POWER

We create

stakeholder value

by building powerful

industrial brands

and long-term

relationships

CHAIRMAN'S REVIEW

BUILDING POWERFUL BRANDS AND LONG-TERM RELATIONSHIPS INTO THE NEW MILLENNIUM

1999 was a difficult year in almost every business segment and in most markets in which Barlow operates.

Turnover from continuing operations showed further growth rising 9% to R20 835 million (1998: R19 049 million).

Difficult trading conditions and restructuring costs, which will yield benefits in future years, saw operating margins decline and operating profits from continuing operations reduce by 20% to R908 million (1998: R1 136 million). As a result of a substantial decrease in the interest charge and a lower tax rate, earnings per share excluding exceptional items, rose by 3% to 319,7 cents (1998: 309,7 cents).

The disposal of non-core businesses, including 26 million of our 50 million shares in Comparex Holdings Limited, resulted in substantial exceptional profits of R875 million (1998: R96 million). Attributable profits increased from R818 million to R1 576 million resulting in a 90% increase in net profit per share to 735,6 cents (1998: 386,8 cents).

Shareholder value has been greatly enhanced and the substantial positive cash flow is being reinvested in ongoing operations and used to reduce borrowings.

Your board is pleased to announce a final dividend of 100 cents making a total dividend of 141 cents for the year (1998: 124 cents).

93%

NET PROFITS ROSE 93% TO R1 576 MILLION (US$262 MILLION)

"Africa outside South Africa remains a land of promise dogged by economic mismanagement, excessive bureaucracy and corruption, intensified civil wars and slow implementation of privatisation programmes. To do business in such conditions you have to be prepared to take on difficult challenges. Barlow is rising to this challenge with a goal of long-term value creation."

The Barlow Group performed well in the face of extremely difficult economic conditions in South Africa

Although interest rates declined during the second half of the year, even at the time of writing, they remain amongst the highest in the developed world in real terms. This has had the effect of strangling the South African economy, and current estimates are that GDP growth will be less than 1% for the 1999 calendar year whilst fixed investment, a key driver for Barlow's South African interests, will actually decline. This is a disappointing performance for an economy which has the potential of being a leader in the world's emerging economies and which also carries the added responsibility of being the economic driving force for African countries south of the equator.

Regrettably we have witnessed the negative impact of this low growth in almost every one of the businesses in which Barlow operates in South Africa. Examples include the worst trading conditions in 11 years in the motor industry, a 7% decline in national cement demand, a 20% decline in decorative coatings demand and, with much lower mining and construction activity, a collapse in capital equipment utilisation and demand.

Our operations in Africa outside South Africa have also experienced another year of unfulfilled potential with intensified civil unrest and economic mismanagement affecting many of the key areas where we are involved. Botswana was again the exception and is an example to this sub-continent with consistent GDP growth of between 5% and 6% in a well-managed economy and a stable political environment.

Looking outside Africa, United Kingdom manufacturing slowed down in the face of the strength of Sterling. This has affected the lift truck and scientific products businesses, and the latter also had to contend with lower international demand for certain of its products as an aftermath of the Asian crisis.

Our lift truck business had to bear the high once-off cost of implementing an advanced computer networking system, but it nevertheless still made an acceptable profit and return.

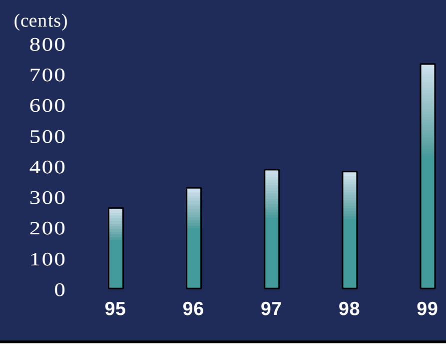
The Spanish and Portuguese economies continued their strong growth in excess of 3% per annum and, with their Caterpillar products backed by strong management and product acceptance, our businesses in that region produced record results.

At the time of writing this report last year we, as did many others, saw signs of the South African economy starting to improve. This improvement was not however sustained, and as the months went by, to our great disappointment, the South African economy declined even further especially in those sectors in which we operate. Our international markets, with Spain and Portugal being notable exceptions, also did not experience growth quite to the extent we had expected.

Accepting the inevitability of market conditions not reaching expectations, we took the conscious decision to speed up all programmes planned for positioning the group for its medium and long-term future. Capital expenditure projects, principally aimed at augmenting and upgrading manufacturing facilities to world standards in the Cement, Paint and Steel Tube divisions have now been completed; the installation of state-of-the-art computer and communication systems was accelerated and all value-added programmes at the centre supporting group company activities were reviewed.

The minority shareholders in Finanzauto were acquired and a medium-term facility of £105 million was negotiated with eight leading international banks. Plans were

Net profit per share



made with our key principals to strengthen relationships for the future. With many of our South African and African customers under pressure from the negative economic conditions, we worked closely with them to give them support during these difficult times.

Throughout the group, particular emphasis was laid on plans to drive down costs and make the optimum use of capital in every business unit. The non-core building materials and paper businesses were sold and the sale of part of the stake in Comparex greatly enhanced our capital base and liquidity.

The international management team was strengthened, to play a key role in the development of the Barlow Group worldwide. Reporting structures were streamlined as we continued to consolidate our paint and motor activities in Australia and to establish our capital equipment operations in Siberia. Additional opportunities in the USA and UK have been examined and some acquisitions were made. Ways of expanding our international cement operations are being considered. Zimbabwe has been re-entered following an absence of 12 years and expansion into China and India is also being considered.

Thus, in a year where our trading prospects were being severely hampered by much tighter than anticipated economic conditions, the group's capital base and shareholder value was nevertheless greatly enhanced through the sale of non-core assets.

But perhaps what is more important, is that the groundwork was laid to position Barlows in the medium to long-term to take advantage of improvements in the market sectors and countries where we operate.

"The steady expansion of Barlow's geographic footprint sees operations now established in 31 countries and products and services being sold in over 90."

An expanding international shareholder base

Barlows has its headquarters and central management team based in Johannesburg. Our business activities outside South Africa accounted for 61% of operating profit during the year compared with 51% in the previous year – a trend which has increased steadily in recent years establishing Barlows as an international industrial group with strong roots in South Africa. The primary stock exchange listing is on the Johannesburg Stock Exchange and, as we are presently structured, I would not presently recommend that this be changed. In addition to this primary Johannesburg Stock Exchange listing the company has, since 1969, a secondary listing on the London Stock Exchange where the shares can be actively traded, as well as listings in Frankfurt, Paris, Brussels, Zurich and Windhoek.

The Barlow Group has extensive business interests in Spain and Portugal, and consideration will be given as to whether an additional listing on the growing Madrid Stock Exchange could be of advantage to the group.

In recent years the shareholder base has increased in the international investment community to the extent that non-South African shareholders hold approximately half of the company's stock (excluding the interest of our major shareholder The Old Mutual).

Key factors influencing this trend are size, liquidity and hence tradeability of the Barlows stock. In addition we can be measured by international accounting and corporate governance standards.

