilities in Pretoria and a Volkswagen/Audi-approved facility in Tokai, Cape Town. Our philosophy is to ensure that each of our operations has the formal approval of a manufacturer. This authorises us to repair their products. Avis Southern Africa is a major customer and the Coachworks division purchases a substantial volume of replacement parts from our dealerships.
- Through our 100% ownership of Subaru South Africa (Pty) Limited, we are the sole importer and distributor of Subaru product into South Africa. We also hold the rights for some of our neighbouring Africa countries. This financial year has seen substantial progress in the growth of this business with unit sales rising 20,5% to 783. We plan to build on this in the year ahead.

Premises

As a consequence of our strategy of "Fewer, Bigger, Better", we continued to make substantial investments in facilities to ensure a network of well located, world-class dealerships and operations, including our panelshops. Over the past year we relocated eight operations, renovated six sites, opened three new facilities and commenced building operations at three sites.

Our total southern African infrastructure at 30 September 2003 included 53 dealerships and nine panelshops operating out of 87 sites.

Leasing operations

The sale of the Barloworld Leasing vehicle finance book to WesBank, as reported in last year's annual report, became effective on 1 April 2003, after the necessary permission was received from the Competitions Commission and Tribunal.

During the period that the abovementioned submission to the Competition authorities was under deliberation, the level of advances grew from R929 million to R945 million and the business generated profit before tax of R13 million.

Avis Southern Africa Limited

During the year we increased our strategic shareholding in Avis Southern Africa from 26,2% to 34,7%. Not only has this investment proved rewarding in itself, but the ongoing synergies between Avis and our motor retail operations in South Africa have proved beneficial for both parties. Avis performed very well during the past year and our share of their income rose from R36 million in 2002 to R59,7 million. Dividends received from Avis increased to R17,4 million (2002: R9,7 million).

Australia

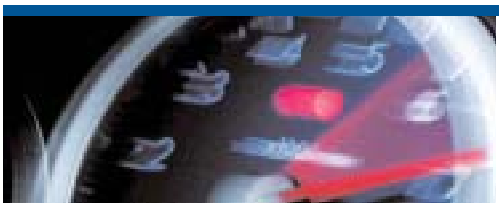
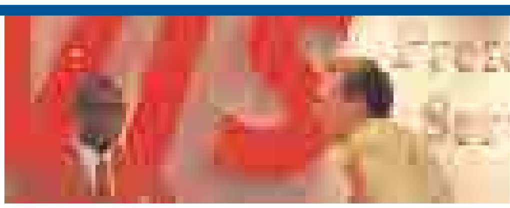
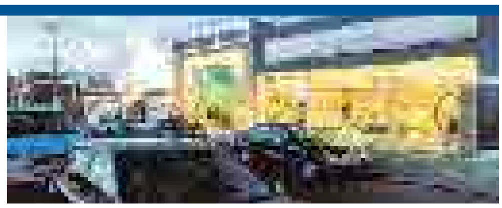
The Australian market remained buoyant and after reaching 825 000 units in 2002 it should end close to 900 000 units for the 2003 calendar year. Reported vehicle sales for the nine months to September 2003 increased by 10,5% to 676 688 units (2002: 612 429 units). The Passenger market has grown in the same period by 9,7% from 399 425 units to 438 018 units. Whilst Toyota is the current overall market leader, Holden remains a strong competitor at the forefront of the passenger market.

Our Mercedes-Benz operations continued to perform strongly and the joint venture with Mercedes-Benz Australia again contributed positively. Negotiations regarding the future of this joint venture were favourably concluded with the Principal and we expect to relinquish our 49% shareholding in Mercedes-Benz of Melbourne towards the end of 2004.

Our Ferntree Gully Holden operation performed particularly well, however renovations at the Geoff Brady site severely restricted trading during the year. These renovations will be completed in December 2003 after which we anticipate a strong revival in volumes.

The Geoff Brady dealership houses a Volkswagen operation in addition to Holden. Both of these businesses will, in future, be conducted under the Barloworld name.

Our VW light commercial vehicle operation in Sydney performed ahead of expectations and we anticipate that we will commence trading with a Volkswagen passenger dealership in Sydney during the third quarter of 2004.

Premises
In Australia we will also pursue our strategy of "Fewer, Bigger, Better" and to invest in well located, world-class premises. Accordingly, during the year we renovated three of our eight facilities and are finalising the construction of the Holden facility at our Geoff Brady site. Major construction work will commence on our Ferntree Gully dealership during 2004. We will also make significant investments in our Sydney based Volkswagen operations to ensure facilities in accordance with our strategy, manufacturer requirements and to ensure customer satisfaction. We anticipate relocating our Mercedes-Benz operations in the future.

Our people
At 30 September 2003 we employed 3 784 people (280 in Australia and 3 504 in southern Africa), which excludes 641 people working in the DaimlerChrysler joint venture in KwaZulu-Natal. During the year Value Based Management (VBM) with its focus on creating value for all stakeholders, continued to be a major theme throughout the organisation. VBM in our motor business is an integrated set of initiatives aimed at ensuring that all employees can contribute to, and participate in, the success of the division. The approach recognises that every employee has an important role to play in the organisation and it is aimed at harnessing their collective wisdom to ensure continuous improvement in value creation for all stakeholders. These initiatives are fully integrated into all aspects of the business, including the Operations, Finance and Human Resources.

Our objective is to be the preferred employer in the industry. We continuously strive to find ways of achieving this objective. In South Africa, a significant number of employees belong to the industry benefit funds, including defined benefit pension funds, defined contribution retirement funds and, industry medical aid schemes. Employment equity is important in a South African context and receives specific focus in all training and recruitment initiatives.

Our strengths and skills were recognised through the many industry awards we won during the year.
Once again Barloworld Motor and its employees throughout the group featured strongly in the industry's recognition awards, winning 35 major accolades. A noteworthy individual award was the prestigious Sewells, NADA Business Person of the Year won by Klaas Kotze, Dealer Principal, John Williams Motors, Bloemfontein. Numerous other individuals received awards from various manufacturers for excellence in their respective departments, for customer satisfaction or for being the top performer in their respective categories.

We also won a number of dealership awards including:
- Volkswagen, Dealer of the Year; Barons Southfleet
- Toyota, Mega Dealer of the Year; Barloworld Toyota Kuils River
- Nissan, CSI – Overall Winner Mega Dealer; Barloworld Nissan Bloemfontein
- DaimlerChrysler, Most Improved CSI, John Williams, Bloemfontein
- Various departments also received awards and recognition from the manufacturers for excellence or for being best in their respective categories.

The panelshop operations also received recognition with Barloworld Coachworks Germiston, receiving the award for the "Top Achiever" at this year's Volkswagen Approved Motor Body Repairer Convention.

2004 – the year ahead
The markets in which we operate, driven by customer requirements, will continue to dictate the approach and strategy of our businesses. We expect these requirements in South Africa to increasingly include the need for a complete motor solution for individuals and fleet owners. We are well placed to provide the full range of motoring solutions to a broad customer base into the future. A key market issue is vehicle affordability and we are actively exploring ways of providing more affordable solutions to customers.

Changes in Europe and elsewhere in the distribution model of motor vehicles from manufacturers are being closely monitored. We are actively involved in developments and discussions in this regard in the South African context and are well positioned to restructure our operations to remain competitive under a change in dispensation.

The recent cuts in interest rates, coupled with the likelihood of further cuts, the strong rand, slower price increases and importantly, a normalised market with improved margins augurs well for our southern African operations in the year ahead. However, vehicle affordability will continue to restrict the growth of the southern African vehicle market and, the reduction in the number of our BMW dealerships will negatively influence our earnings.

Our DaimlerChrysler Joint Venture in KwaZulu-Natal will continue to perform well and with the new facilities in Namibia and Botswana, these regions will make a positive contribution. We expect Avis Southern Africa to continue their good performance.

In the year ahead, the Australian market will continue to grow and could surpass 900 000 units for the first time. The investments made to improve our facilities and our continued search for expansion opportunities, will result in an increase in the profits contributed by this region.

Overall, profits for continuing operations are expected to grow strongly in 2004.

CEMENT & LIME

Leadership team

John Gomersall (57), CA(SA), Chief Executive Officer. *22*

John Blackbeard (46), BSc (Mech) Eng (Hons), Dip Bus Man, Chief Operating Officer. *7*

Rod Burn (49), BProc, BA (Hons) Psych, Director Organisational Performance. *16*

Harley Dent (52), BSc (Hons), BCom, Datametrics Diploma, Director Strategic Projects. *25*

Deon Heyns (47), BEng (Mech), Managing Director, PPC Lime. *19*

Peter Esterhuysen (47), BCom, BAcc, CA(SA), Director Finance and Administration. *7*

Tony Parry (43), BA (Hons), MBA, Chief Information Officer. *14*

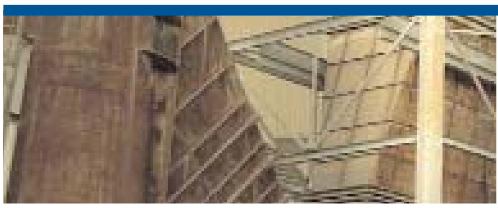
Note: The first figure after each name (in brackets) is their age at date of publication of this report. The second figure is the number of years' service they have with Barloworld.

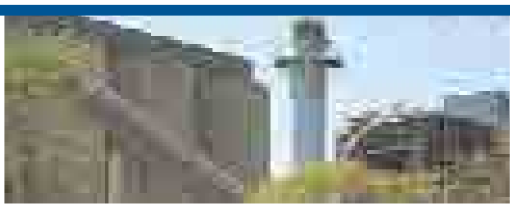
	Revenue		Segment result		Net assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
R million	***2003***	2002	***2003***	2002	***2003***	2002
– South Africa	**2 776**	2 226	**845**	586	**2 687**	2 591
– Rest of Africa	**240**	345	**28**	44	**320**	635
	3 016	2 571	**873**	630	**3 007**	3 226
Share of associate income			**6**	34		

Revenue rose by 17% to R3 016 million (2002: R2 571 million), and operating profits rose by 41% to R866 million (2002: R613 million). These results reflect the benefits of embracing global best practices and the improvements being made in all our operations including Portland Holdings Limited in Zimbabwe.

South African cement demand rising as GFCF accelerates

Domestic cement sales volumes in South Africa rose at a slower rate in the second half but ahead of expectations as gross fixed capital formation which increased in 2002, continued to grow at a rate of between 5% and 8% in 2003. The South African government has continued to improve its capacity for service delivery and this development, together with the completion of several mining sector expansions and the ongoing Coega harbour project, has underpinned capital formation in the year. Growth in cement demand was especially strong during the first half of the year and geographically in Gauteng and Western Cape provinces. The Southern Cape remains buoyant on the back of continued residential and tourism activity, whilst the Eastern Cape has experienced considerable growth now that the Coega Harbour Development project is in full swing.





Overall, export cement volumes increased with sea borne exports significantly up following the implementation of some major supply contracts. Overland exports to neighbouring countries were down due to Spoornet's ongoing inability to deliver into this region. Unfortunately, export margins were negatively affected by the recovery of the rand, especially in the second half.

The Kambuku process was further entrenched in the cement division with continued improvement in communication, competencies and innovation at all operations. The positive results thereof are visible in all areas of the operations. Further progress was made on our Global Competitiveness programme during the year resulting in improved operating efficiencies and continued cost and overhead reductions.

All factories continued to operate at levels ahead of the previous year with Dwaalboom, De Hoek and Riebeeck improving on previous best kiln production records. The Port Elizabeth factory is now operating at full production capacity to meet the demand of the Coega project.

Our waste solution programme continued with successful trials performed on new alternative materials. The consumption of the secondary material, Spent-Pot-Liners (SPL) however slowed somewhat in the past year, due to the lower availability.

Spoornet's performance remains a concern with some plants running critically low on coal stocks at times, notwithstanding an earlier drive to increase stock-levels, in anticipation of possible problems.

The cement distribution logistics optimisation project has now been rolled out country-wide and has yielded pleasing results in terms of cost savings and better customer service levels.

Zimbabwe remains in socio-economic crisis

The socio-economic crisis in Zimbabwe continued through 2003 and although the government replaced cement price controls with cement price monitoring in May, hyper-inflation, fuel shortages, breakdowns in services and a general absence of economic activity are continuing facts of everyday life for Zimbabweans. Our cement plant at Colleen Bawn was shut down during the year for an extended period due to lack of coal and diesel fuel. The time was used to do major refurbishment of several items of plant. This has helped improve the reliability, efficiency and output.

Sourcing adequate supplies of coal, diesel, slag and the shortages of foreign exchange are an ongoing challenge. Probable further deterioration in the performance of the railway system will impact negatively on costs and product distribution. Notwithstanding the current crisis, we remain committed to Zimbabwe for the long term and look forward to an eventual resolution of the current crises to the benefit of the Zimbabwean people and our operations there.

Lime achieves better results

The lime division, which experienced a 3% reduction in lime and burnt dolomite sales, achieved satisfactory results supported by improvements in lime pricing and the achievement of planned utilisation levels at the PPC Saldanha materials handling facility. The bulk of our business continues to be conducted under long-term agreements. During the year, several of these were successfully renegotiated at increased prices with a resultant improvement in revenues and margins that were so necessary to sustain the industry. In addition, the contribution from PPC Saldanha increased to the levels originally planned.

As part of the three-year programme to rationalise and improve the utilisation of the Lime Acres mining assets, capital expenditure amounting to R13,3 million was incurred and a further R14 million capital was spent on environmental improvement projects.

Excess capacity was further reduced through the permanent retirement of another older and less efficient rotary kiln at Lime Acres. This retirement completes the plant optimisation programme for the time being and brings capacity in line with estimated long-term demand.

Capital expenditure remained low

Overall capital expenditure remained at low levels and continued below the annual depreciation charge as it has done for the last few years. We did however accelerate the replacement of a number of imported quarry vehicles, effectively taking advantage of the recovery of the rand.

The packaging division successfully completed its R38 million modernisation programme which was the only major capital project during the year.

Black Economic Empowerment and the Minerals and Petroleum Resources Development Act

We support the national government's vision of a globally competitive mining industry which has full participation from all South Africans.

The proposed sale of up to 75% of Afripack Limited to an empowerment and management consortium establishes a credible BEE force in the packaging industry and facilitates the future growth of that company in markets beyond the cement industry.

The much talked about Mining Charter, which sets out a balanced scorecard of broad based empowerment goals for companies operating with state issued mining licences is a good step in the path to providing a clear set of rules for everyone involved. We are making excellent progress in areas such as procurement, employee development, and community upliftment and in the support and introduction of black entrepreneurs into key cement sales and distribution segments of the construction industry. A lack of available funding remains a major obstacle to BEE equity participation by previously disadvantaged individuals.

Prospects

South African cement demand is expected to grow 4% to 5% in the year ahead supported by continuing gross fixed capital formation and the lower interest rates. Cement export revenues and export margins are likely to be lower following the recovery of the rand. No growth is expected in lime and burnt dolomite sales as customers in the steel industry are expected to face difficult market circumstances.

Our Zimbabwean cement business is unlikely to meaningfully contribute to earnings in 2004 as hyperinflation; a shortage of railway rolling stock and the lack of foreign exchange are expected to continue for some time yet. In the long term, this business remains well positioned to benefit from any economic improvement in Zimbabwe and from exports.

Certain long-term contracts in the lime division provide for selling price increases based on the increase in the year-on-year Producer Price Index which is currently at very low levels. Notably the group's input costs are increasing at levels above those currently reported for the year-on-year Producer Price Index.

A key issue in both cement and lime in South Africa is Spoornet's intention to increase their inward and outbound tariffs by more than 40%. At the same time, the relatively stronger rand and the continued prospects for lower inflation are likely to limit selling price increases with resultant pressure on margins.

Notwithstanding these developments, improved operating profits are expected although net profit to shareholders will be impacted by higher taxes. The group remains well positioned to benefit from any opportunities that may arise. The strong cash flows are expected to continue and no major capital expenditure is planned in 2004.

SCIENTIFIC

Leadership team

Peter Maybury (59), MA (Oxon), MCom, Chief Executive Officer. *19*

Mike Fahy (50), FCIS, Company Secretary, Barloworld Holdings. *16*
Blake Fennell (38), MBA (Pepperdine Univ), Chief Executive Officer, Melles Griot. *13*

Phil Horsfield (56), BA (Hons), ACMA, Finance Director. *16*
Eugene Smith (42), MA (Cantab), ACMA, Chief Financial Officer, Melles Griot. *21*
John Whitehouse (55), FMS, MCMI, Managing Director, Laboratory Products. *14*
Ed Wynn (47), BSc, MBA, Sales and Marketing Director, Laboratory Products. *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.

	Revenue Year ended 30 Sept		***Segment result*** Year ended 30 Sept		***Net assets*** 30 Sept	
R million	***2003***	2002	***2003***	2002	***2003***	2002
– Europe	**1 167**	1 459	**46**	57	**784**	1 171
– North America	**466**	720	**(34)**	(52)	**370**	601
– Asia	**135**	157		4	**100**	133
	1 768	2 336	**12**	9	**1 254**	1 905

The Scientific segment contributed a modest increase in performance over the previous year against the backdrop of soft trading conditions in all its major markets. Reduced operating losses of £3 million in Melles Griot on revenues of £56 million (2002: £5 million loss on revenues of £63 million) reflected the extensive restructuring actions which have significantly reduced the cost base. In the face of weak demand, exacerbated by distributor de-stocking, the Laboratory Group generated operating profits of £6 million (2002: £7 million) on revenues of £82 million (2002: £83 million).

North America: Technology markets weakened further

Technology markets remained soft throughout most of the year. Demand in the first half showed further falls from the low levels of the previous year. The latter months of the fourth quarter showed some promise, with increasing product development activity amongst the customer base, and an increasing number of requests for quotation from OEM customers.

The semiconductor capital equipment sector which accounted for 27% of Melles Griot's sales (2002: 28%), hit a new low in the first half as new projects were constantly delayed. This was primarily a result of significant over capacity amongst the chip manufacturers which reduced demand for manufacturing and test equipment. Activity is now improving, particularly in the areas of memory repair and patterned wafer inspection.

Biotechnology saw softness in the first half, particularly in the areas of analytical instrumentation, ophthalmology, and pharmaceuticals. The earlier slowdown was largely driven by economic uncertainty, but the FY03 exit rate suggests improving market conditions.

The Metrology sector, consisting of manufacturers of precision measurement instrumentation, remained relatively flat throughout the year. A number of OEM projects currently under way will provide some growth opportunities as the US economy recovers.

Research spending in government, education and industry has remained relatively constant year-on-year.

Extensive restructuring and cost reduction programmes carried out in the previous year partially offset the further weakening market conditions. Trading losses were, therefore, reduced, despite lower sales volumes. Further action to reduce the cost base and to realise productivity gains in both our US manufacturing and European distribution operations resulted in some additional one-off costs in the final quarter.

On a more positive note, the consolidation of our Melles Griot optics manufacturing and coating operations in Rochester, New York, which will be completed at the end of December 2003, will improve both manufacturing efficiencies and technical leverage in the marketplace whilst providing a more comprehensive service to Original Equipment Manufacturer (OEM) customers. Our catalogue-based photonics components distribution (Catalogue) business, which presents a good growth opportunity, has been given an enhanced strategic focus under a dedicated business team. Fiscal year 2003 also brought some useful gains in laser market share, particularly with respect to Argon-ion lasers.

Cash management continued to receive close attention with tightly controlled working capital. Capital projects completed at the Rochester, New York and Tamagawa, Japan, facilities will maintain the company's position as a leading supplier to the semiconductor equipment sector. The industry is currently transitioning to optical solutions at deeper ultraviolet wavelengths, which are key components in the chip-making process.

Ongoing research and development of laser technology revolves around solid-state devices serving biotechnology, ophthalmology, genomics and metrology applications. Melles Griot is also moving toward higher-level subassemblies for key customers, often incorporating laser, optical, opto-mechanical and electronics technologies into a single package – referred to as Electro Optical Assemblies.

Europe: Laboratory markets impacted by destocking

The Laboratory business encountered weaker trading conditions and performance was below last year's record outcome. In Europe trading conditions remained difficult with the state funded scientific research and education sectors experiencing reductions in the larger euro zone markets, many of which are experiencing sizeable budget deficits. Spending on R&D by the pharmaceutical industry in many key markets was also depressed. There was significant destocking by our distributors, which exacerbated the generally soft conditions, but this is not expected to continue into 2004. Trading in the Far East was depressed by the SARS impact and the Iraq war reduced demand and delayed the award of some tenders. Recovery was experienced in these regions towards the end of the year.

Barloworld Scientific is planning to widen the scope of the Investors In People standard to include other sites and will undertake the registration of its manufacturing facility in South Wales early in the new year.

For more information on Investors In People, visit www.IIPuk.co.uk

The plastics business segment continued to perform well including the full benefits of the LIP integration carried out in the previous year. New capital investment has helped to maintain competitiveness and quality.

The Carbolite furnace business had another good year with a particularly strong performance from the industrial contract business helping to offset weaker laboratory demand. The benefits of the integration of the US sales operation into the existing laboratory distribution structure has been seen in improved demand and reduced costs.

Benchtop science equipment demand was particularly affected by market conditions across a broad spectrum of markets and sales declined, an effect which was mirrored by our peer group in both Europe and North America. However, many new and improved products were launched during the year and these will help to support an expected recovery through 2004.