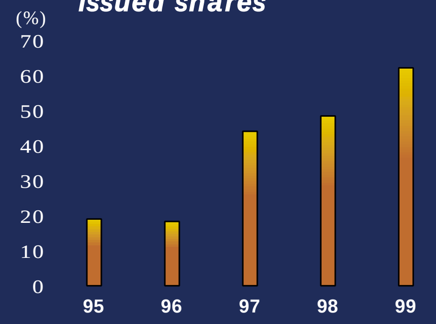
Shareholder approval is being sought for share buybacks

Following the recent changes to the Companies Act and the Johannesburg Stock Exchange regulations, the board will be asking shareholders to approve a change to the Company's Articles of Association and permission to acquire up to 10% of the issued share capital at the forthcoming annual general meeting. Share buybacks, whilst new to South Africa, have been common practice in the United States and, more recently, in the United Kingdom. Depending on the circumstances at the time, this can also be effectively used as a mechanism for enhancing shareholder value.

Looking ahead

Looking at the year 2000 the key external factors which will influence our level of growth will be the timing and extent of a

Volume of shares traded as a percentage of total issued shares



South African economic recovery and a return to stability in other African countries so that normal trading can be resumed in those regions.

We rely on the US economy for growth especially in those South Eastern States where we have key operations. Trading in the UK would benefit greatly from a more favourable Sterling / Euro exchange rate.

In South Africa we hope to see further reductions in the interest rates to stimulate GDFI growth. The inflation rate continues to decline and is being well managed at these lower levels.

Hopefully the upturn in the commodity market cycle will be sustained.

For too long South Africa has been hampered by an inadequate growth rate and we are seeing signs of a deterioration of the physical infrastructure. Our government and economic planners are aware of the global best practices needed for a country in our situation. We must encourage and support them in their endeavours to curtail the fiscal deficit, impose stringent budget restraints and help improve the structure of public spending. Any savings on current spending should be used to cut the deficit. One sure way of reducing the impact of high interest payments would be to privatise more of the public enterprises at a far more rapid rate.

Another priority for the South African government is dealing with crime. Barlow continues to support the Business Against Crime initiative as part of our efforts to assist in this area.

South Africa is a labour abundant country and the labour market needs to be liberalised to open up more job opportunities for the unemployed. What is needed is a decisive break from the past and the raising of economic issues as our top priority. Bold economic leadership, tackling poverty by concentrating on growth to increase overall real income will release the pent up energies of this country's population.

This is the only basis for long-term stability and the only chance for enduring prosperity.

We have a long way to go to catch up – but I believe we can and will eventually do so.

Board

During the year several changes have taken place with respect to the composition and the defining the role of board members, taking into consideration the requirements of international corporate governance standards.

Both Mr Russell Chambers and I have relinquished our executive responsibilities while remaining on the board as non-executive directors.

In line with the principles of good corporate governance there is now a clear division of responsibilities between Mr Tony Phillips as the Chief Executive Officer and myself as Chairman.

Having recently reached the group's retirement age, Mr Philip Bellingan has resigned as an executive director of the company. I would like to thank him for the valuable contribution he has made over many years of service with the group in different fields of our operations.

Following the retirement of Mr Dick Goss and Justice Jan Steyn and the resignation of Mr Garth Griffin, I would like to thank them for all their wise counsel and support they have given to the group over the years.

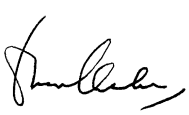
On 18 May 1999, Mr Dumisa Ntsebeza was appointed as a non-executive director of the company.

Conclusion

Looking into the future, Barlow Limited, in its 98th year, is in an extremely strong position. The cost base has been lowered, non-core businesses have been disposed of, the quality of earnings has been enhanced and the balance sheet is strong.

The board has clear strategies for future growth and has set management challenging targets to improve profitability and the usage of capital in this coming year.

The management team, which now covers many parts of the world, is in excellent shape and under the leadership of the Chief Executive, Tony Phillips, I am confident that at the end of the year 2000 they will have delivered an exciting year of growth and development.

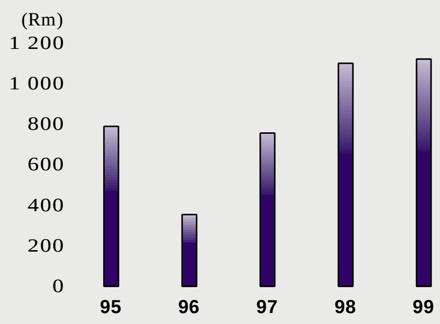


W A M Clewlow
Chairman
15 November 1999

FINANCIAL HIGHLIGHTS

	1999 R'm	1998 R'm	Change %	1999 US$m	1998 US$m	Change %
Revenue – continuing operations	20 835	19 049	9	3 463	3 242	7
Operating profit – continuing operations	908	1 136	(20)	151	193	(22)
Net profit per share (cents)	735,6	386,8	90	122,3	65,8	86
Earnings per ordinary share excluding exceptional items (cents)	319,7	309,7	3	53,1	52,7	1
Dividends per ordinary share (cents)	141,0	124,0	14	23,0	21,0	10
Interest of shareholders of Barlow Limited	6 470	5 173	25	1,075	880	22
Net asset value per share including investments at market value (cents)	3 463	3 453	–	576	588	(2)
Return on ordinary shareholder funds (%)	27,1	17,1	58	27,1	17,1	58

Net cash from operating activities



Currency conversion guide

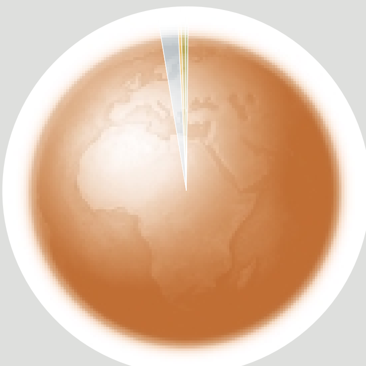
Approximate value of foreign currencies at 30 September

	1999	1998
Australian Dollar	0,25	0,29
Belgian Franc	6,29	5,88
French Franc	1,02	0,96
German Mark	0,31	0,29
Japanese Yen	17,63	23,14
Spanish Peseta	25,96	24,21
Swiss Franc	0,25	0,24
UK Pound	9,90	9,99
US Dollar	6,02	5,88

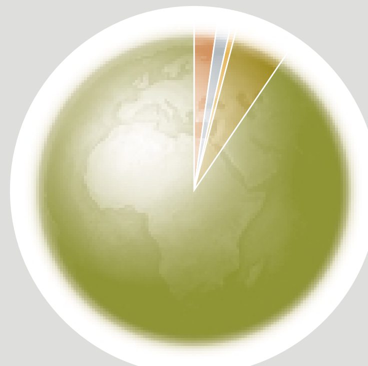
BARLOW IN THE STOCK MARKET

BARLOW SHARES ARE LISTED ON THE STOCK EXCHANGES IN JOHANNESBURG, LONDON, PARIS, BRUSSELS, ANTWERP, FRANKFURT, ZURICH AND NAMIBIA

The only shareholder with a beneficial interest in Barlow Limited ordinary shares in excess of 5% was Old Mutual Life Assurance Company (SA) Limited who held 20,32% of the total issued ordinary share capital at 30 September 1999



Size of shareholding	Number of shareholders	%
1 – 10 000	7 707	***97,4***
10 001 – 49 999	142	***1,8***
50 000 – 99 999	18	***0,3***
100 000 – 999 999	34	***0,4***
1 000 000 and above	11	***0,1***



Size of shareholding	Number of shares	%
1 – 10 000	4 658 007	***2,2***
10 001 – 49 999	2 799 103	***1,3***
50 000 – 99 999	1 384 995	***0,6***
100 000 – 999 999	11 560 518	***5,4***
1 000 000 and above	193 906 825	***90,5***

Ordinary shares – Johannesburg Stock Exchange	1999	1998	1997	1996	1995
Closing market prices per share (cents)					
– year-end (30 September)	2 940	2 200	5 325	4 400	4 125
– highest	3 990	5 450	6 075	5 950	4 125
– lowest	2 130	2 000	3 965	3 975	2 875
Number of shares in issue (million)	214	214	208	206	200
Volume of shares traded (million)	140	104	92	39	40
Value of shares traded (Rm)	4 103	4 049	4 594	1 874	1 423
Earnings yield, excluding exceptional items (%)*	10,9	14,6	7,3	7,5	46,4
Dividend yield (%)*	4,8	5,6	2,3	2,4	2,0
Price: Earnings ratio, excluding exceptional items*	9,2	6,8	13,7	1,5	2,2
Market capitalisation at 30 September (R'm)	6 301	4 708	11 087	9 048	8 270
(Discount) / premium over interest of shareholders of Barlow Limited (R'm)	(170)	(465)	6 855	5 010	4 772

** Based on earnings excluding exceptional items and dividends per share for the financial year and the closing market share price on the Johannesburg Stock Exchange at 30 September*

CHIEF EXECUTIVE OFFICER'S INTERVIEW

VALUE-BASED MANAGEMENT TO DELIVER SHAREHOLDER VALUE

"In order to drive our strategic decision-making as well as focus our energies to deliver shareholder value, we are adopting value-based management principles throughout the group."

Strategy

Q. What is your growth strategy for Barlow as an international industrial brand management company?

A. We have a very clear strategy for growth and it is focused on delivering shareholder value. We will extend the geographic spread of our own brands internationally, expand the geographic footprint and range of international brands we represent around the world and exit non-core and underperforming business segments.

Expansion by making global brands local and local brands global

Q. In buying Ditch Witch of Georgia you have taken the first steps in developing a new business segment. What's the potential there?

A. The Ditch Witch brand is the world leader in trenching equipment. The purchase of the Ditch Witch dealership for the state of Georgia, USA, in January 1999 signalled a major strategic development around one of our core competencies, namely representing global industrial brands in the local marketplace. The skills required to run a Ditch Witch dealership are similar to those in a Hyster or Caterpillar operation and I am pleased to report that Ditch Witch is already exceeding expectations, opening the way for similar acquisitions in the future. The growth opportunities are extensive as there are 157 Ditch Witch dealers worldwide.

Q. What's the latest news on your Caterpillar operations in Siberia and prospects for additional Caterpillar dealerships?

A. We established operations on the ground in Siberia towards the end of calendar 1998. Progress is slow as we expected, but the potential of the territory is very exciting. A major development was the doubling of our franchise territory in June 1999. The reserves of natural resources in the area are phenomenal and we are on track to develop a substantial business unit.

We are constantly seeking additional Caterpillar dealerships. Predicting the timing is difficult, but our track record gives us confidence that we will succeed in adding territory to expand this segment of our business. After all, a decade ago we only represented Caterpillar in six countries, and now we're the dealer in seventeen countries.

Q. Are there any other opportunities for you to apply your skills in representing major international industrial brands?

A. Definitely. Having turned the theory that this is a core competence into practice with Ditch Witch, we will focus in the year ahead in aggressively identifying similar opportunities in other products and services. Creating shareholder value through acquisitions is extremely difficult so we will identify our targets carefully and make sure we don't overpay.

Q. What other expansion opportunities are there in your co-brand business units?

A. One of the things many people forget is the extent to which our principals are constantly introducing improvements to their existing products and expanding the range of products they offer to the marketplace through us. Take Caterpillar for example, the product line up to now includes 23 new

WE HAVE A VERY CLEAR STRATEGY FOR GROWTH AND IT IS FOCUSED ON DELIVERING SHAREHOLDER VALUE

machines in 1999 alone. Hyster are only just beginning to provide an effective product in the narrow-aisle high-lift warehouse market. These kind of developments present massive expansion opportunities for us without any significant increase in our asset base.

Q. And what about value creation in the motor dealership side?

A. There are two issues here. The first is that we have already expanded geographically, albeit on a small scale, with two motor dealerships in Australia. There we comfortably exceed our cost of capital. Their success is now generating further opportunities for geographic expansion in this business segment. The second issue is the opportunity and the need for further consolidation of the motor retail industry in South Africa. Our goal is to achieve higher comparative throughput for the existing asset base and to further increase our market share. This will allow us to move greater volumes through the same central overhead structure and so increase the value we create.

Q. How and where are you going to create value in your existing own brand businesses?

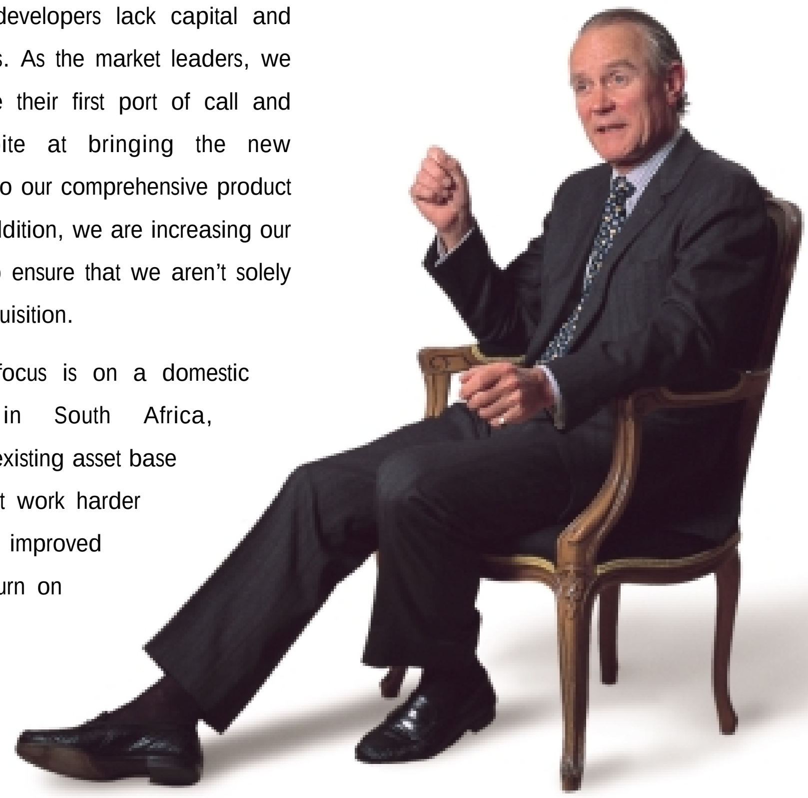
A. The only way you can answer this question is to look into each business segment individually. In decorative coatings, we have a strategy of expansion from our three existing core geographic areas of southern Africa, the UK and Australia, whilst further improving the returns of the current operations. Our franchise expansion into China from our Australian base is part of this strategy. We are also honing our focus on specific market niches to build a world presence where the global volume coatings producers don't and cannot play.