A key focus throughout the year was on the achievement of further integration benefits from the Protean plc acquisition of June 2002. The re-organisation of distribution arrangements for the acquired businesses, completed in the previous year, began to generate the expected improvement in local market performance. Sharing of manufacturing and technical capabilities has reduced costs and resulted in a significant number of new products which were launched during the year.

In furtherance of the Value Based Management programme within the Laboratory Group significant time has been spent on developing business and operational value scorecards. Lean enterprise programmes have been deployed in all manufacturing operations resulting in a number of projects being undertaken using techniques such as 5 'S' and Costed Value Stream Mapping targeted on inventory and scrap reduction. To underpin these developments significant efforts have been made in the training and development of our employees in change techniques and in skill based National Vocational Qualifications (NVQs).

Mick Wheble, Production Supervisor at Barloworld Scientific in Stone, Staffordshire was recognised by industry training body. Glass Training Limited for the work he has done during the last fourteen years on development of the National Vocational Qualification programme within the scientific glass industry in the United Kingdom.

The emphasis on manufacturing competitiveness and cost reduction has been maintained with a number of successful projects being initiated during the year. New capital investment to further automate part of our disposable manufacturing plant in South Wales was commissioned and a programme to reduce scrap in our glass manufacturing plant in Stone showed good progress. Focus on product design has been enhanced by value engineering and "design for assembly" practices. We continue to develop low cost component sourcing on a global basis and improved systems for the management of the supply chain are being installed to support further reductions in inventory.

There is continued focus across all of our Laboratory operations on improving the levels of service and support and a local service capability for equipment has been installed in key European markets. All ISO9000 registered operations (seven of our ten sites) successfully completed the transition to ISO9000/2000, well before the December 2003 deadline.

2004 outlook

The downturn in the technology markets which impact Melles Griot has been exceptionally deep and prolonged. There are some tentative signs of recovery in a number of sectors, although this is reflected more in quotation activity than in confirmed new orders. A gradual recovery is expected during the year with a more pronounced trend developing in the second half.

The Laboratory business is expected to resume a modest growth trend in the coming year as the impact of destocking is eliminated, the benefit of new products is felt and European economies show a recovery.

Overall the segment should see profitability recover in 2004.

BARLOWORLD SCIENTIFIC'S STONE OPERATION IN THE UNITED KINGDOM HAS BEEN AWARDED THE PRESTIGIOUS INVESTORS IN PEOPLE STANDARD.

This standard is internationally recognised, independently audited and ensures a consistent approach in people management and development across the business. Companies achieving the standard typically show improvements in terms of productivity, customer satisfaction, communication and team-work.

John Whitehouse, managing director of Barloworld's Laboratory Products Group, says: "Investors in People builds on the success of our National Vocational Qualification (NVQ) programme, and is totally consistent with Value Based Management. To achieve this award, we had to demonstrate our commitment to the training and development of staff at all levels of the organisation. Achieving this standard at the first attempt shows that we are already doing the right things."

The award was made following a three-day audit of the operation, which involved a review of HR policies and procedures, and most importantly, interviews with 31 employees who were selected at random by the assessors.

The Assessor reported, "The interviews indicated a strong belief that the company is a good employer that is genuinely committed to the training and development of its workforce".

To obtain the Investors In People Award, the company had to demonstrate that:

- *The organisation is committed to supporting the development of its people;*
- *People are encouraged to improve their own, and others' performance;*
- *People believe that their contribution to the organisation is recognised;*
- *The organisation is committed to ensuring equality of opportunities;*
- *The organisation has a clear plan and objectives, understood by everyone;*
- *The development of employees is in line with the organisation's aims and objectives;*
- *People understand how they contribute to achieving these aims and objectives, and*
- *Managers are effective in supporting the development of employees.*

COATINGS

Leadership team

André Lamprecht (51), IMD, Chief Executive Officer. 22

Garth Smart (46), BA, LLB, MBA, Chief Operating Officer. Managing Director, Barloworld Coatings Australia. *16*

Mike Christie (47), BA, MBA, Managing Director, Barloworld Plascon SA. *14*

Ebrahim Mohamed (49), BA, BCom, Executive Director, Barloworld Plascon SA and Managing Director, Barloworld Plascon Africa. *21*

Doug Thomas (45), BAcc, CA(SA), Financial Director, Barloworld Coatings Australia, Group Financial Director (with effect from 1 December 2003). *22*

Doug Swanson (51), BA, MBA, Managing Director, Barloworld Plascon Automotive. *28*

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.

	Revenue Year ended 30 Sept		***Segment result*** Year ended 30 Sept		***Net assets*** 30 Sept	
R million	***2003***	2002	***2003***	2002	***2003***	2002
– South Africa	**1 104**	1 071	**107**	78	**359**	445
– Rest of Africa	**121**	114	**15**	14	**26**	23
– Europe		81		3	**7**	16
– Australia and Asia	**1 028**	1 235	**33**	36	**262**	312
	2 253	2 501	**155**	131	**654**	796
Share of associate income			**30**	28		

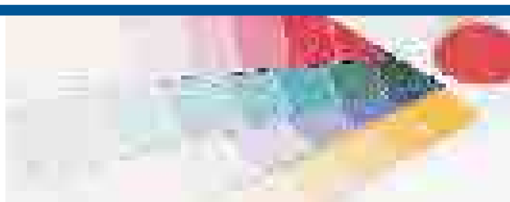
All operations reported a pleasing result for 2003. Although our Australian operations reflected a result ahead of the prior year, in local currency, the rand appreciated by an average of 15% against the Australian dollar, which resulted in lower reported rand earnings. The same factor affected part of our African operations outside South Africa.

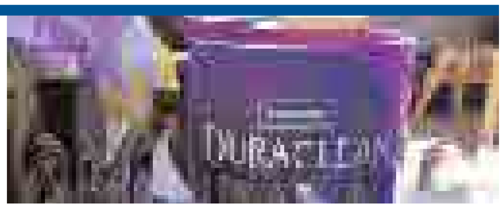
The segmental result inclusive of associate income of R30 million (2002: R28 million) totals R185 million, representing an increase in earnings of 16% on the prior year.

South Africa: Strong performances from both our Architectural/Industrial and Automotive coatings businesses

Our architectural/industrial coatings business had a very good year with Value Based Management (VBM) the driving force behind the trend to higher returns. VBM has become a way of life with all employees aware of and involved in the improvement of our value drivers. We also have in place individual employee objectives that are clearly aligned to the company's overall objectives and serve as the basis for our employee incentivisation programme. The Mission Directed Work Team (MDWT) principles introduced into our factories last year have been extended from operations to the finance and technical functions. The MDWT programme will be extended to the rest of the company in 2004.

During the year our paint volumes declined as high interest rates in the earlier part of the year, led to poor consumer purchases well into the second half of the year. This together with an overall decline in business confidence drove volumes lower for the year. Whilst our market share increased in the premium segment of the market it reflected a decline in the low cost segment. This issue was addressed in the last quarter and we have already started to regain volumes. The current lower interest rates should also result in rising demand in the period ahead. The premium segment strength combined with the continued emphasis on margin





management also by the use of centralised pricing, played an important part in our excellent performance.

Our ongoing programme of bringing new products to market continued and we increased our investment in brand support. This ensured we commanded premium prices for our products as we maintained market leadership in research, advertising, colour support and promotion. Some notable achievements during the year were our sponsoring and involvement at Decorex, National Colour Day, the launch of Suede, the relaunch of Velvaglo and the introduction of new colour palettes.

In the trade and industrial markets we have also had some success with the introduction of new products. This combined with an emphasis on adding value resulted in improved margins in this area despite a very competitive environment.

The price of our key raw materials, notably solvents and titanium dioxide, rose during the year. Initially only part of the increase could be recovered but with the strengthening of the rand and decrease in raw material costs, we were able to catch up on the backlog and this also contributed to year on year margins improving.

We have a policy of covering forward our mainly euro and dollar based raw material imports to reduce the level of foreign currency volatility in the business. Contracts are entered into on an order-by-order basis for a period not extending beyond three months and have allowed the IAS21/39 market-to-market adjustments to be reduced to a minimum given the continued strengthening of the rand.

Expenses for the year were kept below inflation through efficiency improvements and focused cost-control; this despite wage settlements averaging 9% and higher fuel costs impacting on delivery costs.

In Automotive coatings the strategic alliance with Du Pont has seen continued growth in market share. During the year sales to Nissan and Toyota increased substantially, adding to our already extensive customer base, and we continue to be the major supplier to the South African manufacturing operations of DaimlerChrysler, BMW and Volkswagen.

The relationship with our technology partner Du Pont also continued to work well. An audit team from Germany visits Port Elizabeth once a year to do an overall assessment. Various staff members from our automotive business are sent to Germany and Belgium for training courses and conferences to stay abreast with the latest technology.

An Environmental Management System based on ISO14000 Code of Practice has been established at all of our paint manufacturing sites in South Africa. Our baseline emissions have been quantified at all factories and process and engineering modifications put in place to mitigate the environmental impact of all our manufacturing processes. Suppliers, sub-contractors and our employees have been trained to implement improvements that contribute to sustainable development. A programme to replace all asbestos in the company was implemented and this will result in the removal of all asbestos within a five-year period.

A company Aids programme was implemented in southern Africa in 2003, as was an Employee Assistance Programme. Our Employment Equity Targets were met and exceeded in many areas.

Our warehousing and distribution functions at Alberton, Gauteng were outsourced to Barloworld Logistics during 2002 and ran very successfully during 2003. Logistics were able, by improved route planning to reduce the number of deliveries per week resulting in fewer trucks being used and thereby reduce delivering costs.

Associate companies: Sale of business

Our investment in Schenectady, a supplier of phenolic resins to the tyre industry amongst others, was disposed of during the year. Schenectady Incorporated, the US parent company, decided to extend their operations in South Africa and wished the company to become wholly owned. This ended a relationship between the companies dating back to the 1960s.

Rest of Africa: Stronger rand reduces earnings

Results were largely impacted by the strength of the rand, with a 50% depreciation of the Malawian Kwacha and almost 40% on the Zambian Kwacha.

Increased competitor activity on the Copper Belt in Zambia and generally soft trading conditions depressed the Zambian results, with Malawi bearing the brunt of currency devaluation. Botswana and Namibia both continued to perform well whilst Swaziland delivered a stronger performance owing to tight asset management and a few large road-marking orders.

It was nevertheless pleasing that our African operations were still able to report an increase in profits on the prior year, resulting from a much stronger performance towards the end of the financial year.

Australia: Sustained profitability

In Australia, the market has shown solid growth over the year fuelled by ongoing investment in new housing and low interest rates. The business continues to show improvement, building on the platform created last year. Volumes have grown in line with this market growth. The emphasis remains on margin management, customer service and the introduction of new products.

The year has seen growth in our market share in the two dominant retail chains of Bunnings and Mitre 10. These chains account for over 50% of all retail architectural coatings sales in Australia. Fuelled by the robust economy, we have been able to take

"AS A CONSEQUENCE OF OUR CREATING A POINT OF DIFFERENCE PEOPLE DEVELOPMENT PROGRAMME, OUR STAFF TURNOVER HAS DECREASED 33% AND WE DEVELOPED OUR PEOPLE SIGNIFICANTLY: THE DIFFERENCE IS ASTONISHING".
ROBERT WHITEN, GENERAL MANAGER – STORES GROUP, BARLOWORLD COATINGS.

Creating the Point of Difference began three years ago as a vehicle to bring together stores and sales people from the old Bristol Business and the Taubmans Trade Centres into one business unit, Barloworld Coatings (Aust) Pty Limited. Over 400 Sales Account Managers, Store Managers and staff have participated annually in the programme which covers topics such as; pillars of success, exceeding customer expectations, creating a Point of Difference in our stores, handling customer complaints, creating customer value,s ales planning, enhanced selling skills, leading for success, developing a high performance team, key performance indicators, communication strategy, coaching skills and a managers development programme.

We conduct structured Point of Difference Communication Meetings, with all staff monthly. We have Point of Difference Achievers Awards, recognising local efforts. We have Point of Difference Sales Meetings. As a result of the programme we have introduced Key Responsibility Areas and Key Performance Indicators in every department, aligned with our Value Based Management Strategy. We have introduced a two year Stores Management Cadet Programme and currently have over 60 people studying Retail Certificate II, III, IV and Frontline Management over and above the Point of Difference Programmes.

What began as a tool to break down barriers and create high performance in our business is now embedded in our culture and an integral part of how we operate.

advantage of the major opportunity represented by the retail market. This we have done through our relationships and support for the retail chains. One such opportunity was the push into New Zealand in partnership with Bunnings with a limited White Knight brand offering that has proved to be very successful. Expectations are that we will be able to expand this offer during the coming year. White Knight continues to play a supporting role in our retail strategy and the brand continues to show excellent year on year growth.

One of the highlights of the Taubmans brand was the launch of a new colour selection tool called 60:30:10, enabling the consumer to make their colour selection in the home by way of the web. This exciting new initiative has excited the resellers in the market and we have seen our presence expand into new areas. This is a significant value add for our resellers as it draws these consumers into their stores where they can make the sale.

The ongoing stores programme of ensuring that we are properly positioned and resourced to service the trade and contractor market continued during the year. A number of stores were merged whilst a total of nine stores were upgraded during the period. The focus on growth saw us open six new stores, mainly in high growth corridors. This is consistent with the strategy adopted three years back of ensuring that our entire stores network is branded Bristol and that we have a consistent and complete offer for the market. Overall we now have 83 stores countrywide (2002: 80 stores).

We have opened a Representative Office in Shanghai and now employ a number of local staff. Volumes continue to grow in China and we are currently evaluating local production alternatives that would give us considerably more flexibility as well as allowing us to expand sales in the country more vigorously.

Developing our people

A foundation of our success is the skills and commitment of our 2 610 employees (2002: 2 722). Investment in training and skills development in 2003 equated to over 2% of our salary and wage bill. This investment is set to grow further in 2004.

2004: An optimistic outlook

In South Africa, the interest rate cuts in the past few months should see an increase in both consumer and business confidence and this should flow through to architectural paint sales. Automotive volumes will benefit from growing exports by Toyota in 2004. This should be sufficient to offset the expected decline of DaimlerChrysler and BMW unit builds due to the introduction of their new models.

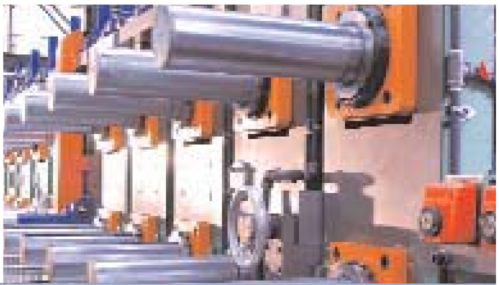
Business in the rest of Africa has reflected volume growth over the latter part of the past year and we will be looking to expand our presence and supply of Plascon product into a number of additional African territories in 2004. The expansion of DSTV more widely in Africa has also allowed the brand to get far more exposure in these markets.

The current levels of the rand will assist in maintaining margins and will allow us to be more aggressive at the lower end of the market in South Africa. We have an extensive marketing plan in place that will see increased brand support and the introduction of a number of new products.

We also aim to continue to grow our market share in Australia and are well positioned in both the retail and trade segments to take advantage of the market conditions that continue to remain relatively buoyant, particularly the housing sector.

Our VBM initiatives continue to show results and should ensure that we again build on our 2003 result and produce further profit growth in 2004. Whilst remaining focused on margin management, value engineering and effective cost controls amongst others, a number of growth strategies are also being pursued.

STEEL TUBE



Leadership team

Mike Coward (50), CA(SA), Chief Executive Officer. *26*

Charles Bester (47), BA Soc Sc (GPP), Executive Director. *17*
Geoff Colloty (55), BEcon, Group Marketing Director. *31*
Ben de Klerk (49), CA(SA), BCompt (Hons), CTA, Managing Director, Barloworld Robor Tube. *7*
Gordon Gilmer (45), Managing Director, Barloworld Robor Precision. *5*

Rex Hilligan (54), Managing Director, Barloworld Robor Open Sections. *9*
Neill le Roux (46), BCom, MBA, Group Human Resources Director. *1*
Pieter Liebenberg (57), BCom, MBA, Managing Director, Barloworld Robor Pipe Systems. *31*
Geoff Pallister (61), MSc (Eng), Pr Eng, Group Projects Director. *30*
Alwyn Smith (38), BAcc, MPhil (Oxon), Managing Director, Barloworld Stainless. *8*

Ian Stevens (53), BCom, CA(SA), Group Financial Director. *19*
Ian Walters (54), BCom, MBA, Information Systems Director. *22*

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.

	Revenue Year ended 30 Sept		*Segment result* Year ended 30 Sept		*Net assets* 30 Sept	
R million	***2003***	2002	***2003***	2002	***2003***	2002
South Africa	**1 736**	1 720	**38**	84	**514**	486
Share of associate income			**5**	11		

The financial year started with the trend from the second half of 2002 of rising international dollar prices for steel coil continuing. Prices peaked in February 2003 at US$310 per ton and thereafter dropped quickly as a result of slowing demand in China to US$230 per ton in June before rising again in the next three months.

The domestic market produced relatively steady demand for steel tube and pipe until March 2003. Thereafter, demand faltered under the impact of high interest rates, falling exports of our customers, and a general slowdown in trading activity. Uncertainty over the Mining Royalty Bill and the strong rand also brought mining development projects to a standstill. Overall domestic demand for carbon steel tube fell by 8% compared with the previous year.

The combination of all these factors, particularly the simultaneous drop in international steel prices and the impact of the strengthening rand on our own exports saw a substantial drop in profitability during the second half of our financial year.

Turnover for the year rose marginally despite a decline in total sales volumes. The strong start to the year saw export volumes improve over 2002 by 9%.

Operating profit dropped sharply in the second half with the greatest impact being in tubular products. We estimate that the strong rand reduced our export profits by R21 million in the year, compared to 2002.

Tubular products

Profits declined substantially as the hot rolled mills experienced the full force of the deterioration in trading conditions.

Domestic demand slowed sharply and export orders became difficult to secure at reasonable margins in the second half of the year. Margins were further pressured by destocking in the supply chain as steel prices began to fall.

The export supply chain was improved considerably with the commissioning of a 6 000 square metre warehouse at our factory site in Johannesburg that facilitates sorting before shipping to the coast.

Value added products

Our stainless steel operation, which produces welded steel tube from nine mills, experienced a difficult year following a significant increase in the cost of stainless steel coil supplied by Columbus Stainless. This had the effect of almost rendering our export business unviable. Fortunately, a more acceptable arrangement has now been concluded and exports are beginning to recover.

As a consequence of difficult export markets, our focus on the domestic market increased. A laser welder was purchased, enabling us to expand our product offering in key domestic markets. In addition pipe cutting and fittings manufacturing equipment have been ordered to facilitate access to value adding opportunities in the stainless steel market.

Exports will continue to remain important to the stainless steel business but are unlikely to grow at the previous rates.

The Precision tube operation, which supplies mainly cold rolled longitudinally welded steel tube to a wide spectrum of markets including automotive, furniture and power generation, had a difficult year with declining demand exacerbated by management changes. Management is now stable and a substantial improvement in performance is expected in 2004.

The Open Sections business, which produces cold formed steel sections, overcame the adverse trading conditions, maintained market share and produced higher profits. This was mostly due to a focus on custom designed value added profiles. A new quick change purlin mill with integrated in line punching facilities was installed and commissioned just before the year-end. This mill will significantly reduce manufacturing lead times for all products requiring value added punching and lay a platform for sustainable improvements in efficiencies and quality.

The Cold Form operation, which is a key supplier to the mining industry also had a good year despite the shortage of shaft work following delays in certain key projects.

Solutions

Our piping solution business, Robor Pipe Systems, had an excellent year with all aspects of the business improving. Revenues increased by 10%, with the new business division contributing more than R20 million.

Considerable research and development continues. A number of new products, all conveyance orientated, are currently being developed and will be commercially launched in 2004.

Our Galvanising business produced lower profits as mining projects declined. Costs have been reduced in line with the lower volumes.

Distribution

Our two joint ventures with our stockist customers in Cape Town and the Reef continued to improve with their increased focus.

Creating value through our people

Employing a well-trained and motivated workforce is key to achieving our value creation goals. This year our training increased 6,7 days per employee. Training is integrated into our Organisation and Employee Value model which we use to assess our employee value creation success.

This year we started a Six Sigma programme. Six Sigma measures process defects and has been successful in many organisations in improving product quality and operating efficiency. The concept has been extensively researched and discussed at senior management level and the rollout is now beginning. This will be a major intervention and will complement our Mission Directed Work Team effort and VBM.

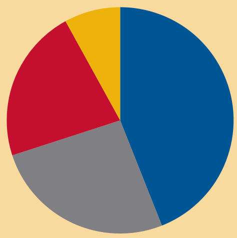
2004 is expected to be a better year

Following the turbulence caused earlier this year by sharply declining prices both locally and overseas, declining demand and unfavourable supply arrangements, conditions have become more settled.

Domestic prices in South Africa appear to have bottomed and international steel prices have steadied and firmed. Demand has returned although it remains weak both locally and internationally.

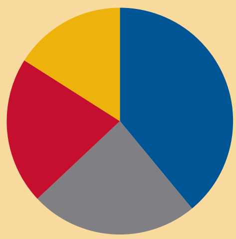
We expect a more stable international coil price scenario in 2004 and on this basis profits in our domestic business should improve considerably, particularly if the South African economy is revitalised by the interest rate cuts in 2003. Export operations are being structured on the assumption that the rand will remain strong and overall we expect profits to rise in 2004.

TURNOVER ANALYSIS 2002



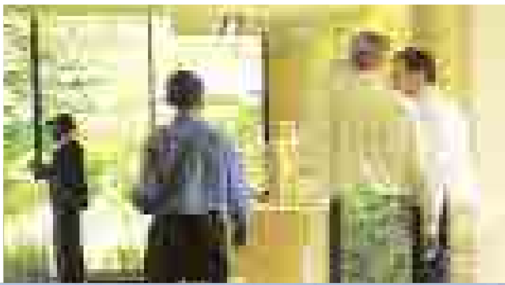
Tubular	44%
Value added	26%
Solutions	22%
Distribution	8%

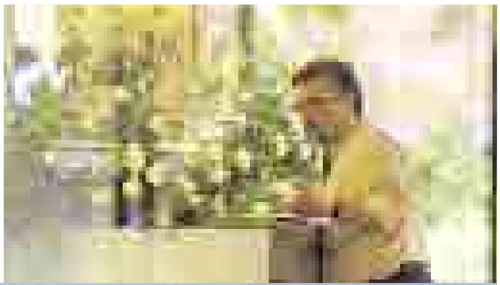
TURNOVER ANALYSIS 2003



Tubular	39%
Value added	24%
Solutions	21%
Distribution	16%

CORPORATE OPERATIONS AND OTHER





Leadership team

CORPORATE OPERATIONS

Paul Acott (58), BA (Hons), FCA, Group Internal Auditor. *22*
Andrew Bannister (46), BBusSci(Hons), CA(SA), ACA, Finance Director, Barloworld Holdings Plc. *18*
Mike Barnett (61), H Dip Tax Law, H Dip Co Law, Group Company Secretary. *23*
Gary Berndt (44), BA, LLB, MBA, Group Legal Adviser. *15*
Arthur Christie (61), CA(SA), Group Retirement Benefits Manager. *35*
Liz Dougall (46), CA(SA), PGDip Tax (Natal), Group Taxation Manager. *4*
Mark Drewell (41), MA (Oxon), Head of Corporate Communication. *13*
Clive Manby (53), BCom, CA(SA), Head of Corporate Planning. *26*
Ivan Martin (62), ACII, CIP, Group Risk and Insurance Manager. *9*
Jim Murphy (50), BSc, MBChB, DOH, Occupational Health Manager. *19*
Marshall Murton (62), FCIS, HDip Tax Law, Group General Manager, Administration. *44*
Dave Powell (57), BSc, Chief Information Officer. *30*
Pieter van Dam (47), BSc (Civil) Eng, MBA, Group Strategy Facilitator. *3*
Johan van Wyk (40), CA(SA), Group Financial Controller. *13*

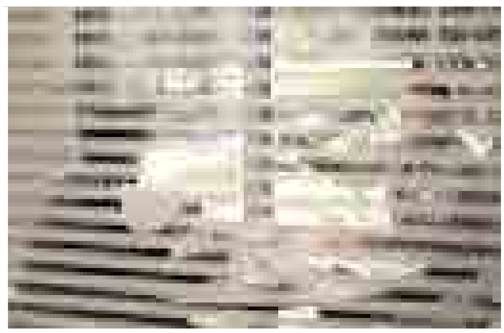
LOGISTICS

Paul Stuiver (46), BEng (Met), Chief Executive Officer. *20*
Barry Saxton (60), PMD (Harvard), Marketing Director. *2*
Mark Tarlton (44), BSc Eng, MBL, Business Development Director. *16*
Francois van Rensburg (38), CA(SA), Financial Director. *7*
John Williamson (58), CA(SA), Director Supply Chain Management. *2*

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.

	Revenue		***Segment result***		***Net assets***	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
R million	***2003***	2002	***2003***	2002	***2003***	2002
– South Africa*	**234**	176	**(72)**	(33)	**232**	173
– Rest of Africa	**39**	80	**(4)**	6	**273**	287
– Europe	**583**	745	**(2)**	51	**1 077**	1 438
	856	1 001	**(78)**	24	**1 582**	1 898

** Net of Logistics inter group revenue of R202 million (2002: R187 million).*



Corporate operations

Corporate operations include the following services and activities provided from the corporate headquarters in Johannesburg, South Africa: Value Based Management and strategic planning, corporate finance, information technology, treasury, legal and tax, internal communication, investor relations, corporate brand building, company secretarial, internal audit, as well as risk and insurance management. Also included are the corporate operations and treasury of Barloworld PLC in London and the small corporate offices in Australia, Namibia and Botswana.

The current year segment result includes negative fair value adjustments on financial instruments of R14 million compared to a prior year gain of R13 million. The prior year also included a R48 million profit on the sale of assets.

During the past year the number of company-wide initiatives has continued to grow as we systematically increase the integration of Barloworld.

Barloworld Logistics continues to develop

Barloworld Logistics won two gold medals at the 2003 South African Logistics Achiever Awards (the annual "Oscars" for the southern Africa logistics industry). The awards were for a collaborative transportation management using leading edge technology at Pretoria Portland Cement and a collaborative planning solution for the grain industry at farming co-operative Afgri.

Following a number of strategic acquisitions during 2002, we have become one of the leading logistics providers in southern Africa focused on the design, implementation and management of integrated logistics solutions to corporate clients. Our business model seeks sustainability and growth by providing outsourced services through strategic relationships that tend to increase in scope and complexity as they mature. Our product offering in southern Africa spans most supply chain activities, ranging from "intellectual" services such as network design and software, to "execution" services ie transportation and warehousing. In the United Kingdom and USA we are focused on inventory management.

Current activities include the management of inbound, in-house and outbound logistics on behalf of clients in the agricultural, building, manufacturing, retail and defence industries.

Significant growth in clients, revenue and profitability was achieved in southern Africa and the United Kingdom during 2003. Past acquisitions were successfully integrated and consolidated. Other highlights for the year include good progress with employee development, implementation of an ERP system and the launching of a global procurement initiative on behalf of the Barloworld Group.

The growth in outsourced logistics opportunities, especially in southern Africa, is expected to continue for the foreseeable future. We are ideally positioned to continue our growth strategy in southern Africa and the United Kingdom and are considering the establishment of a more permanent presence in the United States.

Logistics in Spain

The logistics business in Spain has continued on the expansion path with over 60% of turnover in respected third parties. Operating profit suffered as a result of difficult trading conditions in its markets. There were also increased costs associated with creating additional warehousing facilities for future growth and we now employ 112 people. The most important contracts won this year have been Casbega (Coca-Cola), Exel Valdemoro, Ramos Sierra, Hella Behr, G. Bloete, BICC and DaimlerChrysler. As part of our VBM initiatives to increase efficiencies, our Spanish and Portuguese inventory management systems have been unified. We have added further space to the Arganda facilities outside Madrid to meet the needs of our growing volumes in the warehousing and distribution contract for Exxon-Mobil oil products.

Other business activities

Other business activities contained within this segment include our 20% share in Barloworld Concrete Industries (BCI) in Namibia and Henry Cooke, the speciality paper maker in the UK.

BCI, while trading profitably, is not a core business for Barloworld and an 80% shareholding in this business was sold by way of a management buy-out on 1 October 2002. The remaining 20% shareholding is being held with a view to possible disposal to an empowerment company.

Henry Cooke, our speciality paper maker based in the north of England, had another successful year. The company manufactures a range of high performance papers used for medical and food packaging. Operating profit increased over last year assisted by an excellent growth in sales of medical paper. Pulp prices increased during the year but a good performance by procurement management helped to mitigate the impact. The Henry Cooke mill is currently in the process of being sold to Billerud AB, a Swedish paper company operating in similar market sectors. This disposal will complete our strategic objective of divesting our paper interests.

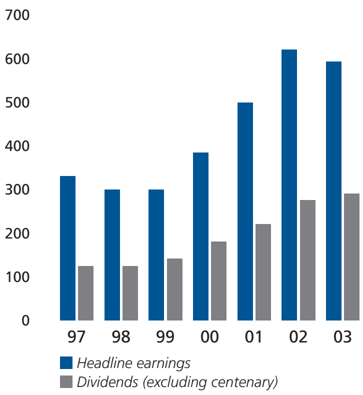
SEVEN-YEAR SUMMARY

for the year ended 30 September 2003

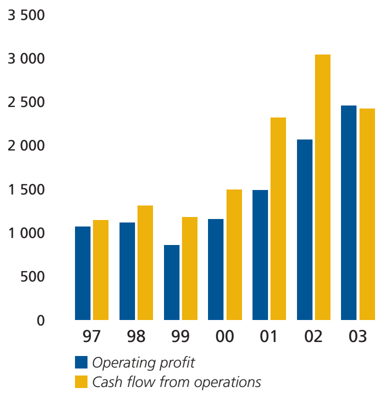
	Annual compound growth %	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998# Rm	1997# Rm
CONSOLIDATED BALANCE SHEETS								
Assets								
Non-current assets								
Property, plant and equipment		**6 672**	7 565	6 053	5 297	4 815	4 384	3 234
Goodwill and intangible assets		**1 464**	1 903	1 530	890	571		
Other non-current assets and investments in associates and joint ventures		**3 501**	4 019	2 874	1 944	1 674	1 697	1 623
Deferred taxation assets		**456**	385	257	188	169	221	117
		12 093	13 872	10 714	8 319	7 229	6 302	4 974
Current assets		**11 547**	13 225	11 232	8 419	7 891	8 237	7 182
Total assets	11,7	**23 640**	27 097	21 946	16 738	15 120	14 539	12 156
Equity and liabilities								
Capital and reserves								
Share capital and premium##		**712**	682	682	690	749	742	539
Reserves and retained income		**8 900**	10 552	8 395	7 208	6 495	4 431	3 835
Interest of shareholders of Barloworld Limited	14,0	**9 612**	11 234	9 077	7 898	7 244	5 173	4 374
Minority interest		**708**	791	625	556	554	555	510
Interest of all shareholders		**10 320**	12 025	9 702	8 454	7 798	5 728	4 884
Non-current liabilities	18,0	**4 870**	5 195	3 845	2 881	2 680	2 052	1 804
Deferred taxation liabilities		**621**	617	318	281	277	371	319
Non-current liabilities		**4 249**	4 578	3 527	2 600	2 403	1 681	1 485
Current liabilities	7,5	**8 450**	9 877	8 399	5 403	4 642	6 759	5 468
Total equity and liabilities	11,7	**23 640**	27 097	21 946	16 738	15 120	14 539	12 156

\# *Not restated for accounting policy changes – IFRS adopted in 2000 financial year and 1999 restated accordingly – restatement of years before 1999 not practical.*
\## *Refer note 12 regarding share buy-backs.*

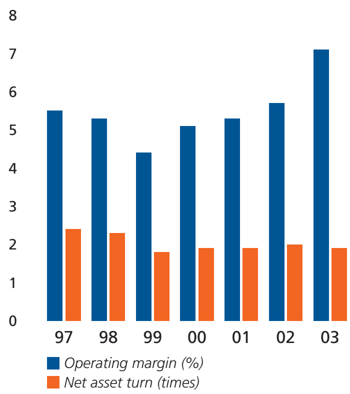
PER SHARE ANALYSIS (cents)



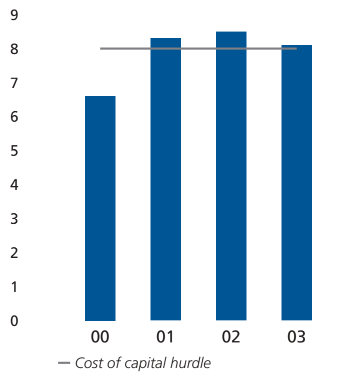
OPERATING PROFIT AND CASH FLOW (R million)



OPERATING MARGIN AND NET ASSET TURN



CASH FLOW RETURN ON INVESTMENT (%)



	Annual compound growth %	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998# Rm	1997# Rm
CONSOLIDATED INCOME STATEMENTS								
Revenue	10,1	**34 603**	35 999	27 945	22 457	19 337	20 883	19 388
Operating profit	14,9	**2 455**	2 067	1 487	1 155	854	1 113	1 067
Fair value adjustments on financial instruments		**(334)**	55					
Finance costs		**(531)**	(401)	(305)	(247)	(293)	(190)	(16)
Income from investments		**274**	253	254	256	296	52	40
Goodwill amortisation		**(102)**	(116)	(88)	(47)	(34)		
Profit from continuing operations before exceptional items		**1 762**	1 858	1 348	1 117	823	975	1 091
Trading loss from discontinuing operations					(30)	(85)		
Profit before exceptional items		**1 762**	1 858	1 348	1 087	738	975	1 091
Exceptional items		**81**	369	(278)	668	951	96	140
Profit before taxation		**1 843**	2 227	1 070	1 755	1 689	1 071	1 231
Taxation		**604**	636	383	302	182	198	327
Profit after taxation		**1 239**	1 591	687	1 453	1 507	873	904
Income from associates and joint ventures		**114**	119	31	40	61	39	29
Attributable net profit		**1 353**	1 710	718	1 493	1 568	912	933
Minority interest and 6% preference shareholders in Barloworld Limited		**212**	207	101	87	73	94	124
Ordinary shareholders in Barloworld Limited	5,9	**1 141**	1 503	617	1 406	1 495	818	809
Attributable net profit excluding exceptional items and trading loss from discontinuing operations	7,4	**1 050**	1 156	884	766	613	655	685
CONSOLIDATED CASH FLOW STATEMENTS								
Cash flow from operations	13,3	**2 419**	3 037	2 317	1 494	1 176	1 311	1 145
Dividends paid (including outside shareholders)	29,3	**(940)**	(649)	(436)	(381)	(324)	(120)	(201)
Net cash flow from operating activities	7,8	**1 479**	2 388	1 881	1 113	852	1 191	944
Net cash flow (used in)/from investing activities		**(1 812)**	(2 621)	(2 834)	(1 764)	724	(1 405)	(1 789)
Net cash flow from/(used in) financing activities		**487**	(24)	1 625	411	(1 122)	(10)	993
Net increase/(decrease) in cash and cash equivalents		**154**	(257)	672	(240)	454	(224)	148

SEVEN-YEAR SUMMARY CONTINUED

for the year ended 30 September 2003

	Annual compound growth %	2003	2002	2001	2000	1999	1998#	1997#
ORDINARY SHARE PERFORMANCE								
Weighted average number of ordinary shares in issue during the period, net of buy-back (000)		**196 028**	195 284	195 613	205 594	214 234	211 497	206 557
Net profit per share (cents)		**582,1**	769,6	315,7	684,0	697,8	386,8	391,7
Earnings per share excluding exceptional items (cents)	8,3	**535,6**	592,0	452,0	372,6	285,8	309,7	331,7
Headline earnings per share (cents)	10,2	**592,8**	621,7	499,0	383,7	300,3	299,8	330,7
Cash equivalent earnings per share (cents)	13,4	**1 287,6**	1 402,2	961,3	1 130,3	1 088,1	600,8	604,7
Attributable cash flow per share (cents)	17,3	**1 099,3**	1 444,6	657,0	630,2	615,0	511,3	421,7
Dividends per share (cents)	15,2	**290**	275*	220	180	141	124	124
Dividend cover (times)		**1,8**	2,2	2,1	2,1	2,0	2,5	2,7
Net asset value per share (cents)	9,5	**5 063**	5 872	4 774	4 081	3 833	3 453	2 932
PROFITABILITY AND ASSET MANAGEMENT								
Operating margin (%)		**7,1**	5,7	5,3	5,1	4,4	5,3	5,5
Net asset turn (times)		**1,9**	2,0	1,9	1,9	1,8	2,3	2,4
Return on net assets (%)		**14,9**	12,8	11,8	12,2	10,7	17,6	19,3
Return on total assets (%)		**11,0**	9,6	8,7	8,9	7,8	12,2	13,3
Return on ordinary shareholders' funds (%)		**10,9**	14,8	7,3	18,6	24,7	17,1	19,4
Return on ordinary shareholders' funds (excluding exceptional items) (%)		**10,1**	11,4	10,4	9,7	8,6	13,7	16,4
Cash flow return on investment – CFROI® (%)		**8,1**	8,5	8,3	6,6			
Replacement capex to depreciation (%)		**54,7**	66,7	61,5	62,9	26,8	77,8	86,1
Effective rate of taxation (%)		**37,3**	37,5	30,6	29,5	25,4	20,3	32,7
LIQUIDITY AND LEVERAGE								
Total liabilities to total shareholders' funds (%)		**123,1**	120,2	122,9	94,7	90,3	147,3	142,4
Total borrowings to total shareholders' funds								
– gross, including leasing operations (%)		**59,5**	59,8	64,1	43,7	42,1	68,2	72,9
– gross, excluding leasing operations (%)		**26,7**	23,3	31,1	12,6	11,6	32,9	41,0
Current ratio		**1,4**	1,3	1,3	1,6	1,7	1,2	1,3
Quick ratio		**0,8**	0,7	0,8	0,9	1,1	0,7	0,8
Interest cover								
– including leasing operations (times)		**3,1**	3,8	3,3	3,3	2,3	2,9	3,9
– excluding leasing operations (times)		**4,1**	6,1	5,4	5,4	3,7	3,5	5,7
Cash realisation rate		**0,9**	1,0	0,7	0,6	0,6	0,9	0,7
Number of years to repay interest-bearing debt – gross		**2,5**	2,4	4,2	2,6	2,3	3,2	3,7
Cash flow from operations to total liabilities		**19,0**	21,0	12,5	17,8	21,1	14,5	13,8

\# *Not restated for accounting policy changes – IFRS adopted in 2000 financial year and 1999 restated accordingly.*
* *Excludes special centenary dividend of 100 cents.*

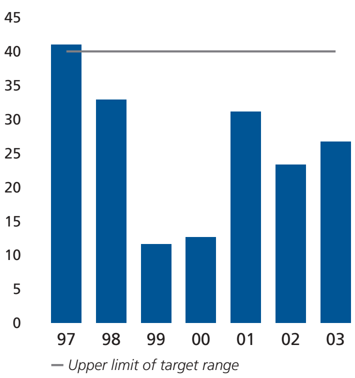
Refer to note 2 on pages 144 and 145 for a list of definitions.

	2003	2002	2001	2000	1999	1998#	1997#
VALUE ADDED							
Number of employees	**22 749**	23 192	23 233	21 966	22 148	27 804	29 681
Revenue per employee (R000's)	**1 506,4**	1 550,8	1 236,4	1 018,1	774,2	726,6	641,8
Wealth created per employee (R000's)	**406,6**	430,6	304,9	300,6	253,6	182,2	168,9
Employment cost per employee (R000's)	**237,3**	251,3	193,2	169,8	137,9	112,1	97,8

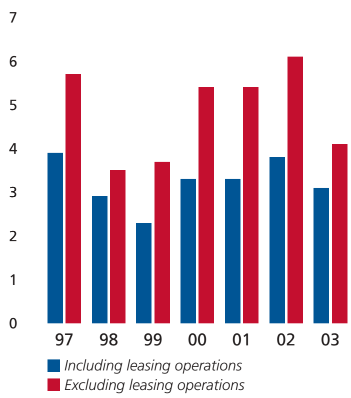
	2003	2002	2001	2000	1999	1998#	1997#
ORDINARY SHARES – JSE SECURITIES EXCHANGE PERFORMANCE							
Closing market prices per share (cents)							
– year-end (30 September)	**5 675**	5 900	4 910	4 450	2 940	2 200	5 325
– highest	**6 359**	7 300	6 200	5 200	3 990	5 450	6 075
– lowest	**4 750**	4 850	3 550	3 125	2 130	2 000	3 965
Number of shares in issue at 30 September (million)##	**196**	195	195	197	214	214	208
Volume of shares traded (million)	**147**	106	97	129	140	104	92
Value of shares traded (Rm)	**8 196**	6 414	4 931	5 372	4 103	4 049	4 594
Earnings yield (%)	**10,4**	10,5	10,2	8,5	9,7	14,6	7,3
Dividend yield (%)	**5,1**	4,7	4,5	4,0	4,8	5,6	2,3
Price: Earnings ratio	**9,6**	9,5	9,8	11,7	10,3	6,8	13,7
Market capitalisation at 30 September (Rm)	**11 142**	11 522	9 588	9 537	6 301	4 708	11 087
Premium/(discount) over interest of shareholders of Barloworld Limited (Rm)	**1 530**	288	511	1 639	(943)	(465)	6 713

The number of shares in issue has been reduced by 19 090 900 (2002: 19 025 200) shares purchased by a subsidiary company in terms of a programme to buy back the company's shares (see note 12).