In scientific products, the opportunities in photonics currently revolve around bolt on acquisitions of smaller R&D companies to acquire new technologies as they reach the point of becoming commercial. Typically the original developers lack capital and market access. As the market leaders, we invariably are their first port of call and have first bite at bringing the new technology into our comprehensive product offering. In addition, we are increasing our R&D spend to ensure that we aren't solely reliant on acquisition.

In steel the focus is on a domestic turnaround in South Africa, reducing the existing asset base and making it work harder to yield an improved cash flow return on investment.

Q. And what about new products?

A. We have a steady stream of new products from our principals. Our own research and development adds new products continually. Then we also use joint ventures as a mechanism to access new products.



OUR GOAL IS TO ACHIEVE HIGHER COMPARATIVE THROUGHPUT FOR THE EXISTING ASSET BASE AND TO FURTHER INCREASE OUR MARKET SHARE

Exiting non-core and under-performing business

Q. What progress have you made with exiting the building materials retailing industry?

A. During 1999 we sold 31 Federated Timbers stores to an empowerment group led by the National Association of Black Contractors and Allied Trades (NABCAT). A further seven stores were sold to management and the remaining ten were closed. Through this process, we have exited a business which neither reached our return criteria, nor fitted our internationalisation strategy. Simultaneously we have made a significant contribution to the empowerment of emerging contractors from previously disadvantaged communities in South Africa. The remaining disposals in this business segment are the Thesen Islands property in the southern Cape and the Thesen forests. Both of these are on track to be completed during the current financial year.

Q. Where are you on the sale of the speciality paper business in Europe?

A. Having announced last year that we were exiting the speciality paper industry in the UK, we have substantially completed the exercise via the sale of four of five operating units including all the operations which were causing concern. The remaining unit is profitable and has a good track record. We will seek to realise value from this business as the paper cycle moves into a more sustained upturn.

Q. What's the status of your remaining Comparex holding of some 24 million shares?

A. We have realised massive value in our Comparex shareholding, and there is still more to come. This value was created by the strategic instincts of Warren Clewlow, under whose leadership the decision was made to back the Comparex management.

We still have a few weeks remaining during which the balance of our holding is subject to an offer from a consortium led by Comparex chairman, Roux Marnitz. It is not clear whether that transaction will take place as the Comparex share price is below the price set in the offer. What is however certain, is that we have made the decision to sell the balance of our investment in Comparex, in line with a strategy of disposing of non-managed investments. In the event that the current offer period expires without the transaction being completed, we will manage the timing of the sale of the remaining stake taking cognisance of market conditions and our own cash requirements.

Q. What is your view on listed subsidiaries?

A. We do not believe it makes any sense to have minority shareholders in listed subsidiaries. That is why we have bought out all but a handful of the minorities and de-listed Finanzauto SA. The process was completed in August with a total cost of buying out the minority shareholders which amounted to R116 million. The strategic benefits of not having listed subsidiaries are threefold. Firstly, it enhances our ability to exclusively focus on delivering value for Barlow shareholders without the distraction of minority shareholders. Secondly, it gives us full, unfettered access to cash flows. Thirdly, it allows us to lower costs. The strategy does not, however, preclude joint venture partners in some areas for reasons such as access to technology, market alliances, etc. An example of this is in our coatings business segment where we have a number of joint ventures with global technology leaders.

Q. In that context, isn't your listed cement and lime business, PPC, out of kilter with the strategy?

A. Yes, it's the only area in which we retain minority shareholders in a business, but our primary focus is on the process of achieving global competitiveness to improve the returns in the business, and we have plenty of work to do in this area.

Q. What potential is there in your financial services operation?

A. In the past, our South African leasing business has focused on supporting our activities in the motor and capital equipment business sectors. In the current

20%

WE HAVE REDUCED OUR EMPLOYEE BASE BY 20% FROM 27 804 TO 22 148

financial year we will begin exploiting a new opportunity in the United Kingdom and Belgium where over 30 years we have pioneered the development of rentals in the lift trucks industry. We have a captive market for financing of over 12 000 lift trucks worth some £150 million and to take advantage of this we are developing plans for the establishment of a financial services business unit in the UK. We will transfer the rentals into that operation as the existing financing arrangements with third party providers expire. That way we can double the size of our financial services business over five years without even looking for new business. And that is just a start. There's lots of potential in this area.

Q. How do you make decisions on allocation of capital into business segments and business units?

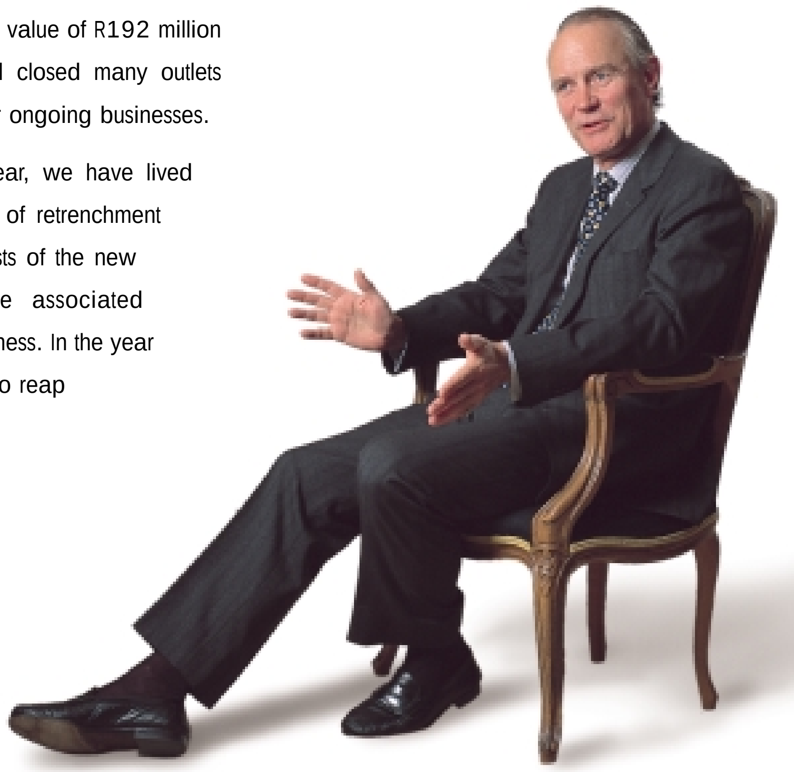
A. In order to drive our strategic decision-making as well as focus our energies within the company to deliver shareholder value we are adopting value-based management (VBM) principles throughout our company. These principles focus cash flow returns on investment (CFROI) relative to the cost of capital for the company. The goal I have set as the benchmark is that we must exceed our cost of capital in every business segment. In many areas we have some way to go, but with the work we have done and the plans we have put in place, this is an achievable objective.

Q. As you focus on value-based management, what steps have you taken globally to reduce costs in 1999?

A. One of our major thrusts has been to reduce our cost base throughout the organisation. While it's always hard to quantify the value, as an indication, we have reduced our employee base by 20% from 27 804 to 22 148. Simultaneously we have invested in enterprise resource planning (ERP) computer software systems to ensure that as we grow, we will be able to expand our margins by keeping our cost base tightly controlled. We have reduced inventories across the company by 17% from R3,5 billion to R2,9 billion. We have sold properties to the value of R192 million (US$32 million) and closed many outlets worldwide within our ongoing businesses.

During the 1999 year, we have lived with the triple effect of retrenchment costs, installation costs of the new IT systems and the associated disruption of the business. In the year 2000, we will start to reap the rewards.

Another area is the disposal of surplus properties which is reducing our asset base going forward. These range from company houses in cement and lime, through factory and dealership sites around the world to a group of islands in an estuary in the southern Cape in South Africa. For example in the motor business segment in 1999 alone, we reduced the number of sites from 98 to 88.



THE KEY OPPORTUNITY FOR ADDED VALUE LIES IN USING THE INTERNET TO DELIVER NEW INTEGRATED SOLUTIONS TO CUSTOMER NEEDS

Q. How are you going to increase the extent to which you leverage synergies across business segments?

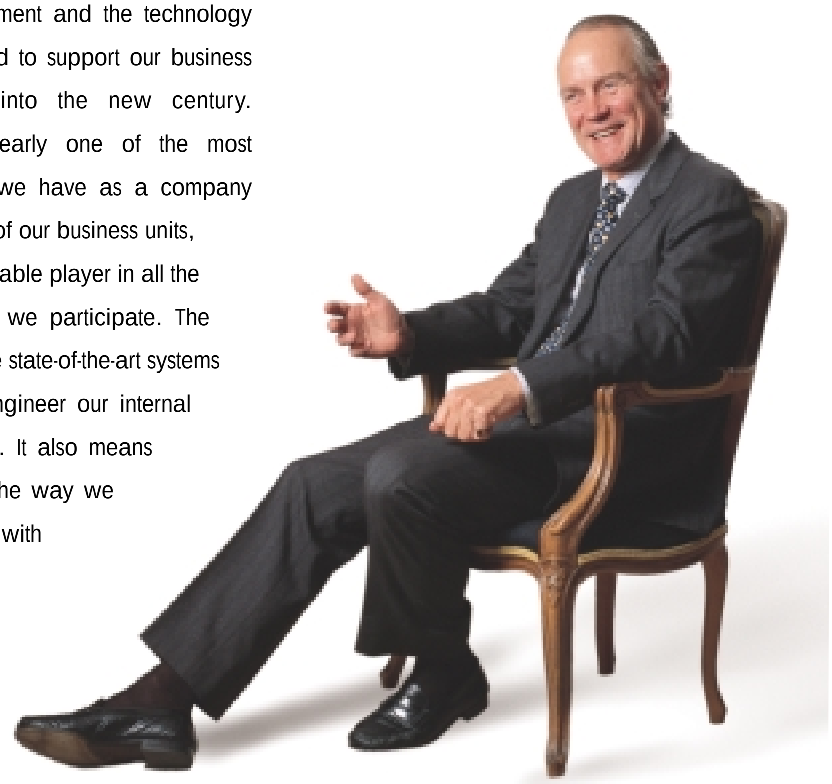
A. Our goal is to leverage the value of our intellectual capital by building one global company. The systematic sharing of knowledge across business segments within Barlow, which is at an embryonic stage, is already delivering value. The core competencies required in, for example, inventory management are common across capital equipment, motor and materials handling and we have made progress in identifying and implementing best practice worldwide. Similarly, in information technology, global teams are transferring knowledge from one implementation to the next, reducing costs and risks. Our product, service and geographic diversity presents numerous opportunities to exploit such potential synergies. To realise these opportunities, we are increasing the tempo of integration worldwide with the single-minded goal of operating seamlessly as one global company. Key initiatives include global recruitment and retention strategies to ensure we develop and retain our intellectual capital and a corporate identity programme to strengthen the value of the Barlow corporate brand. We are introducing a company-wide approach to ethics and the environment to entrench a common value system. The bottom line is that the core competencies and systems required across our business segments are basically the same.

Q. How do you manage information technology to create competitive advantage?

A. We have a strong international information technology base of enterprise resource planning (ERP) systems and across business segments we gather, share and disseminate experience to increase the business value we deliver to our customers. We are working with the world's leading global information technology brands such as SAP, Oracle, BaaN and Microsoft. Our goals are business process improvement, people empowerment and the technology leadership needed to support our business strategies well into the new century. Information is clearly one of the most important assets we have as a company and in the hands of our business units, makes us a formidable player in all the markets in which we participate. The investment in these state-of-the-art systems allows us to re-engineer our internal business functions. It also means we can change the way we interact externally with our customers, suppliers and third party providers. The benefit is reduced overall costs and enhanced customer service and value.

Q. What are you doing about e-commerce and the internet?

A. We are no longer talking about the digital economy replacing the traditional economy. Deeper thinking commentators focus on the convergence of the two into a new wave "clicks and mortar" economy. We believe this is the most logical scenerio for the development of the digital age. The Internet is opening up markets and opportunities not



previously accessible through traditional business practices. Our history of managing communications into remote parts of Africa and from South Africa to the rest of the world, has given us a competitive advantage in understanding new technologies. The geographic spread of our business units has also given us the ability to tap directly into technology partners in all areas of the globe to remain abreast of new developments. e-business technologies spanning both business-to-business and business-to-customer concepts, are being applied in the business segments in which we operate to help us redefine the competitive environments and, more importantly, to assist our customers in achieving their success. The level of development and strategic approach of our e-business strategies varies and is directly dependent on the opportunity for value creation.

Thus, for example in the scientific products business segment, it was a logical step to put the Melles Griot catalogue of 11 500 line items onto the web, and from there in 2000, to introduce on-line buying. Meanwhile, in cement, we are using the web to vertically integrate with our concrete product manufacturing customers to manage their cement stocks.

In the broader context, with our focus on industrial brands, the key opportunity for added value lies in using the internet to deliver new integrated solutions to customer needs. This is one of our core competencies and in the medium term the internet is a tool to expand the opportunities for us to add value.

Q. Where do you see the company in five years' time?

A. We expect to have a much larger geographic footprint across the world than we do now and we will operate as a single global enterprise.

We are working hard to increase our returns and I am confident we will have achieved that.

Overall, we will have honed our focus on delivering stakeholder value through market leadership built on powerful brands and long-term relationships.