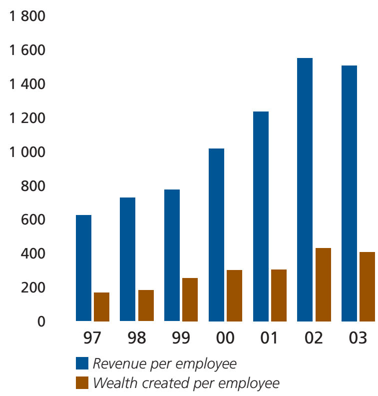
TOTAL BORROWINGS TO SHAREHOLDERS' FUNDS (EXCLUDING LEASING OPERATIONS) (%)



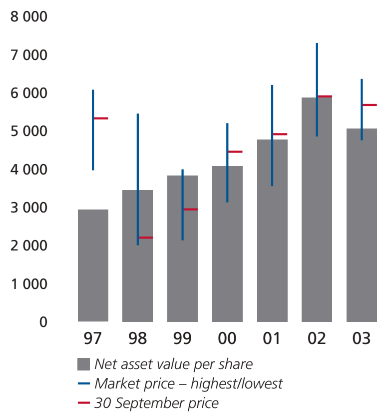
INTEREST COVER (times)



REVENUE/WEALTH CREATED PER EMPLOYEE (R'000)



SHARE PERFORMANCE (cents)



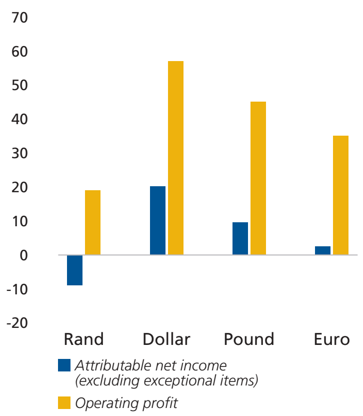
SUMMARY IN OTHER CURRENCIES#

for the year ended 30 September 2003

	US DOLLAR		POUND STERLING		EURO	
	2003	2002	**2003**	2002	**2003**	2002
	$m	$m	**£m**	£m	**€m**	€m
CONSOLIDATED BALANCE SHEETS						
Assets						
Non-current assets						
Property, plant and equipment	**949**	718	**567**	459	**810**	729
Goodwill and intangible assets	**208**	181	**124**	116	**178**	184
Other non-current assets, investment in associates and joint ventures	**498**	382	**298**	244	**425**	387
Deferred taxation assets	**65**	36	**39**	23	**55**	37
	1 720	1 317	**1 028**	842	**1 468**	1 337
Current assets	**1 641**	1 256	**981**	802	**1 403**	1 274
Total assets	**3 361**	2 573	**2 009**	1 644	**2 871**	2 611
Equity and liabilities						
Capital and reserves						
Share capital and premium	**106**	68	**64**	44	**91**	69
Reserves and retained income	**1 095**	692	**653**	442	**935**	702
Non-distributable reserves – foreign currency translation	**166**	307	**100**	196	**142**	311
Interest of shareholders of Barloworld Limited	**1 367**	1 067	**817**	682	**1 168**	1 082
Minority interest	**101**	75	**60**	48	**86**	76
Interest of all shareholders	**1 468**	1 142	**877**	730	**1 254**	1 158
Non-current liabilities	**692**	493	**414**	315	**591**	501
Deferred taxation liabilities	**88**	58	**53**	37	**75**	60
Non-current liabilities	**604**	435	**361**	278	**516**	441
Current liabilities	**1 201**	938	**718**	599	**1 026**	952
Total equity and liabilities	**3 361**	2 573	**2 009**	1 644	**2 871**	2 611

 # These schedules are provided for convenience purposes only. The reporting currency used for the financial statements and notes is South African rand.

PERCENTAGE CHANGE – 2002 : 2003



	US DOLLAR		POUND STERLING		EURO	
	2003	2002	**2003**	2002	**2003**	2002
	$m	$m	**£m**	£m	**€m**	€m
CONSOLIDATED INCOME STATEMENTS						
Revenue	**4 305**	3 380	**2 679**	2 290	**3 990**	3 667
Operating profit	**305**	194	**190**	131	**283**	210
Fair value adjustments on financial instruments	**(42)**	5	**(26)**	3	**(39)**	6
Finance costs	**(66)**	(38)	**(41)**	(25)	**(61)**	(41)
Income from investments	**34**	24	**21**	16	**32**	26
Goodwill amortisation	**(13)**	(11)	**(8)**	(7)	**(12)**	(12)
Profit before exceptional items	**218**	174	**136**	118	**203**	189
Exceptional items	**10**	35	**6**	23	**9**	38
Profit before taxation	**228**	209	**142**	141	**212**	227
Taxation	**75**	60	**47**	41	**70**	65
Profit after taxation	**153**	149	**95**	100	**142**	162
Income from associates and joint ventures	**14**	11	**9**	7	**13**	12
Attributable net profit	**167**	160	**104**	107	**155**	174
Minority interest and 6% preference shareholders in Barloworld Limited	**25**	19	**16**	13	**24**	21
Ordinary shareholders in Barloworld Limited	**142**	141	**88**	94	**131**	153
Attributable net profit excluding exceptional items	**131**	109	**81**	74	**121**	118
CONSOLIDATED CASH FLOW STATEMENTS						
Cash flow from operations	**301**	285	**187**	193	**279**	309
Dividends paid (including outside shareholders)	**(117)**	(61)	**(73)**	(41)	**(108)**	(66)
Net cash flow from operating activities	**184**	224	**114**	152	**171**	243
Net cash used in investing activities	**(226)**	(246)	**(139)**	(167)	**(209)**	(267)
Net cash from/(used in) financing activities	**61**	(2)	**37**	(1)	**56**	(2)
Net increase/(decrease) in cash and cash equivalents	**19**	(24)	**12**	(16)	**18**	(26)
Exchange rates used:						
Balance sheet – closing rate	**7,03**	10,53	**11,77**	16,48	**8,23**	10,38
Income statement and cash flow statement – average rate	**8,04**	10,65	**12,91**	15,72	**8,67**	9,82

BALANCE SHEETS

at 30 September 2003

	Notes	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
ASSETS					
Non-current assets		**12 093**	13 872	**3 384**	2 762
Property, plant and equipment	4	**6 672**	7 565	**245**	231
Other non-current assets	5	**699**	971	**3 071**	2 464
Goodwill and intangible assets	6	**1 464**	1 903	**32**	33
Investment in associates and joint ventures	7	**535**	373		
Finance lease receivables	8	**2 267**	2 675		
Deferred tax assets	13	**456**	385	**36**	34
Current assets		**11 547**	13 225	**38**	107
Inventories	9	**5 010**	5 895		
Trade and other receivables	10	**4 924**	5 509	**22**	95
Taxation		**66**	67	**12**	12
Cash and cash equivalents	11	**1 547**	1 754	**4**	
Total assets		**23 640**	27 097	**3 422**	2 869
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	12	**712**	682	**779**	749
Other reserves		**1 727**	3 789	**63**	67
Retained income		**7 137**	6 727	**1 591**	1 535
Equity portion of convertible bond	14	**36**	36		
Interest of shareholders of Barloworld Limited		**9 612**	11 234	**2 433**	2 351
Minority interest		**708**	791		
Interest of all shareholders		**10 320**	12 025	**2 433**	2 351
Non-current liabilities		**4 870**	5 195		
Interest-bearing	14	**3 404**	3 248		
Deferred tax liabilities	13	**621**	617		
Convertible bond	14		263		
Non-interest-bearing	14	**845**	1 067		
Current liabilities		**8 450**	9 877	**989**	518
Amounts due to bankers and short-term loans	15	**2 559**	3 677	**944**	496
Convertible bond	14	**180**			
Taxation		**461**	479		
Trade and other payables	16	**4 746**	5 168	**35**	13
Provisions	17	**504**	553	**10**	9
Total equity and liabilities		**23 640**	27 097	**3 422**	2 869

INCOME STATEMENTS

for the year ended 30 September 2003

	Notes	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
Revenue	18	**34 603**	35 999	**197**	118
Operating profit	19	**2 455**	2 067	**938**	1 012
Fair value adjustments on financial instruments	20	**(334)**	55	**(9)**	4
Finance costs	21	**(531)**	(401)	**(108)**	(41)
Income from investments	22	**274**	253	**3**	6
Goodwill amortisation	6	**(102)**	(116)		
Profit before exceptional items		**1 762**	1 858	**824**	981
Exceptional items	23	**81**	369	**43**	(38)
Profit before taxation		**1 843**	2 227	**867**	943
Taxation	24	**604**	636	**2**	(24)
Profit after taxation		**1 239**	1 591	**865**	967
Income from associates and joint ventures	7	**114**	119		
Minority interest and 6% preference shareholders in Barloworld Limited		**(212)**	(207)		
Net profit for the year		**1 141**	1 503	**865**	967
Net profit per share (cents)					
– basic	25.2	**582,1**	769,6		
– fully diluted	25.2	**570,5**	750,6		
Earnings per share excluding exceptional items (cents)					
– basic	25.3	**535,6**	592,0		
– fully diluted	25.3	**525,5**	578,7		
Headline earnings per share (cents)					
– basic	25.4	**592,8**	621,7		
– fully diluted	25.4	**580,9**	608,2		
Ordinary dividends per share (cents)	26	**290**	275		
Special centenary dividend per share (cents)	26		100		

CASH FLOW STATEMENTS

for the year ended 30 September 2003

	Notes	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised by) operations	A	**3 523**	3 660	**153**	(133)
Finance costs		**(531)**	(401)	**(108)**	(41)
Realised fair value adjustments on financial instruments		**(320)**	55	**(9)**	3
Dividends received from investments and associates		**69**	67	**837**	1 008
Interest received		**244**	223	**107**	48
Taxation paid	B	**(566)**	(567)	**5**	(4)
Cash flow from operations		**2 419**	3 037	**985**	881
Dividends paid (including outside shareholders)		**(940)**	(649)	**(809)**	(504)
Net cash flow from operating activities		**1 479**	2 388	**176**	377
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries	C	**(46)**	(209)		
Acquisition of property, plant, equipment and intangibles		**(1 882)**	(2 322)	**(34)**	(126)
Replacement capital expenditure		**(671)**	(871)	**(8)**	(1)
Expansion capital expenditure		**(172)**	(410)	**(26)**	(125)
Rental assets		**(1 039)**	(1 041)		
Investment in instalment sale and leasing receivables		**(1 103)**	(828)		
Acquisition of investments		**(248)**	(222)	**(2)**	(27)
Total proceeds		**1 467**	960	**6**	10
Proceeds from disposal of property, plant and equipment		**363**	594		
Proceeds from disposals of investments and other movements		**125**	366	**6**	10
Proceeds on sale of lease receivable book		**881**			
Proceeds from disposals of subsidiaries	D	**98**			
Increase in net amounts owing by subsidiaries				**(620)**	(735)
Net cash used in investing activities		**(1 812)**	(2 621)	**(650)**	(878)
Net cash outflow before financing activities		**(333)**	(233)	**(474)**	(501)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds on share issue		**30**		**30**	
Buy-back of shares in company		**(4)**			
Proceeds from long-term borrowings		**2 906**	1 777		
Repayment of long-term borrowings		**(1 842)**	(1 656)		
(Decrease)/increase in short-term interest-bearing liabilities		**(603)**	(145)	**448**	496
Net cash from/(used in) financing activities		**487**	(24)	**478**	496
Net increase/(decrease) in cash and cash equivalents		**154**	(257)	**4**	(5)
Cash and cash equivalents at beginning of year		**1 754**	1 781		5
Effect of foreign exchange rate movement on cash balance		**(361)**	230		
Cash and cash equivalents at end of year		**1 547**	1 754	**4**	–

All cash at year-end (both years) is available for use.

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 September 2003

		GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
A.	**Cash generated from/(utilised by) operations is calculated as follows:**				
	Profit before taxation	**1 843**	2 227	**867**	943
	Adjustments for:				
	Depreciation	**1 226**	1 305	**20**	8
	Amortisation of goodwill and intangible assets	**163**	119	**2**	2
	Loss/(profit) on disposal of plant and equipment including rental assets	**19**	(77)		
	Profit on disposal of properties	**(27)**	(32)		
	Dividends received	**(30)**	(30)	**(837)**	(1 008)
	Profit on disposal of investments	**(17)**	(264)		
	Profit on disposal of subsidiaries	**(48)**			
	Interest received	**(244)**	(223)	**(107)**	(48)
	Finance costs	**531**	401	**108**	41
	Fair value adjustments on financial instruments	**334**	(55)	**9**	(4)
	Impairment losses	**45**	131		
	Realisation of translation reserve 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**	3	**(4)**	5
	Operating cash flows before movements in working capital	**3 798**	3 244	**58**	(61)
	Increase in inventories	**(463)**	(187)		
	(Increase)/decrease in receivables	**(592)**	172	**73**	(71)
	Increase/(decrease) in payables	**780**	431	**22**	(1)
	Cash generated from/(utilised by) operations	**3 523**	3 660	**153**	(133)
B.	**Taxation paid is reconciled to the amounts disclosed in the income statement as follows:**				
	Amounts unpaid less overpaid at beginning of year	**(412)**	(322)	**12**	5
	Per the income statement (excluding deferred taxation)	**(625)**	(606)	**5**	3
	Adjustment in respect of subsidiaries acquired and sold including translation adjustments	**76**	(51)		
	Amounts unpaid less overpaid at end of year	**395**	412	**(12)**	(12)
	Cash amounts paid	**(566)**	(567)	**5**	(4)
C.	**Acquisition of subsidiaries:**				
	Inventories	**30**	29		
	Receivables	**18**	44		
	Payables, taxation and deferred taxation	**(17)**	(192)		
	Borrowings net of cash	**(49)**	(16)		
	Property, plant and equipment, non-current assets, goodwill and outside shareholders	**34**	230		
	Net assets acquired	**16**	95		
	Goodwill	**30**	114		
	Net cash consideration	**46**	209		
	Reconciliation to total acquisition cost				
	Total cash consideration	**(62)**	(220)		
	Bank balance and cash	**16**	11		
	Net cash outflow arising on acquisition	**(46)**	(209)		
	Pretoria Portland Cement share issue to acquire Portland Holdings		(245)		
	Total acquisition cost	**(46)**	(454)		
D.	**Disposal of subsidiaries:**				
	Inventories	**127**			
	Receivables	**27**			
	Payables, taxation and deferred taxation	**(55)**			
	Borrowings net of cash	**(12)**			
	Property, plant and equipment, non-current assets, goodwill and outside shareholders	**(37)**			
	Net assets disposed	**50**			
	Profit on disposal	**48**			
	Net cash proceeds	**98**			

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2003

	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 2001		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**
Movement on foreign currency translation reserve				1 359							**1 359**
Translation reserve 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	26								(459)		**(459)**
Balance at 30 September 2002		10	672	3 229	18	(27)	478	91	6 727	36	**11 234**
Net movements not recognised through the income statement			30	(2 058)	(6)	(3)	7	(5)	5		**(2 030)**
Share buy-back									(4)		**(4)**
Shares issued in current year			30								**30**
Movement on foreign currency translation reserve				(2 072)							**(2 072)**
Decrease in fair value of hedging instruments						(4)					**(4)**
Hedge reserves transferred to acquisition cost or carrying amount of hedged items – transferred to property, plant and equipment						1					**1**
Decrease in fair value of available-for-sale investments					(6)						**(6)**
Other reserve movements and reclassifications				14			7	(5)	9		**25**
Other net movements					3				405		**408**
Reserve released on disposal of available-for-sale investments					3						**3**
Net profit for the year									1 141		**1 141**
Dividends on ordinary shares	26								(736)		**(736)**
Balance at 30 September 2003		**10**	**702**	**1 171**	**15**	**(30)**	**485**	**86**	**7 137**	**36**	**9 612**

	Notes	Share capital Rm	Share premium Rm	Revaluation reserves Rm	Hedging reserves Rm	Retained income Rm	**Total Rm**
COMPANY							
Balance at 1 October 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	26					(504)	**(504)**
Balance at 30 September 2002		12	737	67		1 535	**2 351**
Other net movements			30	(1)	(3)	56	**82**
Additional shares issued			30				**30**
Hedge reserves charged				(1)	(3)		**(4)**
Net profit for the year						865	**865**
Dividends on ordinary shares	26					(809)	**(809)**
Balance at 30 September 2003		**12**	**767**	**66**	**(3)**	**1 591**	**2 433**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2003

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.

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.

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 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 amortised 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 measurements

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 three categories: (a) fair value hedges which hedge the exposure to changes in fair vale of a recognised asset or liability; (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; and (c) hedges of a net investment in a foreign entity.

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 in 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 in 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 with in 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.

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 hyperinflationary 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 and negative 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 Intangible assets (other than goodwill)
Included in intangible assets are patents, trademarks, capitalised research and development cost and certain costs of purchase and installation of major information systems (including packaged software). Intangible assets are amortised over their expected useful lives (generally three to seven years) on a straight-line basis.

1.15 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.

1.16 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.

1.17 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.

1.18 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, other than a temporary 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.

1.19 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.

1.20 Partnership interests
Partnership interests are accounted for in the group accounts by consolidation of the financial position and results of the partnerships.

1.21 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.

1.22 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

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.

1.23 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.

1.24 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 preformed 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.

1.25 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.

1.26 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.

1.27 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

2.1 Cash flow return on investment (CFROI®)

CFROI® represents an internal rate of return calculation for the business as a whole using the following components:

- Gross cash flow (the after tax cash flow from the company's operations consisting of accounting operating profit before depreciation, amortisation and other non-cash items adjusted for the add back of lease costs) (Pmt)
- Recurring annually over the estimated average economic asset life of the asset base (including leased assets) (n)
- Plus working capital and other non-depreciating assets (eg land and estimated residuals on rental assets) realised at the end of the life (Fv)
- Expressed as a return on current inflation adjusted gross assets (both depreciating and non-depreciating and including operating leases capitalised at today's real interest rate) (Pv)

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 3 865 6). CFROI® is a registered trademark in the United States of Credit Suisse First Boston or its subsidiaries or affiliates.

Cost of capital

In terms of the CSFB HOLT methodology, this is an empirically market derived real discount rate which is company-specific with adjustments for size and financial leverage differentials.

It is the real cost of capital against which our CFROI® returns are measured for performance management purposes (internal minimum hurdle rate has been set at 8%) and is the discount rate generally used in discounted cash flow (DCF) calculations for valuation purposes.

Total shareholder return

Total shareholder return is the nominal 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.

2.2 Current ratio

Current assets divided by current liabilities.

2.3 Dividend cover

Earnings per share excluding exceptional items divided by dividends per share.

2.4 Earnings per share

Basic

Net profit per share

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.

Earnings per share (excluding exceptional items)

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.

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.

Fully diluted

All earnings numbers as in the basic calculations above are adjusted by the after tax interest saving assuming conversion of 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 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.

2.5 Cash realisation rate
Percentage of the potential cash earnings realised – Attributable cash flow per share divided by cash equivalent earnings per share.

2.6 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).

2.7 Employment cost per employee
Employment cost divided by the average number of employees.

2.8 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).

2.9 Net assets
Segment assets less segment liabilities.

2.10 Segment assets
Total assets less deferred and current taxation assets.

2.11 Segment liabilities
Non-interest-bearing current and non-current liabilities, excluding deferred and current taxation liabilities.

2.12 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.

2.13 Net asset turn
Revenue divided by average net assets.

2.14 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.

2.15 Number of years to repay debt
The ratio of total borrowings to cash available from operations.

2.16 Operating margin
Operating profit expressed as a percentage of revenue.

2.17 Quick ratio
Current assets excluding inventories divided by current liabilities.

2.18 Replacement capital expenditure to depreciation
Cash used on replacement capital expenditure divided by the depreciation charge for the year.

2.19 Revenue per employee
Revenue for the year divided by the average number of employees.

2.20 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.

2.21 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.

2.22 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.

2.23 Total assets
Property, plant and equipment, intangible assets, non-current assets and current assets.

2.24 Total borrowings
Total liabilities less non-interest-bearing liabilities, creditors, provisions and shareholders for dividends.

2.25 Total liabilities
Current liabilities and long-term liabilities. Deferred taxation is excluded.

2.26 Wealth created per employee
Wealth created during the year divided by the average number of employees.

Rm	Consolidated 2003	Consolidated 2002	Eliminations 2003	Eliminations 2002	Equipment Trading 2003	Equipment Trading 2002	Equipment Leasing 2003	Equipment Leasing 2002	Industrial distribution Trading 2003	Industrial distribution Trading 2002	Industrial distribution Leasing 2003	Industrial distribution Leasing 2002
3. BUSINESS AND GEOGRAPHICAL SEGMENTS*												
Revenue												
South Africa	**16 601**	15 045			**3 817**	2 790	**207**	99				
Rest of Africa	**2 203**	2 037			**1 501**	1 141						
Europe	**9 568**	11 276			**5 303**	6 199	**80**	69	**2 052**	2 202	**383**	521
North America	**3 675**	4 593							**3 135**	3 812	**74**	61
Australia and Asia	**2 556**	3 048										
	34 603	35 999			**10 621**	10 130	**287**	168	**5 187**	6 014	**457**	582
Inter-segment revenue**			**(1 247)**	(945)	**584**	201		23	**53**			
	34 603	35 999	**(1 247)**	(945)	**11 205**	10 331	**287**	191	**5 240**	6 014	**457**	582
Segment result												
Operating profit	**2 455**	2 067			**1 075**	714	**50**	23	**113**	153	**46**	48
Fair value adjustments on financial instruments	**(334)**	55			**(332)**	32						(13)
Goodwill amortisation	**(102)**	(116)			**(1)**	(2)			**(24)**	(30)		
Total segment result	**2 019**	2 006			**742**	744	**50**	23	**89**	123	**46**	35
By geographical region												
South Africa	**1 110**	980			**67**	88	**43**	12				
Rest of Africa	**202**	210			**170**	136						
Europe	**675**	770			**505**	520	**7**	11	**79**	95	**40**	33
North America	**(18)**	(22)							**10**	28	**6**	2
Australia and Asia	**50**	68										
Total segment result	**2 019**	2 006			**742**	744	**50**	23	**89**	123	**46**	35
Income from associates	**114**	119							**(3)**			
Segment result including associate income	**2 133**	2 125			**742**	744	**50**	23	**86**	123	**46**	35
Finance costs	**(531)**	(401)										
Income from investments	**274**	253										
Exceptional items	**81**	369										
	1 957	2 346										
Taxation	**(604)**	(636)										
Minority interests	**(212)**	(207)										
Net profit for the year	**1 141**	1 503										
Non-cash expenses per segment												
Depreciation	**1 226**	1 305			**283**	211	**79**	52	**203**	267	**223**	309
Amortisation of intangibles excluding goodwill#	**61**	3			**22**				**9**			
Impairment losses	**45**	131			**(1)**	6			**110**			

** The geographical segments are determined by the location of assets.*
*** Inter-segment revenue is priced on an arm's length basis.*
 # The current year includes amortisation of capitalised software development costs. In the prior year this was included with the depreciation of property, plant and equipment.

Motor Trading 2003	Motor Trading 2002	Motor Leasing 2003	Motor Leasing 2002	Cement & Lime 2003	Cement & Lime 2002	Scientific 2003	Scientific 2002	Coatings 2003	Coatings 2002	Steel Tube 2003	Steel Tube 2002	Corporate operations and other 2003	Corporate operations and other 2002
6 652	6 851	**75**	112	**2 776**	2 226			**1 104**	1 071	**1 736**	1 720	**234**	176
302	357			**240**	345			**121**	114			**39**	80
						1 167	1 459		81			**583**	745
						466	720						
1 393	1 656					**135**	157	**1 028**	1 235				
8 347	8 864	**75**	112	**3 016**	2 571	**1 768**	2 336	**2 253**	2 501	**1 736**	1 720	**856**	1 001
178	285					**30**		**133**	180		2	**269**	254
8 525	9 149	**75**	112	**3 016**	2 571	**1 798**	2 336	**2 386**	2 681	**1 736**	1 722	**1 125**	1 255
118	205	**10**	19	**866**	613	**34**	38	**164**	129	**10**	84	**(31)**	41
(16)				**7**	20	**1**		**(8)**	3	**28**		**(14)**	13
(20)	(21)				(3)	**(23)**	(29)	**(1)**	(1)			**(33)**	(30)
82	184	**10**	19	**873**	630	**12**	9	**155**	131	**38**	84	**(78)**	24
72	146	**10**	19	**845**	586			**107**	78	**38**	84	**(72)**	(33)
(7)	10			**28**	44			**15**	14			**(4)**	6
						46	57		3			**(2)**	51
						(34)	(52)						
17	28						4	**33**	36				
82	184	**10**	19	**873**	630	**12**	9	**155**	131	**38**	84	**(78)**	24
76	46			**6**	34			**30**	28	**5**	11		
158	230	**10**	19	**879**	664	**12**	9	**185**	159	**43**	95	**(78)**	24
28	28	**1**	1	**170**	188	**68**	88	**53**	64	**27**	28	**91**	69
				6	1	**9**		**8**		**2**		**5**	2
30					115			**5**		**1**	1	**(100)**	9

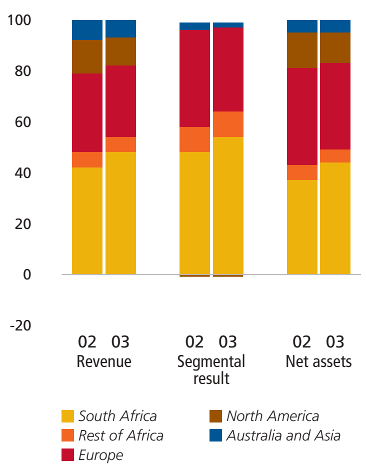
3. BUSINESS AND GEOGRAPHICAL SEGMENTS* continued

			Equipment				Industrial distribution			
	Consolidated		Trading		Leasing		Trading		Leasing	
Rm	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Capital additions										
South Africa	**1 088**	949	**517**	398						
Rest of Africa	**96**	74	**44**	37						
Europe	**420**	913	**283**	223		340	**38**	76	**18**	196
North America	**185**	360					**76**	84	**88**	41
Australia and Asia	**55**	26								
	1 844	2 322	**844**	658		340	**114**	160	**106**	237
Segment assets										
South Africa	**10 055**	10 086	**1 958**	1 721	**1 382**	936				
Rest of Africa	**1 232**	1 435	**496**	402						
Europe	**8 290**	10 646	**3 219**	3 880	**311**	433	**724**	1 062	**1 767**	2 229
North America	**2 476**	3 243					**1 369**	1 907	**670**	630
Australia and Asia	**1 065**	1 235								
Total segment assets	**23 118**	26 645	**5 673**	6 003	**1 693**	1 369	**2 093**	2 969	**2 437**	2 859
Taxation	**66**	67								
Deferred tax assets	**456**	385								
Consolidated total assets	**23 640**	27 097								
Segment liabilities										
South Africa	**2 462**	2 594	**548**	524	**7**	5				
Rest of Africa	**432**	276	**351**	212						
Europe	**2 501**	3 130	**1 618**	2 103	**7**	1	**368**	512	**107**	97
North America	**409**	470					**340**	362	**2**	3
Australia and Asia	**291**	318								
Total segment liabilities	**6 095**	6 788	**2 517**	2 839	**14**	6	**708**	874	**109**	100
Interest-bearing liabilities	**6 143**	7 188								
Deferred tax liabilities	**621**	617								
Taxation	**461**	479								
Consolidated total liabilities	**13 320**	15 072								

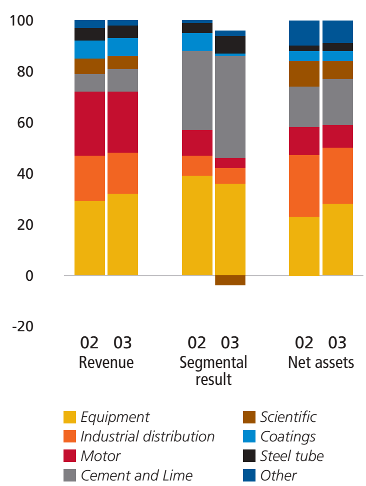
* *The geographical segments are determined by the location of assets.*

	Motor Trading		Motor Leasing		Cement & Lime		Scientific		Coatings		Steel Tube		Corporate operations and other	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	62	117		2	**161**	116			**29**	39	**53**	32	**266**	245
	8	1			**3**	4			**3**	4			**38**	28
							46	56		1			**35**	21
							21	235						
	24	6					**7**	2	**24**	18				
	94	124		2	**164**	120	**74**	293	**56**	62	**53**	32	**339**	294
	1 600	1 388	**9**	885	**3 086**	3 028			**677**	696	**841**	930	**502**	502
	73	67			**378**	675			**42**	41			**243**	250
							928	1 392	**7**	16			**1 334**	1 634
							437	706						
	464	520					**152**	192	**449**	523				
	2 137	1 975	**9**	885	**3 464**	3 703	**1 517**	2 290	**1 175**	1 276	**841**	930	**2 079**	2 386
	592	589	**1**	15	**399**	437			**318**	251	**327**	444	**270**	329
	37	43			**58**	40			**16**	18			**(30)**	(37)
							144	221					**257**	196
							67	105						
	52	48					**52**	59	**187**	211				
	681	680	**1**	15	**457**	477	**263**	385	**521**	480	**327**	444	**497**	488

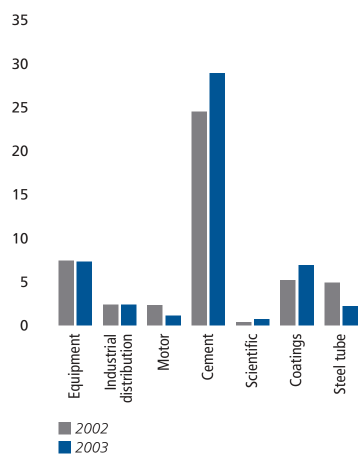
GEOGRAPHICAL ANALYSIS (%)



SEGMENTAL ANALYSIS (%)



MARGIN AT SEGMENT RESULT LEVEL (%)



3. SEGMENTAL ANALYSIS BETWEEN LEASING AND TRADING BUSINESSES#

	TOTAL GROUP 2003 Rm	TOTAL GROUP 2002 Rm	TRADING 2003 Rm	TRADING 2002 Rm	LEASING 2003 Rm	LEASING 2002 Rm
CONSOLIDATED BALANCE SHEET						
Assets						
Property, plant and equipment						
Cost	**12 433**	14 291	**10 276**	11 491	**2 157**	2 800
Accumulated depreciation	**5 761**	6 726	**4 713**	5 399	**1 048**	1 327
Net book value*	**6 672**	7 565	**5 563**	6 092	**1 109**	1 473
Goodwill and intangible assets	**1 464**	1 903	**1 464**	1 903		
Finance lease receivables – long term	**2 267**	2 675	**15**	12	**2 252**	2 663
Other non-current assets, investment in associates and joint ventures	**1 234**	1 344	**1 234**	1 344		
Deferred taxation assets	**456**	385	**456**	385		
Non-current assets	**12 093**	13 872	**8 732**	9 736	**3 361**	4 136
Current assets	**11 547**	13 225	**10 769**	12 206	**778**	1 019
Finance lease receivables – short term	**579**	784	**(142)**	(154)	**721**	938
Other current assets	**10 968**	12 441	**10 911**	12 360	**57**	81
Total assets	**23 640**	27 097	**19 501**	21 942	**4 139**	5 155
Equity and liabilities						
Interest of shareholders of Barloworld Limited	**9 612**	11 234	**9 185**	10 759	**427**	475
Minority interest	**708**	791	**708**	791		
Interest of all shareholders	**10 320**	12 025	**9 893**	11 550	**427**	475
Non-current liabilities	**4 870**	5 195	**3 068**	3 455	**1 802**	1 740
Deferred taxation liabilities	**621**	617	**550**	538	**71**	79
Interest-bearing non-current liabilities	**3 404**	3 511	**1 724**	1 868	**1 680**	1 643
Other non-current liabilities	**845**	1 067	**794**	1 049	**51**	18
Current liabilities	**8 450**	9 877	**6 540**	6 937	**1 910**	2 940
Amounts due to bankers and short-term loans	**2 739**	3 677	**920**	821	**1 819**	2 856
Other current liabilities	**5 711**	6 200	**5 620**	6 116	**91**	84
Total equity and liabilities	**23 640**	27 097	**19 501**	21 942	**4 139**	5 155
*Property, plant and equipment net book value as above					**1 109**	1 473
Other short-term rental assets (included in trading)					**1 159**	1 145
Total rental assets net book value per note 4					**2 268**	2 618

3. SEGMENTAL ANALYSIS BETWEEN LEASING AND TRADING BUSINESSES#

continued

	TOTAL GROUP		TRADING		LEASING	
	2003	2002	**2003**	2002	**2003**	2002
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
CONSOLIDATED INCOME STATEMENT						
Revenue	**34 603**	35 999	**33 784**	35 114	**819**	885
Operating profit before depreciation	**3 681**	3 372	**3 272**	2 920	**409**	452
Depreciation	**(1 226)**	(1 305)	**(923)**	(943)	**(303)**	(362)
Fair value adjustments on financial instruments	**(334)**	55	**(334)**	68		(13)
Finance costs	**(531)**	(401)	**(531)**	(401)		
Income from investments	**274**	253	**274**	253		
Goodwill amortisation	**(102)**	(116)	**(102)**	(116)		
Profit before exceptional items	**1 762**	1 858	**1 656**	1 781	**106**	77
Exceptional items	**81**	369	**81**	369		
Profit before taxation	**1 843**	2 227	**1 737**	2 150	**106**	77
Taxation	**604**	636	**571**	612	**33**	24
Profit after taxation	**1 239**	1 591	**1 166**	1 538	**73**	53
Income from associates and joint ventures	**114**	119	**114**	119		
Attributable net profit	**1 353**	1 710	**1 280**	1 657	**73**	53
Minority interest and 6% preference shareholders in Barloworld Limited	**212**	207	**212**	207		
Ordinary shareholders in Barloworld Limited	**1 141**	1 503	**1 068**	1 450	**73**	53
CONSOLIDATED CASH FLOW						
Cash flow from operations	**2 419**	3 037	**2 011**	2 529	**408**	508
Dividends paid (including outside shareholders)	**(940)**	(649)	**(940)**	(649)		
Net cash flow from operating activities	**1 479**	2 388	**1 071**	1 880	**408**	508
Net cash flow used in investing activities	**(1 812)**	(2 621)	**(1 651)**	(1 181)	**(161)**	(1 440)
Net cash flow from/(used in) financing activities	**487**	(24)	**758**	(912)	**(271)**	888
Net increase/(decrease) in cash and cash equivalents	**154**	(257)	**178**	(213)	**(24)**	(44)

\# *These schedules are provided to assist users to gain a better understanding of the nature and structure of the group's businesses. Our leasing operations involve the provision of a range of financial services to our customer base including pure asset finance as well as long-term rentals with maintenance. 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. Our short-term rental businesses are included as part of the trading operations.*
The income received on the leasing net assets (finance and rental income) and the interest paid on the borrowings are regarded as operational items and are included in operating profits. Leasing results are stated excluding consolidation adjustments and inter-group eliminations.

	2003 Cost Rm	2003 Accumulated depreciation and impairments Rm	2003 Net book value Rm	2002 Cost Rm	2002 Accumulated depreciation and impairments Rm	2002 Net book value Rm
4. PROPERTY, PLANT AND EQUIPMENT						
Group						
Freehold land and buildings	1 794	387	1 407	2 040	386	1 654
Leasehold land and buildings	217	55	162	168	60	108
Investment property	31	5	26	37	6	31
Plant, equipment and furniture	4 482	2 636	1 846	5 269	3 016	2 253
Vehicles and aircraft	956	374	582	990	402	588
Capitalised leased plant and equipment, vehicles and furniture	509	152	357	372	84	288
Environmental rehabilitation assets	40	16	24	40	15	25
Rental assets – plant and equipment	4 404	2 136	2 268	5 375	2 757	2 618
	12 433	5 761	6 672	14 291	6 726	7 565
Company						
Freehold land and buildings	118	18	100	112	15	97
Equipment, vehicles and furniture	176	31	145	151	17	134
	294	49	245	263	32	231

Property, plant and equipment with a net book value of R1 203 million (2002: R1 370 million) is encumbered as reflected in note 14.

The insurable value of the group's property, plant and equipment as at 30 September 2003 amounted to R25 668 million (2002: R26 567 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.

Sixteen investment properties (2002: 19) are held of which 14 are income generating (2002: 18) and two are vacant (2002: 1). Income earned during the 2003 financial year amounts to R8 million (2002: R8 million), while direct operating expenses incurred were R1 million (2002: R4 million). The fair value of the investment properties is R61 million (2002: 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.

The historic value of land included above amounts to R892 million (2002: R853 million).

The residual value of assets (excluding land) for depreciation purposes amounts to R132 million (2002: R82 million).

4. PROPERTY, PLANT AND EQUIPMENT continued

Group

Movement of property, plant and equipment

	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 Rm	Rental assets* Rm	Total Rm
2003								
Net balance at 1 October 2002	**1 762**	**31**	**2 253**	**588**	**288**	**25**	**2 618**	**7 565**
Subsidiaries acquired	**26**		**1**	**2**			**6**	**35**
Other additions	**142**	**12**	**363**	**168**	**120**		**1 039**	**1 844**
Impairment of assets	**(8)**		**102**	**1**				**95**
Translation differences (net)**	**(288)**		**(422)**	**(22)**			**(536)**	**(1 268)**
	1 634	**43**	**2 297**	**737**	**408**	**25**	**3 127**	**8 271**
Other disposals	**(8)**	**(15)**	**(69)**	**(52)**	**(18)**		**(211)**	**(373)**
Depreciation	**(57)**	**(2)**	**(382)**	**(103)**	**(33)**	**(1)**	**(648)**	**(1 226)**
Net balance at 30 September 2003	**1 569**	**26**	**1 846**	**582**	**357**	**24**	**2 268**	**6 672**
2002								
Net balance at 1 October 2001	1 422	29	1 809	416	287	26	2 064	6 053
Subsidiaries acquired	18		440	11	1	1		471
Other additions	276	2	581	343	67		1 053	2 322
Impairment of assets	(13)		(5)	10				(8)
Transferred to Intangible assets#			(246)					(246)
Translation differences (net)**	194		182	14		(1)	372	761
	1 897	31	2 761	794	355	26	3 489	9 353
Other disposals	(79)		(60)	(111)	(45)		(188)	(483)
Depreciation	(56)		(448)	(95)	(22)	(1)	(683)	(1 305)
Net balance at 30 September 2002	1 762	31	2 253	588	288	25	2 618	7 565

	2003 Rm	2002 Rm
* Future minimum lease receivables under non-cancellable operating leases:		
Within one year	**266**	459
Two to five years	**393**	542
More than five years	**16**	37
	675	1 038

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.

	2003 Rm	2002 Rm
** The translation differences are made up as follows:		
Cost	**(2 703)**	1 732
Accumulated depreciation	**1 435**	(971)
	(1 268)	761

Refer notes 6 and 31 relating to the reclassification of specialised software development costs

4. PROPERTY, PLANT AND EQUIPMENT continued

Company

Movement of property, plant and equipment

	Freehold and leasehold land and buildings Rm	Plant, equipment and furniture Rm	Vehicles and aircraft Rm	Total Rm
2003				
Net balance at 1 October 2002	**97**	**16**	**118**	**231**
Other additions	**6**	**5**	**23**	**34**
	103	**21**	**141**	**265**
Depreciation	**(3)**	**(6)**	**(11)**	**(20)**
Net balance at 30 September 2003	**100**	**15**	**130**	**245**
2002				
Net balance at 1 October 2001	94	19		113
Other additions	5	3	118	126
	99	22	118	239
Depreciation	(2)	(6)		(8)
Net balance at 30 September 2003	97	16	118	231

5. OTHER NON-CURRENT ASSETS

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
Interest in subsidiaries			**3 054**	2 434
Listed and unlisted investments	**56**	69	**5**	6
Preference shares (note 36)*	**247**	247		
Bills and leases discounted with recourse and repurchase obligations	**48**	170		
Pension fund assets (note 30)	**175**	247		
Other receivables	**143**	193		
Other non-current loans and deposits**	**18**	21		
Barloworld Share Purchase Scheme#	**12**	24	**12**	24
	699	971	**3 071**	2 464
Interest in subsidiaries				
Shares as originally stated (note 34)			**478**	371
Amounts written off			**(2)**	(85)
Amounts owing by subsidiaries (note 34)			**3 452**	3 162
			3 928	3 448
Amounts owing to subsidiaries (note 34)			**874**	1 014
			3 054	2 434

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	Rm	Rm	**Rm**	Rm
5. OTHER NON-CURRENT ASSETS continued				
Available-for-sale investments (note 36)				
Listed investments opening balance	**17**	12	**1**	2
Prior year fair value adjustment in terms of IAS39		7		
Disposals and other movements	**(5)**	(3)	**(1)**	(2)
Fair value adjustment in current year	**(4)**	1		1
Fair value of listed investments	**8**	17	**–**	1
Unlisted investments opening balance	**52**	5	**5**	2
Prior year fair value adjustment in terms of IAS39		13		
Additions, disposals and other movements	**(6)**	31		
Fair value adjustment in current year	**2**	3		3
Fair value of unlisted investments	**48**	52	**5**	5
Total carrying value	**56**	69	**5**	6
Valuation of shares:				
Market value – listed investments	**8**	17		1
Directors' valuation of unlisted investments	**48**	52	**5**	5
Total fair value	**56**	69	**5**	6

* The investment in preference shares is encumbered as per notes 14 and 28.

** 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 7% (2002: 3%) 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 17% (2002: 13%) per annum.

	2003	2002
	R	R
Director		
MD Coward	**139 350**	144 250
AJ Lamprecht	**100 000**	100 000
	239 350	244 250

\# Barloworld Share Purchase Scheme

Included are loans to executive directors for the purchase of shares amounting to R9 million (2002: R9 million). The loans are secured by pledge of the shares and are repayable within ten 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 very in accordance with the terms and provisions of the trust deed and range from 3,17% to 9,46%.