Tony Phillips,
Chief Executive Officer
15 November 1999

BARLOW OVERVIEW

WE ARE AN INTERNATIONAL INDUSTRIAL BRAND MANAGEMENT CORPORATION

CO-BRANDS

The marketing, distribution and support of international brands in local markets

Business segment	Principal brands	Business unit	Market footprint
Capital Equipment	Caterpillar	Barlow Equipment Company	southern Africa
		Barlow Power Systems	southern Africa
		Finanzauto	Spain
		STET	Portugal
		Barlow Siberia	Central Siberia
		Namtrac Equipment Co	Namibia
		Ekko	Bulgaria
		BEMCO	Botswana
	Perkins	Perkins Power	South Africa
	Cerma	Cerma	South Africa
Materials Handling	Hyster	Barlow Handling	United Kingdom
			Belgium
			southern Africa
		Wrenn Brungart	South-east USA
	Ditch Witch	Ditch Witch of Georgia	Georgia, USA
	Lamson	DD Lamson	United Kingdom
Motor	VW / Audi	Barons	South Africa
		Auto House	Botswana
	BMW	Club Motors	South Africa
			Namibia
		Auto Atlantic	South Africa
	Ford / Mazda	Armstrong Ford	South Africa
	Ford / Mazda / Mitsubishi	Kalahari Auto	Botswana
	Landrover	Club Motors	Namibia
			South Africa
	Mercedes	Brighton Star	Australia
		Lanes Motors	Australia
	Mercedes / Honda	Garden City Motors	South Africa
	Chrysler / Jeep	NMI	South Africa
	Mitsubishi	Collins Motors	Australia
	Nissan / Fiat	Roderick Nissan & Fiat	South Africa
	Opel	Delta City	South Africa
	Subaru	Subaru South Africa	South Africa
	Toyota	Supra Toyota	South Africa
		Uncle Charlie's Toyota	South Africa
		Barlow Car Rental	South Africa
		Barlow Trucks, Logistics & Contracts	South Africa
		Barmot Truck Hire	South Africa

OUR GOAL IS TO BE THE MARKET LEADER IN EVERY MAJOR MARKET IN WHICH WE OPERATE

OWN BRANDS

The manufacturing, marketing, distributing and support of own brands internationally

Business segment	Principal brands	Business unit	Market footprint
Cement and Lime	Surebuild PPC Cement	PPC Cement	South Africa Botswana
	PPC Lime	PPC Lime	South Africa
	PPC Transport	PPC Transport	South Africa
	Afripack	Afripack	South Africa
Coatings	Plascon Crown	Plascon South Africa	South Africa
	International	Plascon International	United Kingdom
	Taubmans Bristol	Taubmans	Australia
	Crown	Crown Paints	Botswana Zambia
	Sonnex	Sonnex Paints	Namibia
Scientific	Melles Griot	Melles Griot	Worldwide
	Bibby Sterilin	Bibby Sterilin	Worldwide, excluding the Americas
		Dynalab	North America
	Afora	Afora	Spain
Steel Tube	Robor Brocon Brosec Brostruct Broweld Easicote Firecote Tosagalv Tosapipe	Robor Tube	South Africa
		Robor Stewarts & Lloyds	South Africa Malawi
		Robor Africa	Namibia
		Salmac	South Africa
		Tosa Pipe Systems	South Africa
		Monoweld	South Africa
		Stemcor (50%)	South Africa

FINANCIAL SERVICES

The provision of financial services in support of our other products and services

Business segment	Principal brands	Business unit	Market footprint
Financial Services	Barlow Leasing	Barlow Leasing	South Africa
	BRL Leasing	BRL Leasing	South Africa

BUSINESS REVIEW CO-BRANDS

WE CREATE VALUE BY CONSTANTLY INNOVATING TO STAY AHEAD OF THE COMPETITION

Capital Equipment

Barlow is a major Caterpillar dealer, representing the brand in 17 countries. We are also one of the longest standing, having originally been appointed a dealer in South Africa in 1927. Caterpillar is the world's leading brand in earthmoving machines, power systems and related equipment. Caterpillar Inc. produces over 200 different products in 19 product families ranging for example, from 191 tonne operating weight-wheel loaders to compact versions at 4,5 tonnes, and from power plants which can provide electricity for whole towns, to portable generator sets. We are also the Perkins diesel engines dealer for southern Africa.

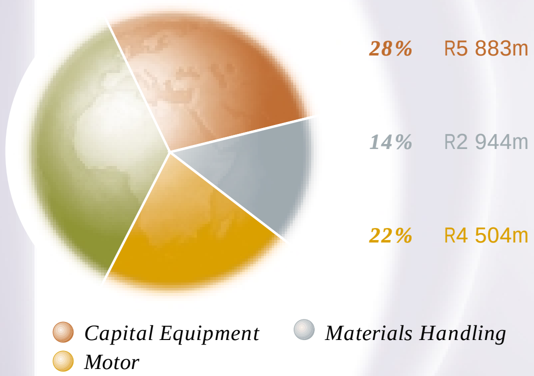
Materials Handling

Barlow is the world's largest independent lift truck dealer with major operations in the south-east United States, United Kingdom, Belgium and a small operation in southern Africa. We offer our customers a full range of lift trucks and related warehouse / handling equipment. We have been a dealer for the market leading Hyster lift truck brand since 1929 and we have leveraged the strength of the brand by leading the market in the introduction of innovative total solutions to customers' materials handling needs. In Georgia, USA, we have a Ditch Witch trenching equipment dealership and in the UK, we also have a business unit which, under the DD Lamson brand name, manufactures vacuum systems and markets conveyance systems for money and documents, especially in the financial services sector.

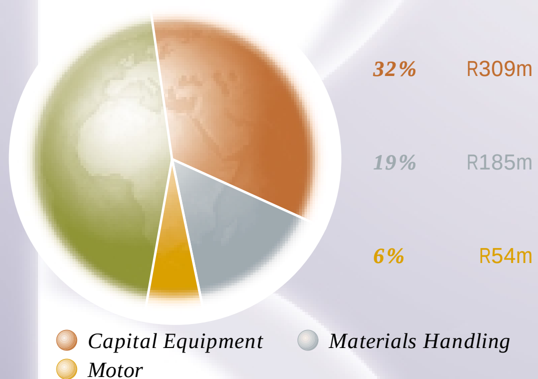
Motor

Barlow is a leading provider of comprehensive transport solutions to both the corporate and private sectors of the southern African motor vehicle market. Our 56 dealerships represent the leading passenger, light, medium and heavy commercial vehicle brands. Leveraging from this base, customer solutions include full maintenance leasing, third party distribution, fleet management, short-term truck hire and car rental. In addition, we have a motor dealership operation in Victoria, Australia.

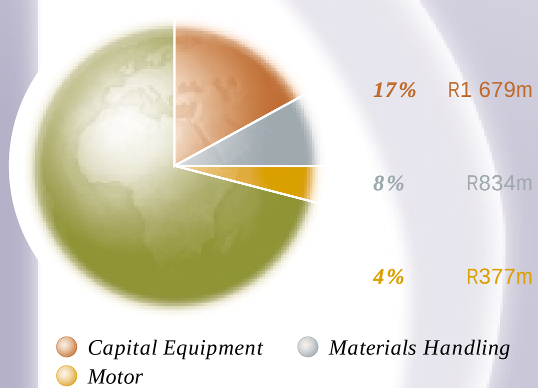
Revenue*



Operating profit*



Net assets*



**The pie chart percentages show the portion of the total figure for Barlow.*

CAPITAL EQUIPMENT

R'm	1999	1998	Change %
Revenue	5 883	5 557	6
Operating profit including income from associates	309	388	(20)
Depreciation	70	70	–
Capital expenditure	110	111	(1)
Net assets	1 679	1 591	5
Number of employees	4 032	3 743	8

Barlow's strategy in capital equipment is to grow both organically through new product offerings from our principals and through geographic expansion.