	GROUP Goodwill Rm	GROUP Capitalised software Rm	GROUP Patents, trademarks and development costs Rm	GROUP Total Rm	COMPANY Patents and trademarks Rm
6. GOODWILL AND INTANGIBLE ASSETS					
2003					
Cost					
At 1 October 2002	**2 022**	**366**	**59**	**2 447**	**39**
Additions	**110**	**33**	**5**	**148**	**1**
Reversal of amounts previously written off			**7**	**7**	
Translation differences	**(375)**	**7**		**(368)**	
At 30 September 2003	**1 757**	**406**	**71**	**2 234**	**40**
Accumulated amortisation					
At 1 October 2002	**401**	**120**	**23**	**544**	**6**
Charge for the year#	**102**	**56**	**5**	**163**	**2**
Translation differences	**(76)**	**(3)**		**(79)**	
Additions	**7**			**7**	
Impairment	**131**	**3**	**1**	**135**	
At 30 September 2003	**565**	**176**	**29**	**770**	**8**
Carrying amount					
At 30 September 2003	**1 192**	**230**	**42**	**1 464**	**32**
2002					
Cost					
At 1 October 2001	1 745		57	1 802	37
Additions	150		2	152	
Disposals	(5)			(5)	
Translation differences	238			238	
Transferred from property, plant and equipment*		366		366	2
Impairment	(106)			(106)	
At 30 September 2002	2 022	366	59	2 447	39
Accumulated amortisation					
At 1 October 2001	252		20	272	2
Charge for the year	116		3	119	2
Translation differences	29			29	
Transferred from property, plant and equipment*		120		120	2
Impairment	4			4	
At 30 September 2002	401	120	23	544	6
Carrying amount					
At 30 September 2002	1 621	246	36	1 903	33

** Refer to notes 4 and 31*

 # Refer to note 19

	GROUP 2003 Rm	GROUP 2002 Rm
7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES*		
Cost of investment excluding goodwill	**388**	261
Share of retained earnings	**143**	95
Beginning of year	**95**	85
Increase for the year:	**75**	82
Normal and exceptional profit for the year	**114**	119
Dividends received	**(39)**	(37)
Other movements	**(27)**	(72)
Carrying value excluding amounts owing	**531**	356
Loans and advances to associates and joint ventures	**4**	17
Carrying value including amounts owing	**535**	373
Carrying value by category		
Listed associates – shares at carrying value	**323**	184
Unlisted associates and joint ventures – shares at carrying value	**208**	172
	531	356
Valuation of shares		
Market value – listed associate companies	**595**	386
Directors' valuation of unlisted associate companies and joint ventures	**393**	292
	988	678
Aggregate of associate companies and joint ventures' net assets, revenue and profit		
Property, plant and equipment, investments and cash	**3 214**	2 771
Total borrowings	**2 616**	2 354
Working capital	**690**	650
Revenue	**3 667**	3 005
Profit after tax	**206**	267

** Refer to note 35 and 37 for a detailed list of associate and joint venture companies.*

	GROUP	
	2003	2002
	Rm	Rm
8. FINANCE LEASE RECEIVABLES		
Amounts receivable under finance leases:		
Gross investment	**3 502**	4 535
Less: Unearned finance income	**(656)**	(1 076)
Present value of minimum lease payments receivable	**2 846**	3 459
Receivable as follows:		
Within one year (note 10)	**579**	784
Non-current portion	**2 267**	2 675
In the second to fifth year inclusive	**2 080**	2 179
After five years	**187**	496
	2 846	3 459

The fair value of the group's finance lease receivables as at 30 September 2003 is R2 846 million (2002: R3 459 million).

Accumulated provisions for uncollectable finance lease receivables amount to R54 million (2002: R103 million). Unguaranteed residual values of assets leased under finance leases are estimated at R362 million (2002: R334 million) for non-South African leasing operations and R60 million (2002: R6 million) for South African leasing operations.

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 2003 was 13,8% (2002: 16%).

The interest rate 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 2003 was 10,5% (2002: 10,5%).

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	
	2003	2002	**2003**	2002
	Rm	Rm	**Rm**	Rm
9. INVENTORIES				
Raw materials and components	**425**	530		
Work in progress	**277**	279		
Finished goods	**2 079**	2 824		
Merchandise	**1 506**	1 546		
Consumable stores	**102**	112		
Buy-back commitments	**615**	597		
Other inventories	**6**	7		
	5 010	5 895	**–**	–
The value of inventories has been determined on the following bases:				
First-in first-out and specific identification	**4 682**	5 542		
Weighted average	**328**	353		
	5 010	5 895	**–**	–
Included above is inventory of R41 million (2002: R64 million) carried at net realisable value.				
Inventory pledged as security for liabilities amounts to R42 million (2002: R83 million). The secured liabilities are included under trade and other payables (note 16).				
There are no reversals of inventory previously written down				
10. TRADE AND OTHER RECEIVABLES				
Trade receivables	**3 912**	4 165		
Less: Provision for doubtful debts	**(194)**	(264)		
Finance lease receivables (note 8)	**579**	784		
Bills and leases discounted with recourse	**147**	120		
Fair value of derivatives	**4**	60		
Other receivables and prepayments	**476**	642	**13**	42
Dividends accrued		2	**9**	53
	4 924	5 509	**22**	95
No trade receivables are pledged as security for liabilities.				
11. CASH AND CASH EQUIVALENTS				
Cash on deposit	**1 500**	1 567		
Other cash and cash equivalent balances	**47**	187	**4**	
	1 547	1 754	**4**	
Cash and cash equivalents are comprised as follows:				
South African rand	**297**	407	**4**	
Foreign currencies	**1 250**	1 347		
	1 547	1 754	**4**	

12. SHARE CAPITAL AND PREMIUM

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
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 (2002: 375 000)	**1**	1	**1**	1
215 430 249 ordinary shares of 5 cents each (2002: 214 309 448)	**11**	11	**11**	11
19 090 900 shares held by a subsidiary in respect of share buy-back (2002: 19 025 200)	**(2)**	(2)		
	10	10	**12**	12
Share premium:	**702**	672	**767**	737
Balance at beginning of year	**672**	672	**737**	737
Premium on odd lot share offer shares issued	**30**		**30**	
Total issued share capital and premium	**712**	682	**779**	749

Buy-back of shares

During the current financial year 65 700 shares were repurchased in terms of an odd lot share offer. No shares were purchased during the 2002 financial year.

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.

	2003	2002
Issued shares		
Total number of shares in issue at beginning of year	**214 309 448**	214 309 448
Number of shares issued during the year	**1 120 801**	
Number of shares bought back in prior years	**(19 025 200)**	(19 025 200)
Number of shares bought back during the year in terms of an odd lot offer	**(65 700)**	
Total number of shares in issue at end of year, net of buy-back	**196 339 349**	195 284 248
Unissued shares		
Ordinary shares reserved to meet the requirements of the Barloworld Share Option Scheme	**26 928 781**	16 073 209
Ordinary shares reserved to meet the requirements of the US$75 million convertible bond	**3 022 242**	3 022 242
Ordinary shares	**54 618 728**	66 595 101
	84 569 751	85 690 552
6% cumulative preference shares	**125 000**	125 000

The members in general meeting:
– reserved ordinary shares for purposes of the Barloworld Share Option Scheme, on 30 January 2003
– 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 30 January 2003, the directors were authorised to allot and issue for purposes of the Barloworld Share Option Scheme, ordinary shares equal to not more than 12,5% 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:

Option price (cents)	Date from which exercisable	Expiry date	Directors	Executives	Ceded*	Total options unexercised
2 650	14 Jan 1997	14 Jan 2004		67 000		67 000
4 300	21 May 1999	21 May 2006	5 000	360 337	1 298 830	1 664 167
4 600	6 March 2000	6 March 2007	20 000		30 000	50 000
4 765	13 June 2000	13 June 2007		362 269	204 997	567 266
4 450	16 Feb 2001	16 Feb 2008	123 000	170 003	126 997	420 000
4 100	1 April 2001	1 April 2008	35 000	1 489 994	933 573	2 458 567
2 325	1 Sept 2001	1 Sept 2008	163 234	553 871	378 673	1 095 778
2 855	1 March 2002	1 March 2009		45 000	20 000	65 000
4 415	26 Feb 2003	26 Feb 2010		20 000	10 000	30 000
3 670	29 May 2003	29 May 2010	250 000	1 785 836	27 500	2 063 336
4 570	25 Sept 2004	25 Sept 2011	237 500	1 776 000		2 013 500
5 880	25 Sept 2005	25 Sept 2012		52 000		52 000
4 750	1 April 2006	1 April 2013	295 000	1 853 900		2 148 900
			1 128 734	8 536 210	3 030 570	12 695 514

	GROUP AND COMPANY 2003	2002
Movement for the year		
Options at the beginning of the year	**12 088 210**	12 471 492
Options granted	**2 148 900**	52 000
Options exercised or lapsed**	**(1 541 596)**	(435 282)
Options unexercised at year-end	**12 695 514**	12 088 210
Held by:		
Directors and executives	**9 664 944**	8 405 266
Financial institutions	**3 030 570**	3 682 944
	12 695 514	12 088 210

* *In terms of the rules of the Barloworld Share Option Scheme, options may be ceded to an approved financial institution.*

** *Includes 202 334 options for directors who retired during the year.*

13. DEFERRED TAXATION

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
Movement of deferred taxation				
Balance at beginning of year				
– deferred taxation assets	**385**	257	**34**	13
– deferred taxation liabilities	**617**	318		
Net liability/(asset) at beginning of the year	**232**	61	**(34)**	(13)
Recognised in income statement this year	**(21)**	28	**(3)**	(21)
Rate change adjustment		1		
Arising on acquisition and disposal of subsidiaries	**1**	144		
Translation differences	**(73)**	(4)		
Accounted for directly in equity		(1)		
Other movements	**26**	3	**1**	
Net liability/(asset) at end of the year	**165**	232	**(36)**	(34)
– deferred taxation assets	**456**	385	**36**	34
– deferred taxation liabilities	**621**	617		
Analysis of deferred taxation by type of temporary difference				
Deferred taxation assets				
Capital allowances	**63**	(7)	**(2)**	(1)
Provisions	**310**	334	**1**	1
Prepayments	**24**	24		
Effect of tax losses	**74**	54	**41**	37
Other temporary differences	**(15)**	(20)	**(4)**	(3)
	456	385	**36**	34
Deferred taxation liabilities				
Capital allowances	**649**	665		
Provisions	**(41)**	(158)		
Prepayments	**20**	110		
Effect of tax losses		(1)		
Other temporary differences	**(7)**	1		
	621	617		
Amount of deferred taxation (income)/expense recognised in the income statement				
Capital allowances	**(63)**	28	**1**	(21)
Provisions	**(9)**			
Prepayments	**8**			
Effect of tax losses	**76**		**(4)**	
Other temporary differences	**(33)**			
	(21)	28	**(3)**	(21)

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm

14. NON-CURRENT LIABILITIES

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
Total SA rand and foreign currency borrowings (note 32.3)	**4 154**	4 979		
Less: Current portion redeemable and repayable within one year (note 15)	**(750)**	(1 731)		
Interest-bearing	**3 404**	3 248		
Liability portion of convertible bond*		263		
Convertible bond	**216**	299		
Equity portion	**(36)**	(36)		
Less: Current portion transferred to short-term loans (note 15)	**(180)**			
Non-interest-bearing liabilities	**845**	1 067		
Post-retirement benefit provisions (note 17)	**130**	173		
Other provisions	**124**	135		
Non-current provisions (note 17)	**254**	308		
Bills and leases discounted with recourse and repurchase obligations	**444**	592		
Fair value of derivatives		18		
Retirement benefit obligation (note 30)	**13**			
Other creditors	**134**	149		
Deferred taxation liabilities (note 13)	**621**	617		
Total non-current liabilities	**4 870**	5 195		

* US$75 million was raised in 1994 through Barloworld International Investments PLC by way of a ten-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 at a fixed exchange rate of R3,62 per US dollar. 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. In the current year no bonds were repurchased (2002: US$560 000) and accordingly, the outstanding balance at 30 September 2003 amounts to US$26,2 million (2002: US$26,2 million), which would require the issue of 3 022 242 (2002: 3 022 242) Barloworld shares.

Included above are secured liabilities as follows:	Liabilities secured 2003 Rm	Liabilities secured 2002 Rm	Net book value of assets encumbered 2003 Rm	Net book value of assets encumbered 2002 Rm
Secured liabilities				
Secured loans				
South African rands		17		
Foreign currencies	**924**	1 153	**909**	1 130
Liabilities under capitalised finance leases (note 28)				
South African rands	**452**	466	**661**	393
Foreign currencies	**898**	1 167	**789**	1 231
Total secured liabilities	**2 274**	2 803	**2 359**	2 754
Assets encumbered are made up as follows:				
Property, plant and equipment (note 4)			**1 203**	1 370
Finance lease receivables (note 8)			**909**	1 137
Investments (note 5)			**247**	247
			2 359	2 754

	Total owing 2003	Repayable during the year ending 30 September 2004	2005	2006	2007	2008 and onwards	Total owing 2002
14. NON-CURRENT LIABILITIES continued							
Summary of group borrowings by currency and by year of redemption or repayment – excluding convertible bond							
R million							
Total SA rand	**1 459**	213	314	513	118	301	1 260
US dollar	**701**					701	843
UK sterling	**1 807**	527	427	349	235	269	2 304
Japanese yen							108
Euro	**172**	2			170		446
Other	**15**	8	4	3			18
Total foreign currencies	**2 695**	537	431	352	405	970	3 719
Total SA rand and foreign currency liabilities	**4 154**	750	745	865	523	1 271	4 979

Included in secured liabilities are loans in the United Kingdom and United States amounting to R909 million (2002: R1 137 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 R909 million as at 30 September 2003 (R1 137 million as at 30 September 2002).

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
15. AMOUNTS DUE TO BANKERS AND SHORT-TERM LOANS				
Bank overdrafts and acceptances	**818**	1 699	**944**	496
Short-term loans	**991**	247		
Current portion of long-term borrowings (note 14)	**750**	1 731		
	2 559	3 677	**944**	496
Current portion of convertible bond (note 14)	**180**			
	2 739	3 677	**944**	496
16. TRADE AND OTHER PAYABLES				
Trade and other payables	**4 470**	4 850	**35**	13
Fair value of derivatives	**129**	26		
Bills and leases discounted with recourse and repurchase obligations	**147**	292		
	4 746	5 168	**35**	13
17. PROVISIONS				
Non-current (note 14)	**254**	308		
Current	**504**	553	**10**	9
	758	861	**10**	9

17. PROVISIONS continued

	Total 2003 Rm	Environ-mental rehabili-tation Rm	Onerous contracts Rm	Insurance claims Rm	Mainte-nance contracts Rm	Post-retire-ment benefits Rm	Warranty claims Rm	Other Rm
Group								
Movement of provisions								
Balance at beginning of year	**861**	103	85	49	120	313	108	83
Amounts added	**568**		8	41	288	47	141	43
Amounts used	**(568)**		(33)	(21)	(275)	(38)	(133)	(68)
Amounts reversed unused	**(23)**		(6)		(2)	(9)	(1)	(5)
Unwinding of discount in present valued amounts	**3**	3						
Exchange adjustments	**(64)**	(1)			(7)	(28)	(14)	(14)
Other	**(19)**	(2)	(8)		2	(14)	(16)	19
Balance at end of year	**758**	103	46	69	126	271	85	58
To be incurred:								
Within one year	**504**	5	39	69	118	141	83	49
Between two to five years	**58**	19	7		8	18	2	4
More than five years	**196**	79				112		5
	758	103	46	69	126	271	85	58

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 previously 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

This relates to deferred revenue on maintenance and repair contracts on capital equipment and motor vehicles.

Post-retirement benefits

The provisions comprise mainly post-retirement benefits for existing and former employees. 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 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
18. REVENUE				
Sale of goods	**29 593**	30 741		
Rendering of services	**3 075**	2 925	**160**	104
Rentals received	**1 055**	1 438	**37**	14
Hire purchase and finance lease income	**819**	885		
Other	**61**	10		
	34 603	35 999	**197**	118

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 but as income from investments in note 22. Sale of goods is net of customer rebates.

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
19. OPERATING PROFIT				
Operating profit is arrived at after taking into account the items detailed below:				
Cost of sales*	**27 264**	28 173		
Interest paid by leasing operations				
External	**181**	227		
Group (note 22)	**114**	95		
	295	322		
Income from subsidiaries:				
Interest			**105**	43
Dividends			**836**	1 007
			941	1 050
Depreciation (note 4)	**1 226**	1 305	**20**	8
Amortisation of intangibles excluding goodwill (note 6)	**61**	3	**2**	2
Operating lease charges:				
Land and buildings	**226**	275		
Plant, vehicles and equipment	**59**	80	**1**	2
	285	355	**1**	2
Research and development costs	**37**	38		
Administration, management and technical fees paid	**82**	70	**7**	5
Auditors' remuneration:				
Audit fees	**42**	38	**3**	2
Fees for other services	**11**	12		
Expenses	**1**	2		
	54	52	**3**	2

** Cost of sales includes depreciation of R924 million (2002: R949 million), as well as operating lease charges of R182 million (2002: R153 million) and staff costs of R1 730 million (2002: R1 934 million).*

19. OPERATING PROFIT continued

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
Directors' emoluments paid by holding company and subsidiaries (note 33):				
Executive directors				
Salaries	**20**	22		
Benefits	**15**	14		
Bonuses	**20**	11		
Share options exercised	**4**	8		
	59	55		
Non-executive directors				
Fees	**2**	2		
Other emoluments	**5**	5		
	7	7		
Total directors' emoluments	**66**	62		
Staff costs	**3 235**	3 556		
Loss/(profit) on disposal of rental assets	**25**	(78)		
(Profit)/loss on disposal of other plant and equipment	**(6)**	1		
Exchange gains on translation of integrated foreign operations	**2**			
Amounts expensed in respect of retirement benefit plans (note 30):				
Defined contribution#	**210**	198		
Defined benefit	**93**	68		
Operating expenses by function:				
Distribution costs	**1 573**	1 957		
Administrative costs	**3 378**	4 020	**199**	160
Other operating costs	**1 432**	1 123		
	6 383	7 100	**199**	160

 # After taking into account a contribution holiday of R1 million in 2002.

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
20. FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS				
Gains on conversion of foreign currency monetary items	**18**	39		1
Losses on derivatives designated as hedging instruments		(14)		
(Losses)/gains on other financial instruments	**(352)**	30	**(9)**	3
	(334)	55	**(9)**	4
21. FINANCE COSTS				
Interest paid:				
Convertible bond	**(20)**	(25)		
Other term borrowings	**(42)**	(31)		
Bank and other borrowings	**(371)**	(261)	**(108)**	(41)
Interest on capitalised finance leases	**(89)**	(83)		
Monetary loss on hyperinflation accounting	**(9)**	(2)		
Amounts capitalised		1		
	(531)	(401)	**(108)**	(41)

Borrowing costs included in the cost of assets capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 14,75% in 2002 to expenditure on such qualifying assets.

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
22. INCOME FROM INVESTMENTS				
Dividends				
Listed investments	**1**	1		
Unlisted investments	**29**	29	**1**	1
Interest received	**130**	128	**2**	5
Group interest received from leasing operations*	**114**	95		
	274	253	**3**	6

** Interest paid by leasing operations disclosed under cost of sales (note 19).*

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	Rm	Rm	**Rm**	Rm
23. EXCEPTIONAL ITEMS				
Impairment losses	**(45)**	(131)		
Profit on disposal of properties, investments and subsidiaries	**123**	352		
Realisation of translation reserve on liquidation of offshore subsidiaries		201		
Post-retirement benefit settlement costs	**7**	(100)		
Gain arising on Pretoria Portland Cement share issue to acquire Portland Holdings		60		
Other	**(4)**	(3)	**43**	(38)
	81	379	**43**	(38)
Attributable exceptional items of associates (impairment losses)		(10)		
Gross exceptional profits/(losses)	**81**	369	**43**	(38)
Taxation	**11**	32		
	92	401	**43**	(38)
Minority interest	**(1)**	(54)		
Net exceptional profits/(losses)	**91**	347	**43**	(38)
24. TAXATION				
South African normal taxation				
Current year	**249**	218		
Prior year	**(10)**	(3)		(7)
	239	215	**–**	(7)
Foreign and withholding taxation				
Current year	**319**	314	**5**	4
Prior year	**(2)**	21		
	317	335	**5**	4
Deferred taxation				
Current year	**8**	66	**3**	(21)
Prior year	**(18)**	(37)	**(6)**	
Attributable to a change in the rate of income tax		1		
	(10)	30	**(3)**	(21)
Secondary taxation on companies				
Current year	**69**	56		
Deferred	**(11)**			
	58	56		
Taxation attributable to the company and its subsidiaries	**604**	636	**2**	(24)

24. TAXATION continued

	GROUP 2003 %	GROUP 2002 %
Reconciliation of rate of taxation:		
Taxation (excluding prior year and exceptional taxation) as a percentage of profit before taxation (excluding exceptional items)	**36,8**	37,0
Adjustment due to inclusion of dividend income	**0,5**	0,5
Effective rate of taxation	**37,3**	37,5
Reduction in rate of taxation	**2,0**	1,0
Exempt income	**1,5**	0,8
Tax losses of prior periods	**0,5**	0,2
Increase in rate of taxation	**(9,3)**	(8,5)
Disallowable charges	**(2,8)**	(3,8)
Foreign tax differential	**(2,5)**	(1,6)
Current year's tax losses in subsidiaries available for allowance against their future taxable profits	**(0,6)**	(0,1)
Capital gains tax	**(0,1)**	
Secondary tax on companies	**(3,3)**	(3,0)
Net increase in rate of taxation for the year	**(7,3)**	(7,5)
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	**210**	140
Foreign	**34**	38
	244	178
Less: Utilised to reduce deferred taxation or create deferred taxation asset	**244**	178
Available to reduce future taxable income	**–**	–

As at 30 September 2003 the group had R88 million worth of unutilised credits in respect of secondary tax on companies for which deferred taxation asset has been raised (2002: R169,5 million).