We achieved both during 1999 as revenues grew 6% to R5,9 billion (US$977 million). A short-term setback in margins was primarily due to the severity and depth of the recession in the market for capital equipment in South Africa and southern Africa. Notwithstanding a 20% decline in operating profits to R309 million (US$51 million) it remained the largest single contributor to Barlow profits.

By contrast with South Africa, the operations in Spain and Portugal performed very strongly in 1999. Operations in other African territories also struggled as trading conditions weakened in every country except Botswana.

In the mining industry, a few years ago, we would have sold a customer an off-highway truck which he would then service, manage, finance, repair and ultimately dispose of either as scrap or into the used equipment market. We are now offering a total repair and maintenance contract for the expected life of the truck, including a guaranteed availability and agreed cost per hour. These contracts are carefully monitored, enabling us to ensure maximum availability which in turn assist our customers in achieving their production targets. In the same process, client, dealer and principal share information more freely, allowing us to effectively manage the preventive maintenance programmes and ultimately deliver a lower cost per ton. This kind of powerful partnership demands exceptionally strong relationships between customer, dealer and principal, as well as the financial strength and high levels of intellectual capital in the dealer organisation. At the other end of the spectrum, the introduction of smaller products demands a different approach to sales and after-market support as the unit value per machine falls.

Different geographic markets have markedly different product mixes and even within markets, the product mix changes constantly.

Continuously matching resources to market trends is a key challenge. In the year under review we have downsized our employee levels in southern Africa by 15% as a consequence of market conditions.

1999 saw the first year of operation for our greenfields expansion into central Siberia.

We have Barlow people on the ground and established operations in three of the nine provinces in our dealer area. Despite the anticipated slow progress, the first product sales have taken place and our skills in dealing in difficult environments such as Angola and in the former Eastern European block in Bulgaria have stood us in good stead. In June 1999, Caterpillar agreed to double the land area of our dealership, taking us right up to the Arctic Ocean, further increasing the market potential of the opportunity. Originally, we estimated it would take three years to bring this project to profit and after the first year we are on course to achieve this goal.

Another strategically important development in the business segment was acquiring the Perkins engines dealership for southern Africa.

Perkins is the market leader in small to medium diesel engines. The setting up of the dealership has gone well and the application of Barlow's skills in industrial brand management is yielding positive results in terms of market penetration even in the current depressed South African market.

Our Cerma business unit is making steady progress.

The team at Cerma is focused on the high velocity oxy-fuel (HVOF) technology developed by Barlow as an environmentally friendly alternative to chrome plating. Awareness of the capability of the technology is growing in world markets and with it, the range of potential applications.

The long-term outlook for the capital equipment segment of Barlow is positive.

Our relationships with Caterpillar and our customers are excellent. We are completing a major restructure of our southern African operations and expect an upturn in the commodity cycle. South African fixed investment should accelerate as interest rates decline. The Spanish and Portuguese markets look set to continue at high levels of demand and we will develop the Siberian opportunity to deliver substantial value in the medium term.

ON A FOUNDATION OF AN EVER-EXPANDING RANGE OF WORLD-CLASS PRODUCTS FROM CATERPILLAR INC, WE ARE ABLE TO LEVERAGE OUR CORE COMPETENCIES TO CREATE VALUE FOR OUR CUSTOMERS THROUGH TOTAL SOLUTIONS TO THEIR NEEDS

Geographical analysis

	Revenue		Operating profit		Net assets	
R'm	1999	**1998**	1999	**1998**	1999	**1998**
South Africa	1 714	2 110	25	151	557	546
Other Africa	458	447	20	37	213	203
Europe	3 711	3 000	264	200	909	842
	5 883	5 557	309	388	1 679	1 591

MATERIALS HANDLING

R'm	1999	1998	Change %
Revenue	2 944	2 133	38
Operating profit including income from associates	185	233	(21)
Depreciation	196	146	34
Capital expenditure	72	139	(48)
Net assets	834	549	52
Number of employees	3 355	3 452	(3)

1999 was a difficult year for Barlow in Materials Handling as revenues grew 38% to R2,9 billion (US$489 million), but profitability declined.

A reduced profit reflected the impact of the implementation of a SAP information technology platform and a flat UK manufacturing sector. The effect of the SAP project was much greater than anticipated, being felt in substantial once-off costs and considerable disruption to the business, affecting debtors and inventory management. The Ditch Witch dealership in Georgia, USA, acquired in January 1999, performed strongly over the nine months to 30 September 1999.

The company's presence in materials handling is divided evenly between the south-east United States and UK / Belgium with a small operation in southern Africa. International growth started with a small Hyster dealership in the UK in the 1960s. Since then the business segment has grown through acquisition. The market offering has changed from simply selling lift trucks to the extent that today Barlow offers total solutions to customer materials handling needs across all manufacturing and distribution industries.

The market offering is built on the foundation of the power of the Hyster lift truck brand.

Surrounding the product itself is the Barlow solution to specific customer needs. This includes new and used machines, parts and service, short-term hire and outsourced fleet management services. Customers vary from a small retailer with a single short-term rental unit to a large manufacturing operation with several hundred units.

Ditch Witch presents a whole new opportunity for expansion.

In January 1999, we acquired Ditch Witch of Georgia, the state dealer in Georgia,

BARLOW IS THE LARGEST INDEPENDENT LIFT TRUCK DEALER IN THE WORLD

USA, for the Ditch Witch brand of trenching equipment. Ditch Witch, manufactured by the Charles Machine Works Inc of Perry, Oklahoma, are the global market leader in products designed to dig trenches for cabling and piping. The explosion in the telecommunications industry with the demands for increased cable capacity to handle convergence of data, voice and video traffic means that demand for the Ditch Witch product, especially in the United States, is growing fast. The skills required to run a Ditch Witch dealership match those for a Hyster or Caterpillar dealership and the application of Barlow's world-class expertise in this area has added value at Ditch Witch even before the end of the first full year of operation.

During 1999 we introduced a SAP ERP system into our US operations.

Equipped with the information power of the ERP system, the management teams in the materials handling business units will also be able to make significant improvements in cost control and margin management.

The introduction of a new mid-range lift truck will be a major boost.

The Hyster product in the vital mid-sized four ton unit market has not been upgraded for several years, while competitors have introduced new products with improved technology. In November 1999, Hyster introduced its new mid-size product to the market, giving us a further opportunity to improve market share over time.

The narrow-aisle high-lift warehouse market is another expansion opportunity.

In a similar vein, Hyster extended its product range through acquisition last year and entered the narrow-aisle high-lift market. Initial product problems have been ironed out and the Hyster product range now offers the potential for an improvement in our share of this market segment. Previously we were unable to offer a competitive product in this fast growing market.

Strong relationships with Hyster and Ditch Witch pave the way for acquisitions.

In addition to the potential for growth from new products, we are aggressively seeking to acquire Hyster and Ditch Witch dealerships with the co-operation of both principals.