	GROUP 2003 Cents	2002 Cents	GROUP 2003 Rm	2002 Rm
25. NET PROFIT, EARNINGS AND CASH FLOW PER SHARE				
25.1 Fully converted weighted average number of shares				
Weighted average number of ordinary shares (net of share buy-back)			**196 027 500**	195 284 248
Increase in number of shares as a result of unexercised share options			**3 410 348**	4 471 070
			199 437 848	199 755 318
Increase in number of shares assuming conversion of the convertible bond			**3 022 242**	3 022 242
Fully converted weighted average number of shares			**202 460 090**	202 777 560
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.				
25.2 Net profit per share (basic)				
Net profit for the year			**1 141**	1 503
The weighted average number of ordinary shares			**196 027 500**	195 284 248
Net profit per share (basic)	**582,1**	769,6		
Net profit per share (fully diluted)				
Net profit for the year			**1 141**	1 503
Adjusted for:				
After-tax interest saving assuming conversion of convertible bond where effect is dilutive			**14**	19
Net profit for the year adjusted for diluted calculation			**1 155**	1 522
Fully converted weighted average number of shares (note 25.1)			**202 460 090**	202 777 560
Net profit per share (fully diluted)	**570,5**	750,6		
Percentage dilution	**2,0**	2,5		
25.3 Earnings per share excluding exceptional items (basic)				
Net profit for the year			**1 141**	1 503
Adjusted for:				
Exceptional items			**(91)**	(347)
Net profit for the year excluding exceptional items			**1 050**	1 156
The weighted average number of ordinary shares			**196 027 500**	195 284 248
Earnings per share excluding exceptional items (basic)	**535,6**	592,0		
Earnings per share excluding exceptional items (fully diluted)				
Net profit for the year excluding exceptional items			**1 050**	1 156
After-tax interest saving assuming conversion of convertible bond where effect is dilutive			**14**	
Net profit for the year excluding exceptional items adjusted for diluted calculation			**1 064**	1 156
Fully converted weighted average number of shares (note 25.1)			**202 460 090**	199 755 318
Earnings per share excluding exceptional items (fully diluted)	**525,5**	578,7		
Percentage dilution	**1,9**	2,2		

	GROUP 2003 Cents	GROUP 2002 Cents	GROUP 2003 Rm	GROUP 2002 Rm
25. NET PROFIT, EARNINGS AND CASH FLOW PER SHARE continued				
25.4 Headline earnings per share (basic)				
Net profit excluding exceptional items			**1 050**	1 156
Post-retirement benefit settlement costs (net of taxation)			**7**	(70)
Goodwill amortisation			**102**	116
Interest in associate goodwill amortisation			**9**	11
(Profit)/Loss on sale of plant and equipment (excluding rental assets)			**(6)**	1
Headline earnings			**1 162**	1 214
The weighted average number of ordinary shares			**196 027 500**	195 284 248
Headline earnings per share (basic)	**592,8**	621,7		
Headline earnings per share (fully diluted)				
Headline earnings			**1 162**	1 214
After-tax interest saving assuming conversion of convertible bond where effect is dilutive			**14**	
Headline earnings adjusted for diluted calculation			**1 176**	1 214
Fully converted weighted average number of shares (note 25.1)			**202 460 090**	199 755 318
Headline earnings per share (fully diluted)	**580,9**	608,2		
Percentage dilution	**2,0**	2,2		
25.5 Cash equivalent earnings per share (basic)				
Net profit for the year			**1 141**	1 503
Adjusted for:				
Amortisation and depreciation			**1 391**	1 424
Deferred taxation			**(21)**	30
Impairment losses			**45**	131
Amortisation of convertible bond liability			**5**	6
Other non-cash items			**14**	(258)
			2 575	2 836
Adjusted for minority share of non-cash items:				
Amortisation				(1)
Depreciation			**(55)**	(63)
Deferred taxation			**4**	5
Impairment losses				(39)
Cash equivalent earnings			**2 524**	2 738
The weighted average number of ordinary shares			**196 027 500**	195 284 248
Cash equivalent earnings per share (basic)	**1 287,6**	1 402,2		
Cash equivalent earnings per share (fully diluted)				
Cash equivalent earnings			**2 524**	2 738
After-tax cash interest saving assuming conversion of convertible bond where effect is dilutive			**9**	14
Cash equivalent earnings adjusted for diluted calculation			**2 533**	2 752
Fully converted weighted average number of shares (note 25.1)			**202 460 090**	202 777 560
Cash equivalent earnings per share (fully diluted)	**1 251,1**	1 357,1		
Percentage dilution	**2,8**	3,2		

25. NET PROFIT, EARNINGS AND CASH FLOW PER SHARE continued

	GROUP 2003 Cents	GROUP 2002 Cents	GROUP 2003 Rm	GROUP 2002 Rm
25.6 Attributable cash flow per share (basic)				
Cash flow from operations			**2 419**	3 037
Adjusted for:				
Minority interests			**(264)**	(216)
Attributable cash flow			**2 155**	2 821
The weighted average number of ordinary shares			**196 027 500**	195 284 248
Attributable cash flow per share (basic)	**1 099,3**	1 444,6		
Attributable cash flow per share (fully diluted)				
Attributable cash flow			**2 155**	2 821
After-tax cash interest saving assuming conversion of convertible bond where effect is dilutive			**9**	14
Attributable cash flow adjusted for diluted calculation			**2 164**	2 835
Fully converted weighted average number of shares (note 25.1)			**202 460 090**	202 777 560
Attributable cash flow per share (fully diluted)	**1 068,9**	1 397,9		
Percentage dilution	**2,8**	3,2		

26. DIVIDENDS

	GROUP AND COMPANY 2003 Rm	GROUP AND COMPANY 2002 Rm
Ordinary shares		
Final dividend No 146 paid on 20 January 2003: 185 cents per share (2002: 145 cents)	**399**	311
Centenary dividend No 147 paid on 20 January 2003: 100 cents per share	**215**	
Interim dividend No 148 paid on 17 June 2003: 90 cents per share (2002: 90 cents)	**195**	193
	809	504
Dividend attributable to the share buy-back	**(73)**	(45)
	736	459

On 12 November 2003 the directors declared dividend No 149 of 200 cents per share.

This dividend will be paid to shareholders on 12 January 2004. This dividend is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements.

In compliance with the requirements of the JSE Securities Exchange South Africa, the following dates are applicable:

Last day to trade cum dividend	Friday	2 January 2004
Shares trade ex dividend	Monday	5 January 2004
Record date	Friday	9 January 2004
Payment date	Monday	12 January 2004

Share certificates may not be dematerialised or rematerialised between Monday, 5 January 2004 and Friday, 9 January 2004, both days inclusive.

	GROUP AND COMPANY 2003 Cents	GROUP AND COMPANY 2002 Cents
26. DIVIDENDS continued		
Dividends per share		
Interim dividend No 148	**90**	90
Final dividend No 149	**200**	185
	290	275

6% cumulative preference shares
Preference dividends totalling R45 000 were declared on 25 October 2002 and 16 April 2003, paid on 4 November 2002 and 29 April 2003 respectively.

	COMPANY 2003 Rm	COMPANY 2002 Rm
27. ATTRIBUTABLE INTEREST IN SUBSIDIARIES		
Holding company	**865**	967
Less: Dividends received from subsidiaries (note 19)	**(836)**	(1 007)
	29	(40)
Attributable interest in the aggregate amount of profits and losses of subsidiaries, after taxation, including associate companies:		
Profits	**1 321**	1 690
Losses	**(209)**	(147)
Net profit for the year	**1 141**	1 503

	GROUP 2003 Rm	GROUP 2002 Rm
28. COMMITMENTS		
Capital expenditure commitments to be incurred:		
Contracted	**181**	379
Approved	**261**	259
	442	638

Commitments will be spent substantially in 2003. Capital expenditure will be financed by funds generated by the business, existing cash resources and borrowing facilities available to the group.

Lease commitments:	2008 and thereafter Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	**2003 Total Rm**	2002 Total Rm
Operating lease commitments							
Land and buildings	457	139	159	181	230	**1 166**	1 494
Motor vehicles	3	10	22	48	72	**155**	208
Other	2	4	8	12	16	**42**	48
	462	153	189	241	318	**1 363**	1 750

The land and buildings commitments are for the operating and administrative facilities used by the majority of business segments. Lease terms vary between five and 25 years. Many lease contracts contain renewal options at fair market rates. Motor vehicle commitments are mainly for vehicles in use in the offshore operations. The average lease term is four years.

	2008 and thereafter Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	**2003 Total Rm**	2002 Total Rm
28. COMMITMENTS continued							
Finance lease commitments							
Present value of minimum lease payments							
Land and buildings	216	102				**318**	337
Motor vehicles	1	1	1	1	1	**5**	8
Rental fleets	157	90	156	219	271	**893**	1 161
Other	81	13	13	14	13	**134**	127
	455	206	170	234	285	**1 350**	1 633
Minimum lease payments							
Land and buildings	284	125	10	9	9	**437**	
Motor vehicles	2	1	1	1	1	**6**	
Rental fleets	155	83	156	235	333	**962**	
Other	121	26	28	30	31	**236**	
Total including future finance charges	562	235	195	275	374	**1 641**	
Future finance charges						**(291)**	
Present value of lease commitments (note 14)						**1 350**	

Land and buildings commitments include the following items:

– plant and equipment constructed at PPC's Dwaalboom factory. The repayment terms are R100 million on 30 September 2007 (lease term of four years) and R147 million on 30 September 2008 (lease term of five years). Investments of R247 million have been pledged as security against the liability.

– certain fixed rate leases in the Motor division for trading premises with an average term of ten years including a purchase option at the end of the term.

Rental fleet commitments arise in Barloworld Finance in the United Kingdom, which has financed certain rental units under capital leases with various institutions. These expire at the same time as the related lease with the customer.

Other commitments consist of plant leased by the Cement division from Saldanha Steel.

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
29. CONTINGENT LIABILITIES				
Guarantees for loans, overdrafts and liabilities of subsidiaries			**545**	756
Bills, repurchase obligations, lease and hire purchase agreements discounted with recourse, other guarantees and claims	**284**	394		

Litigation, current or pending, is not considered likely to have a material adverse effect on the group.

There are no material contingent liabilities in joint venture companies.

30. 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-one percent of employees belong to 6 defined benefit and 34 defined contribution retirement funds in which group employment is a prerequisite for membership. Of these, 4 defined benefit and 11 defined contribution funds are located outside of South Africa and accordingly are not subject to the provisions of the Pension Funds Act of 1956. The balance of 39% of employees belong to defined contribution funds associated with industries or employee organisations.

Defined contribution plans

The total cost charged to income of R210 million (2002: R198 million) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes.

	GROUP	
Defined benefit plans Amounts recognised in income in respect of these schemes are as follows:	**2003** **Rm**	2002 Rm
Current service cost	**113**	130
Interest costs	**179**	263
Expected return on plan assets	**(204)**	(289)
Effect of externalisation		(18)
	88	86
Net actuarial loss recognised/(amount not recognised)	**5**	(18)
Charge to income in respect of defined benefit funds for the year (note 19)	**93**	68
Actual return on plan assets	**318**	277

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, updated annually for IFRS reporting	1 April 2003
Bibby Pension Scheme	Triennial, updated annually for IFRS reporting	1 April 2003
Barloworld Australia Superannuation Fund	Triennial, updated annually for IFRS reporting	30 June 2002
Japan Pension Scheme	Annual	September 2003
PPC Retirement Fund	Not exceeding three years	28 February 2003

The triennial valuation of the two United Kingdom defined benefit pension schemes as at 1 April 2003 was recently completed. The funding position of these schemes has deteriorated since the last valuation primarily due to the significant falls in equity markets, and increased liabilities due to reduced interest rates and the use of increased longevity tables in respect of members. These schemes currently reflect a combined deficit, calculated in terms of IAS19, of £52,3 million, which will be funded by means of increased company and employee contributions, together with an adjustment to benefits. The schemes were closed to new entrants from 1 April 2002, with all new employees in the United Kingdom required to join the recently established defined contribution scheme.

The pension plan assets consist primarily of equities (local and offshore), interest-bearing bonds and property.

There are no Barloworld Limited shares included in the fair value of assets.

The PPC retirement fund assets include a property valued at R8 million, which is currently leased by PPC at market related rates. The lease will cease on 29 February 2004.

	GROUP 2003 Rm	GROUP 2002 Rm
30. RETIREMENT BENEFIT INFORMATION continued		
The amount included in the balance sheet arising from the group's obligations 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	**(3 576)**	(4 004)
Unrecognised actuarial losses	**828**	465
Other		19
Fair value of plan assets	**2 927**	3 776
Net asset	**179**	256
Less: Amount not recognised on balance sheet	**17**	9
Net asset per balance sheet	**162**	247
Asset (note 5)	**175**	247
Obligation (note 14)	**(13)**	
Net asset	**162**	247
Movement in the net asset in the current year was as follows:		
At beginning of year	**247**	186
Exchange differences	**(69)**	61
Contributions	**80**	86
Expenses	**(96)**	(86)
At the end of year	**162**	247

Key assumptions used:

	South Africa 2003 %	South Africa 2002 %	UK 2003 %	UK 2002 %	Australia 2003 %	Australia 2002 %	Japan 2003 %	Japan 2002 %
Discount rate	**11,5**	11,5	**5,5**	5,5	**6,3**	6,3	**2,2**	3,0
Expected return on plan assets	**11,5**	10,5	**7,0**	7,5	**7,0**	7,7	**7,0**	3,0
Expected rate of salary increases	**8,0**	8,0	**2,3**	2,5	**4,0**	4,0	**3,0**	2,5
Future pension increases	**5,0**	6,7	**2,3**	1,5	**2,5**	2,5	**2,2**	2,5

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.

* As reported in the prior year, the board has approved the principle of winding up one of the group's South African pension funds and a gross provision of R100 million (R70 million net of deferred tax) was raised to cover additional costs projected to arise on the closure of this fund. This process is nearing finalisation and the level of the current provision is considered to be adequate.

31. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

There have been no changes in accounting policies during the year.

In the current year additional segmental information has been disclosed in relation to the group's leasing businesses. These operations have now been split between the various trading segments which they support and comparative information has been restated accordingly (note 3). A summary of the consolidated leasing operations is provided on pages 150 to 151.

Capitalised software development and other software costs have been reclassified from Property, Plant and Equipment to Intangible Assets, as required by International Financial Reporting Standards. The prior year numbers have been stated on a consistent basis, which has resulted in R246 million in capitalised software costs being reclassified to Intangible Assets. Refer to notes 4 and 6.

32. 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, bills, leases, hire purchase agreements discounted with recourse and derivatives. Details of the amounts discounted with recourse are included in note 29 to the annual financial statements.

Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

32.1 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 in the context of most recent economic conditions and forecasts.

The group's various treasury operations provide the group with access to local money markets and provide subsidiaries with the benefit of bulk financing and depositing.

32.2 Foreign currency management

Loans

In terms of group policy, all material external foreign loans, other than the convertible bond, are covered under forward exchange contracts (except where a natural hedge against underlying assets exists).

Trade commitments

The group's policy is to cover forward all trade commitments other than when there is a traditionally stable relationship between the reporting and transacting 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 or proceeds not yet received. The risk of having to close out these contracts is considered to be low.

Forward exchange contracts and currency options are valued at fair value with the resultant profit or loss included in income. The only exception relates to the effective portion of cash flow hedges where profits or losses 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.

Net currency exposure

The following table represents the extent to which the group has monetary assets and liabilities in currencies other than the group companies' local currency. The information is shown net of forward contracts and options in place to hedge the foreign currency exposures. Based on the net exposure below it is estimated that a simultaneous 10% change in all foreign currency exchange rates against divisional functional currency will impact the fair value of the net monetary assets/liabilities of the group to the extent of R5,3 million.

32. FINANCIAL RISK MANAGEMENT continued

	Currency of assets/liabilities									
	SA rand Rm	Euro Rm	British sterling Rm	US dollar Rm	Australian dollar Rm	Japanese yen Rm	Other Asian currencies Rm	Other African currencies Rm	Other currencies Rm	Total Rm
Net foreign currency monetary assets/(liabilities)										
Functional currency of group operations:										
SA rand	n/a	(6)	22	295		18		2	(1)	330
Euro		n/a		2					3	5
British sterling	27	8	n/a	(217)	1			8		(173)
US dollar	(3)	(36)	6	n/a				(7)	11	(29)
Japanese yen				(2)		n/a				(2)
Other African currencies	(58)			(17)				n/a		(75)
Other currencies				(3)					n/a	(3)
As at 30 September 2003	**(34)**	**(34)**	**28**	**58**	**1**	**18**	**–**	**3**	**13**	**53**
SA rand	n/a	58	51	564	(1)	52		(1)	(2)	721
Euro		n/a	3	(1)					3	5
British sterling	10	32	n/a	(178)	3	(108)			4	(237)
US dollar	(1)	(1)	(6)	n/a		(1)	(1)	19		9
Japanese yen				(1)		n/a				(1)
Other Asian currencies			1				n/a			1
Other African currencies	(31)			(37)				n/a		(68)
Other currencies				1					n/a	1
As at 30 September 2002	**(22)**	**89**	**49**	**348**	**2**	**(57)**	**(1)**	**18**	**5**	**431**

Currency derivatives	Currency	Foreign amount – notional (000s)	Interest rate %	Maturity date	2003 Fair value gain/(loss) Rm
As at September 2003, the group had 15 cross currency interest rate swap contracts which were all designated as a hedge of a net investment in a foreign entity. Details are as follows:					
Cross currency interest rate swap contracts	EUR	(84 569)	3,7	2004 – 2006	
Cross currency interest rate swap contracts	GBP	53 325	5,3	2004 – 2006	(80)
Cross currency interest rate swap contracts	USD	(50 000)	6,0	2004 – 2006	
Cross currency interest rate swap contracts	GBP	32 201	5,0	2004 – 2006	23
Cross currency interest rate swap contracts	AUD	(30 000)	6,0	2004 – 2006	
Cross currency interest rate swap contracts	GBP	11 161	5,0	2004 – 2006	(13)
Cross currency interest rate swap contracts	JPY	(1 250 000)	2,0	2004 – 2006	
Cross currency interest rate swap contracts	GBP	6 553	5,0	2004 – 2006	(2)
Total					(72)

Included in the liabilities per note 32.3 is a R71 million foreign currency loan designated as a hedge of a net investment in a foreign entity.

32. FINANCIAL RISK MANAGEMENT continued

32.3 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 (%)	2003 Rm	2002 Rm
Liabilities in foreign currencies					
Secured loans	GBP	2004/2008	Libor* +1	**909**	1 137
	Pula	2004/2008	14,8	**15**	16
Unsecured loans	USD	2008	Libor + 0,80	**701**	843
	JPY	2003	Libor + 0,65		108
	EUR	2007	Libor + 0,40	**170**	440
	EUR	2004	5,5	**2**	6
	Other	2003	29,5		2
Liabilities under capitalised finance leases	GBP	2004/2008	5 – 8	**898**	1 167
Total foreign currency liabilities				**2 695**	3 719
Liabilities in South African rand					
Secured loans		2003	16,0		17
Unsecured loans		2004/2008	10,0 – 15,5	**1 007**	777
Liabilities under capitalised finance leases		2004/2013	13,0 – 17,4	**452**	466
Total South African rand liabilities				**1 459**	1 260
Total South African rand and foreign currency liabilities (note 14)				**4 154**	4 979
Interest rates					
Loans at fixed rates of interest				**1 282**	2 794
Loans linked to South African money market				**1 092**	794
Loans linked to Libor				**1 780**	1 391
				4 154	4 979

** Libor – London inter-bank offered rate*

32. FINANCIAL RISK MANAGEMENT continued

32.3 Interest rate management (continued)

Interest rate derivatives

As at September 2003, the group had 19 interest rate swap contracts which were all designated as cash flow hedges. Details are as follows:

	Currency	Foreign amount – notional (000s)	Interest rate (%)	Maturity date	2003 Fair value loss Rm
Designated cash flow hedge interest rate swap contracts	USD	69 817	2,38 – 4,65	2004 – 2006	
Designated cash flow hedge interest rate swap contracts	GBP	74 098	4,27 – 7,28	2003 – 2008	**(19)**
Total					**(19)**

32.4 Maturity profile of financial instruments

The maturity profile of the financial instruments are summarised as follows:

	<1 years Rm	2 – 4 years Rm	>4 years Rm	2003 Total Rm
Financial assets				
Cash and cash equivalents	1 547			**1 547**
Trade and other receivables	4 924	2 271	187	**7 382**
Financial liabilities				
Interest-bearing liabilities	2 739	2 134	1 270	**6 143**
Trade and other payables	5 250	595	250	**6 095**

32.5 Fair value of financial assets and liabilities

All financial instruments are carried at fair value or amounts that approximate fair value, except for the non-current portion of fixed rate receivables, payables and interest-bearing borrowings, which are carried at amortised cost.

The carrying amounts for investments, cash, cash equivalents as well as the current portion of receivables, payables and interest-bearing borrowings approximate fair value due to the short-term nature of these instruments.

The fair values have been determined using available market information and appropriate valuation methodologies.

32.6 Credit risk management

Potential areas of credit risk consist of trade accounts receivable and short-term cash investments.

Trade accounts receivable consists 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.

32.7 Liquidity risk management

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

33. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

The directors' remuneration for the year ended 30 September 2003 was as follows:

	Salary R000	Bonus R000	Retirement and medical contributions R000	Share options exercised/ceded R000	Other benefits R000	**Total 2003 R000**	Total 2002 R000
Executive directors							
DC Arnold (retired 31 March 2003)	852	1 373	223	520	1 362	**4 330**	3 658
K Brown (retired 30 September 2003)	4 108	1 480	5 080	1 673		**12 341**	14 274
MD Coward	1 280	2 822	262		233	**4 597**	2 632
LS Day	1 239	1 329	297	724	258	**3 847**	2 955
BP Diamond	1 104	1 233	234	807	255	**3 633**	2 642
R Fernandez-Urrutia (retired 30 January 2003)	926	678	1 613			**3 217**	5 901
JE Gomersall	1 653	2 852	392		360	**5 257**	2 897
AJ Lamprecht	1 363	551	288	415	217	**2 834**	3 051
PJ Maybury	2 808	3 314	1 694	279		**8 095**	7 146
AJ Phillips	2 450	2 009	565	76	551	**5 651**	4 943
PM Surgey	1 384	2 575	262		398	**4 619**	4 410
CB Thomson (appointed 1 April 2003)	643	267	113		131	**1 154**	
	19 810	20 483	11 023	4 494	3 765	**59 575**	54 509

Bonuses are performance related. The "capping" of bonuses at 50% of annual basic salary was removed during the year. As a result, bonuses paid in 2003 include an amount of R14,9 million now payable relating to prior periods.

Other benefits include company vehicles, housing and Share Purchase Trust loans.

	Fees	Share options exercised/ceded#	Other	**Total 2003 R000**	Total 2002 R000
Non-executive directors					
WAM Clewlow	980	2 530	694	**4 204**	1 600
RKJ Chambers	160	264	538	**962**	2 181
PTW Curtis					28
Sir Andrew Hugh Smith					579
MJ Levett	140			**140**	129
DB Ntsebeza	100			**100**	89
SB Pfeiffer	100		286	**386**	471
G Ross-Russell	47		156	**203**	747
LA Tager	100			**100**	89
EP Theron	140		54	**194**	164
RC Tomkinson	140		291	**431**	511
	1 907	2 794	2 019	**6 720**	6 588
Total directors' remuneration				**66 295**	61 097

There are no directors with service contracts with termination benefits exceeding one year's salary and notice periods in excess of one year, except Mr PJ Maybury who 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 or earlier on retirement.

 # Share options exercised/ceded, granted as an executive director.

33. DIRECTORS' REMUNERATION AND INTERESTS continued

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, there is no conflict of interest with regard to directors' interest in contracts.

Interest of directors of the company in share capital

The aggregate beneficial holdings as at 30 September 2003 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.

	Number of shares at 30 September			
	2003		2002	
	Direct	Indirect	Direct	Indirect
Executive directors				
DC Arnold			40 364	
K Brown			2 000	
MD Coward	24 415		24 415	
LS Day	31 467		31 467	
BP Diamond	11 903	100	5 237	
JE Gomersall	80 000	1 000	80 000	
AJ Lamprecht	20 000		20 000	
AJ Phillips	115 400		96 600	
PM Surgey	52 278		52 278	
CB Thomson		403		
	335 463	1 503	352 361	
Non-executive directors				
RKJ Chambers	10 000		10 000	
WAM Clewlow	378 668	16 320	365 334	16 592
MJ Levett	25 630		25 630	
G Ross Russell				1 600
RC Tomkinson		2 000		2 000
	414 298	18 320	400 964	20 192
	749 761	19 823	753 325	20 192

33. 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:

	Number of options as at 30 Sept 2002	Number of options granted during the year	Number of options exercised/ ceded during the year	Directors who retired during the year	**Number of options as at 30 Sept 2003**	Option price	Date from which exercis- able	Expiry date
DC Arnold	20 000		20 000			4 450	16/02/2001	16/02/2008
	10 000			10 000		2 325	01/09/2001	01/09/2008
	35 000		10 000	25 000		3 670	29/05/2003	29/05/2010
	30 000			30 000		4 570	25/09/2004	25/09/2011
K Brown	40 000		40 000			4 450	16/02/2001	16/02/2008
	30 000		20 000	10 000		2 325	01/09/2001	01/09/2008
	35 000		11 667	23 333		3 670	29/05/2003	29/05/2010
	25 000			25 000		4 570	25/09/2004	25/09/2011
RKJ Chambers	16 668		16 668			4 450	16/02/2001	16/02/2008
	13 334				**13 334**	2 325	01/09/2001	01/09/2008
WAM Clewlow	73 334		73 334			2 650	14/01/1997	14/01/2004
MD Coward	5 000				**5 000**	4 300	21/05/1999	21/05/2006
	40 000				**40 000**	4 450	16/02/2001	16/02/2008
	30 000				**30 000**	2 325	01/09/2001	01/09/2008
	30 000				**30 000**	3 670	29/05/2003	29/05/2010
	25 000				**25 000**	4 570	25/09/2004	25/09/2011
		35 000			**35 000**	4 750	01/04/2003	01/04/2013
LS Day	11 700		11 700			4 100	01/04/2001	01/04/2008
	10 000		10 000			2 325	01/09/2001	01/09/2008
	30 000		10 000		**20 000**	3 670	29/05/2003	29/05/2010
	25 000				**25 000**	4 570	25/09/2004	25/09/2011
		35 000			**35 000**	4 750	01/04/2003	01/04/2013
BP Diamond	18 334		18 334			4 100	01/04/2001	01/04/2008
	8 667		8 667			2 325	01/09/2001	01/09/2008
	30 000		10 000		**20 000**	3 670	29/05/2003	29/05/2010
	25 000				**25 000**	4 570	25/09/2004	25/09/2011
		35 000			**35 000**	4 750	01/04/2003	01/04/2013
R Fernandez-Urrutia	11 667			11 667		4 100	01/04/2001	01/04/2008
	17 334			17 334		2 325	01/09/2001	01/09/2008
	25 000			25 000		3 670	29/05/2003	29/05/2010
	25 000			25 000		4 570	25/09/2004	25/09/2011

33. DIRECTORS' REMUNERATION AND INTERESTS continued

	Number of options as at 30 Sept 2002	Number of options granted during the year	Number of options exercised/ ceded during the year	Directors who retired during the year	**Number of options as at 30 Sept 2003**	Option price	Date from which exercis-able	Expiry date
JE Gomersall	50 000				**50 000**	4 450	16/02/2001	16/02/2008
	40 000				**40 000**	2 325	01/09/2001	01/09/2008
	35 000				**35 000**	3 670	29/05/2003	29/05/2010
	30 000				**30 000**	4 570	25/09/2004	25/09/2011
		35 000			**35 000**	4 750	01/04/2003	01/04/2013
AJ Lamprecht	13 334		13 334			4 450	16/02/2001	16/02/2008
	10 000				**10 000**	2 325	01/09/2001	01/09/2008
	30 000		10 000		**20 000**	3 670	29/05/2003	29/05/2010
	25 000				**25 000**	4 570	25/09/2004	25/09/2011
		35 000			**35 000**	4 750	01/04/2003	01/04/2013
PJ Maybury	10 000				**10 000**	4 100	01/04/2001	01/04/2008
	15 000		7 500		**7 500**	2 325	01/09/2001	01/09/2008
	25 000				**25 000**	3 670	29/05/2003	29/05/2010
	25 000				**25 000**	4 570	25/09/2004	25/09/2011
AJ Phillips	16 800		16 800			4 450	16/02/2001	16/02/2008
	13 400				**13 400**	2 325	01/09/2001	01/09/2008
	50 000				**50 000**	3 670	29/05/2003	29/05/2010
	40 000				**40 000**	4 570	25/09/2004	25/09/2011
		50 000			**50 000**	4 750	01/04/2003	01/04/2013
PM Surgey	33 000				**33 000**	4 450	16/02/2001	16/02/2008
	30 000				**30 000**	2 325	01/09/2001	01/09/2008
	35 000				**35 000**	3 670	29/05/2003	29/05/2010
	25 000				**25 000**	4 570	25/09/2004	25/09/2011
		35 000			**35 000**	4 750	01/04/2003	01/04/2013
CB Thomson†	20 000				**20 000**	4 600	06/03/2000	06/03/2007
	25 000				**25 000**	4 100	01/04/2001	01/04/2008
	19 000				**19 000**	2 325	01/09/2001	01/09/2008
	15 000				**15 000**	3 670	29/05/2003	29/05/2010
	17 500				**17 500**	4 570	25/09/2004	25/09/2011
		35 000			**35 000**	4 750	01/04/2003	01/04/2013
	1 344 072	295 000	308 004	202 334	**1 128 734**			

A register detailing directors and officers' interest in the company is available for inspection at the company's registered office.

† New appointment. Existing options added to opening balance.

34. PRINCIPAL SUBSIDIARY COMPANIES

	Type	Currency	Issued capital Amount	Effective percentage holdings 2003 %	Effective percentage holdings 2002 %	Interest of holding company Shares 2003 Rm	Shares 2002 Rm	Indebtedness 2003 Rm	Indebtedness 2002 Rm	Amounts owing to subsidiaries 2003 Rm	Amounts owing to subsidiaries 2002 Rm
Barloworld Australia (Pty) Limited[5]	H	AUD	82 275 501	**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	**986**	687		
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					**5**	5
Barloworld Equipment UK Limited[1]	O	GBP	4 500 000	**100**	100						
Barloworld Holdings PLC[1]	H	GBP	167 826 527	**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 Investments (Pty) Limited	H	ZAR	900	**100**	100	**1**	1	**1 582**	1 608		
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	**67,4**	66,2	**35**	35	**6**	4		
RIH Investments (Pty) Limited – Ord	O	ZAR	3 264 730	**100**	100	**131**	131	**195**	243		
– 'A' Ord		ZAR	587 651	**100**	100						
Sociedade Technica De Equipamentos e Tractores SA[6]	O	EUR	4 000 000	**99**	99						
Other foreign subsidiaries*						**31**	31			**96**	149
Other companies*						**208**	101	**683**	620	**667**	754
						478	371	**3 452**	3 162	**874**	1 014

All companies are incorporated in (or operate principally in) the Republic of South Africa except where otherwise indicated as follows:

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.

* *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.*

Investor company/joint venture	Principal products or activities	Percentage held by investor 2003	2002

35. SIGNIFICANT JOINT VENTURES AT 30 SEPTEMBER 2003

Barloworld Motor (Pty) Limited			
NMI DSM	Retail of new and used vehicles and sale of related parts and accessories	**50,0**	
Pretoria Portland Cement Company Limited			
Slagment (Pty) Limited	Slag-based products	**33,3**	33,3

Capital commitments

The reporting company's share of the capital commitments of joint venture companies amounts to R60 million (2002: nil).

36. LISTED AND UNLISTED INVESTMENTS AT 30 SEPTEMBER 2003

Number of shares held by the holding company and by subsidiaries, where material, are as follows:

	Securities exchange	Number of shares 2003	2002
Listed investments			
Astral Foods Limited	South Africa		9 324
Illovo Sugar Limited	South Africa		19 811
Inno Active Property Solutions Limited	South Africa		23 820
Nampak Limited	South Africa		36 038
Reunert Limited	South Africa		47 108
Tiger Brands Limited	South Africa		9 888
Astra Industries Limited	Zimbabwe	**15 311 155**	15 311 155
Cairns Holdings Limited	Zimbabwe	**15 311 155**	15 311 155
Tractive Power Holdings Limited	Zimbabwe	**15 311 155**	15 311 155
Unlisted investments			
BoE Bank Trust – preference shares		**246 850 000**	246 850 000
Business Partners Limited		**2 209 594**	2 209 594
Energyst B.V.		**31 407**	31 407

The detailed registers of investments are open for inspection at the registered office of the companies.

37. INVESTMENT IN ASSOCIATE COMPANIES AT 30 SEPTEMBER 2003

Investor company/associate	Principal products or activities	Issued share capital R000	Percentage held by investors 2003	Percentage held by investors 2002
Barloworld Australia (Pty) Limited				
Chemcorp Australia (Pty) Limited[1]	Paint-related distributor	200	**50**	50
Mercedes-Benz of Melbourne (Pty) Limited[1]	Motor retailer	2 000	**49**	49
Barloworld Coatings (Pty) Limited				
Herberts – Plascon (Pty) Limited	Automotive coatings	21	**49**	49
International Paints (Pty) Limited	Industrial coatings	20	**49**	49
Longridge Investment Company (Pty) Limited	Paint-related manufacturing	1	**50**	50
Schenectady SA (Pty) Limited	Resin manufacturing			49
Sizwe Paints (Pty) Limited	Decorative distribution		**30**	30
Valspar (SA) (Pty) Limited	Can coatings	17	**20**	20
Barloworld Equipment Company				
Umndeni Circon (Pty) Limited	Generator set manufacturing	1	**33**	33
Surcotec (Pty) Limited	Metal spraying and general engineering		**40**	40
Barloworld Holdings PLC				
Barzem Enterprises (Pty) Limited[4]	Caterpillar dealer	48	**35**	35
Finaltair Barloworld SA[3]	Energy generation	1 250	**50**	50
Select Trucks LLC[2]	Used truck dealer		**50**	50
Barloworld Investments (Pty) Limited				
Avis Southern Africa Limited	Car rental	171 282	**35**	26
Barloworld Robor (Pty) Limited				
Bonskia Investment (Pty) Limited	Steel and metal traders		**49**	49
Mine Support Products (Pty) Limited	Pit props	1	**50**	50
Shosholoza Steel Supplies (Pty) Limited	Steel and metal traders			30
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**	38

All companies are incorporated in (or operate principally in) the Republic of South Africa except where otherwise indicated as follows:
1. Australia
2. United States of America
3. Spain
4. Zimbabwe

38. 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 note 7 and 35 to 37.

Income from associates and joint ventures are disclosed in note 7.

	2003 Rm	2002 Rm
Value of goods and services sold to associates and joint ventures		
Avis Southern Africa Limited	**119**	193
Other associates and joint ventures	**191**	342
	310	535
Value of goods and services purchased from associates and joint ventures		
Avis Southern Africa Limited	**42**	46
Other associates and joint ventures	**165**	186
	207	232
Value of other transactions with related parties		
Interest paid to Old Mutual Life Assurance Company SA Limited	**68**	53
Management fees received	**15**	14
Value of amounts due to associates and joint ventures as at 30 September	**12**	14
Value of amounts due by associates and joint ventures as at 30 September	**20**	44

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 34.

Directors

Details regarding directors' remuneration and interests are disclosed in note 33.

Senior employees

Details regarding share options are disclosed in note 12.

Shareholders

The principal shareholders of the Company are disclosed on page 34.

The Group's borrowings include short-term loans of R81 million from Old Mutual Life Assurance Company South Africa Limited as at 30 September 2003 (2002: R600 million).

Contingent liabilities

Details disclosed per note 29 include repurchase obligations to Avis Southern Africa Limited to the value of R26 million as at 30 September 2003 (2002: R58 million).

NOTICE OF ANNUAL GENERAL MEETING

Barloworld Limited
Registration number 1918/000095/06
JSE code: BAW
ISIN code: ZAE000026639
("Barloworld")

Notice is hereby given that the eighty seventh 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, 29 January 2004, at 12:00 for the following purposes:

1. To receive and adopt the group annual financial statements, incorporating the auditors report, for the year ended 30 September 2003.

2. To elect the directors, who are available for re-election by a single resolution.

3. To elect the following directors:
   Mr CB Thomson, who was appointed finance director on 1 April 2003 and is required to retire in terms of the company's articles of association.

   Messrs LS Day, SB Pfeiffer, AJ Phillips, PM Surgey and RC Tomkinson retire by rotation, in terms of the company's articles of association.

   All of the directors are available for election or re-election, as the case may be, and there are no further candidates.

   The curriculum vitae for each director appears on pages 21 to 23 of this annual report.

   The nominations committee recommends the candidates for favourable consideration by members at the annual general meeting.

   Mr RKJ Chambers has indicated that he will retire at the close of business on 29 January 2004 and is not available for re-election.

4. To consider the retention of Deloitte & Touche as external auditors of the company and of the group for the year ending 30 September 2004.

   On the advice of the audit committee, the board recommends to the members of the company that Deloitte & Touche be re-appointed as external auditors.

5. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

   Resolved that the directors referred to hereafter having been granted options (and in the case of CB Thomson in the years prior to his appointment as a director of the company) in terms of the Barloworld Share Option Scheme as approved and adopted by the company on 1 July 1995, the company hereby approves in terms of section 222(1)(a) of the South African Companies Act, 1973, as amended, the allotment and issue to any director referred to, of the number of shares set out against his name in so far as he exercises his options:

MD Coward	35 000
LS Day	35 000
BP Diamond	35 000
JE Gomersall	35 000
AJ Lamprecht	35 000
AJ Phillips	50 000
PM Surgey	35 000
CB Thomson	131 500

   The reason for proposing this ordinary resolution is for the directors to obtain authority from the members to allot and issue shares to these directors as and when share options granted to them in terms of the Barloworld Share Option Scheme are exercised.

6. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution to amend the rules of the Barloworld Share Option Scheme:

   That with immediate effect rule 4.4 be amended to read:

   "Subject to 4.9, each option granted after 29 January 2004, will remain in force for a period of 6 years after the date of granting the option."

   The reason for proposing this ordinary resolution is to limit to six years the period that options granted after 29 January 2004 in terms of the Barloworld Share Option Scheme will be valid. The limit was ten years in the past. The remuneration committee recommends to the members that they adopt the amended rule.

   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 12:00 (South African time) on Tuesday, 27 January 2004.

By order of the board

MJ Barnett
Secretary

Sandton
19 December 2003

SHAREHOLDERS' DIARY

Financial year-end	30 September
Annual general meeting	January

Reports and profit statements	Published:
• Half-yearly interim report	May
• Results for the year	November
• Annual report	December

Dividends	Declared:	Paid:
• 6% cumulative preference shares	March	April
	September	October
• Ordinary shares – interim	May	July
– final	November	January
• 7% convertible bond interest		September

CORPORATE INFORMATION

for the year ended 30 September 2003

Secretary
MJ Barnett

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180 Katherine Street
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Telefax +27 11 444 3643
Website www.barloworld.com

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The Woodlands
Corner Woodlands and Kelvin Drives
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Telefax +27 11 806 5003

Attorneys
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Ninth Floor, Twin Towers West
Sandton City, Sandton, 2146, South Africa
Telephone +27 11 881 9800
Telefax +27 11 883 4505

Transfer secretaries
Ultra Registrars (Pty) Limited
11 Diagonal Street
PO Box 4844
Johannesburg
2000
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Telephone +27 11 834 2266
Telefax +27 11 834 4398
E-mail barloworld@ultrareg.co.za

Principal bankers
Absa Group Limited
Australia and New Zealand Banking Group Limited
Banco Bilbao Vizcaya Argentaria S.A.
Bank of America, NA
Citibank International plc
FirstRand Bank Limited
Lloyds TSB Bank plc
Nedbank Limited
Royal Bank of Scotland plc
(National/Westminster Bank plc)
The Standard Bank of South Africa Limited
WestLB AG, London Branch

Company registration number
1918/000095/06
JSE Code: BAW
ISIN Code: ZAE000026639

Sponsor
Cazenove, South Africa (Pty) Limited

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PROXY FORM

BARLOWORLD LIMITED
(Incorporated in the Republic of South Africa)
Company registration number 1918/000095/06
JSE code: BAW
ISIN code: ZAE000026639
("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, 29 January 2004, at 12:00 (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 resolutions to be proposed at the meeting and at each adjournment of the meeting and to vote for or against the ordinary 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 in favour	*Vote against	*Abstain
1. Adoption of annual financial statements			
2. To elect the directors by a single resolution			
3. Election of directors:			
LS Day			
SB Pfeiffer			
AJ Phillips			
PM Surgey			
CB Thomson			
RC Tomkinson			
4. Appointment of auditors			
5. Authority to allot and issue shares under option to directors			
6. Amendment to the Barloworld Share Option Scheme			

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, Ultra Registrars (Pty) Limited, 11 Diagonal Street, PO Box 4844, Johannesburg, 2000, South Africa, or the United Kingdom registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, England, by not later than 12:00 (South African time) on Tuesday, 27 January 2004.

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 (cross) 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.

10. A form of proxy sent by electronic medium to the Secretary or Transfer Secretaries within the time allowed for submission, shall be deemed to constitute an instrument of proxy.

CYCLING: CREATING INTERNATIONAL AWARENESS OF THE BARLOWORLD BRAND

In December 2002 the Team Barloworld professional cycling team came into being. In its first season the team has dominated the local cycling scene in South Africa and performed outstandingly on the European circuit, being ranked fifth for the year amongst 75 Trade-3 teams worldwide by cycling's world body, the International Cycling Federation. The team, with its striking branding has rapidly become a firm favourite amongst cycling aficionados and has already developed a club with over 500 members.

Team Barloworld have proved their critics wrong – those who said that basing a new inexperienced team in Europe and taking on the best in the business day-in and day-out was nothing but folly.

From the moment the team placed four riders in the top 20 in the 39th Tour de la Manche in early May, it was clear that the new kids on the block would not be content with taking a back seat to some of the more fancied outfits in world cycling.

Barloworld riders also excelled outside of Europe and on the domestic front this year.

In South Africa winning amongst others, the Giro del Capo, the Rapport Tour d'Eden and the South African Road Championship.

For 2004, Team Barloworld will be a fully-fledged Trade-2 team building to compete in the Giro d'Italia (the world's second-biggest race).

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Barloworld
Leading brands