Ditch Witch

Geographical analysis

	Revenue		Operating profit		Net assets	
R'm	1999	**1998**	1999	**1998**	1999	**1998**
South Africa	157	188	(2)	(2)	70	69
Europe	1 238	711	88	123	473	205
North America	1 549	1 234	99	112	291	275
	2 944	2 133	185	233	834	549

MOTOR

R'm	1999	1998	Change %
Revenue	4 504	4 366	3
Operating profit including income from associates	54	39	38
Depreciation	19	16	19
Capital expenditure	62	17	265
Net assets	377	389	(3)
Number of employees	3 874	3 970	(2)

Revenues in the motor business segment grew by 3% to R4,5 billion (US$748 million) during 1999.

In South Africa, a modest improvement in demand for new vehicles towards the end of the year, combined with increased market share, dealership rationalisation and better inventory management saw the motor vehicle operations record an improved performance. The Australian dealerships performed strongly.

The long-awaited process of consolidation of dealerships within the South African market is now gathering momentum. It has been assisted by the worst trading conditions for over a decade. Industry sales of vehicle units into the domestic market have fallen from a peak of 396 000 in calendar 1996 to a forecast 295 000 in 1999.

Dealership consolidation builds value.

Historically the South African motor industry has been characterised by a high degree of fragmentation in the dealer network. Motor manufacturers took the view that market share would be primarily driven by the number of dealer outlets representing the brand. Our view has been that market share is driven firstly by the skill of the dealerships. Dealership effectiveness is measured in terms of the ability to offer superior levels of customer service and product support. This requires large dealerships with sole responsibility for a geographic area using volume throughput to drive profitability and create value for principals and customers alike. Dealerships that struggle to be profitable cannot give a brand the support it needs at the customer interface.

The Barlow view on consolidation is now shared by most motor manufacturers and with their support, we have been able to increase the pace of implementation of our core strategy of focusing on big, flagship outlets in key locations in urban areas. In that context, we have reduced the number of outlets from 98 at the beginning of the year to 88 at 30 September whilst increasing market share. The impact of this process on value creation can be seen in the improving results in the business segment.

Progress in our goal of providing comprehensive transport solutions saw the expansion of our third party distribution business unit which moves products around South Africa on behalf of customers.

The development of a logistics and distribution operation is a logical step in a vertical integration strategy.

Not only does it allow us to provide greater value added solutions to our customers' needs, but it also ensures that we secure all the new vehicle, parts and service business related to the operation for our dealer network. A similar strategy underlies the development of our car rental business, formerly called Economy Car Hire and now being re-branded Barlow Car Rental.

Geographical analysis

R'm	**Revenue** 1999	**Revenue** **1998**	**Operating profit** 1999	**Operating profit** **1998**	**Net assets** 1999	**Net assets** **1998**
South Africa	3 925	3 705	31	22	304	332
Other Africa	228	159	7	3	16	13
Australia and Asia	351	502	16	14	57	44
	4 504	4 366	54	39	377	389

Managing vehicle fleets for corporate customers is a growing component of our business.

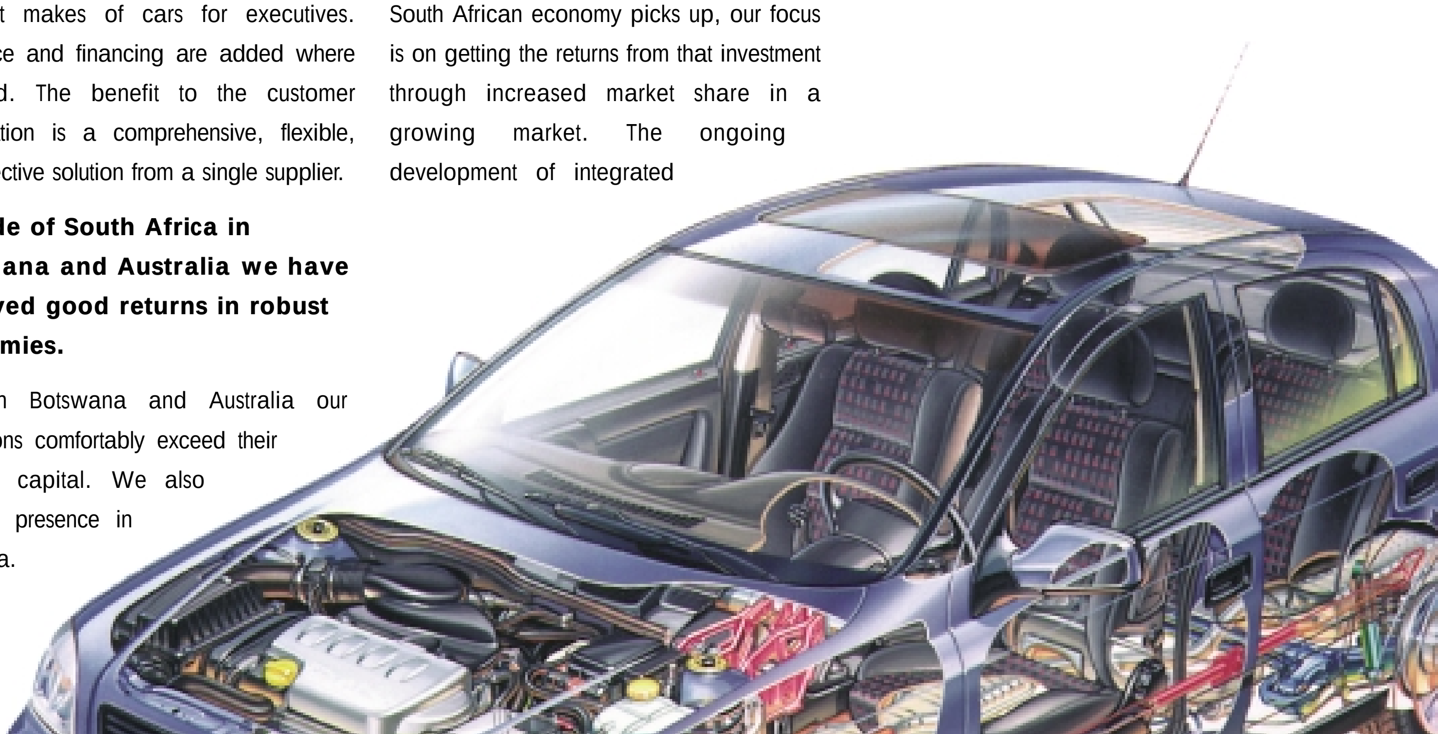
It is built on our ability as a multi-brand dealer organisation, to offer whatever the individual customers within a corporation require. Large corporations' needs can rarely be met through a single brand and so, for example, we may supply a fleet of Mercedes trucks, Toyota bakkies (utilities) and a variety of different makes of cars for executives. Insurance and financing are added where required. The benefit to the customer corporation is a comprehensive, flexible, cost-effective solution from a single supplier.

Outside of South Africa in Botswana and Australia we have achieved good returns in robust economies.

Both in Botswana and Australia our operations comfortably exceed their cost of capital. We also have a presence in Namibia.

Looking ahead, value is being created from moving higher volumes through the existing asset base and adding acquisitions where we can exceed our cost of capital.

The process of consolidation and establishing flagship dealerships has required an extensive investment programme over the past five years. As the South African economy picks up, our focus is on getting the returns from that investment through increased market share in a growing market. The ongoing development of integrated information platforms is also creating the opportunity for lower costs through greater centralisation of business processes. Continuing consolidation of the South African dealer network is presenting opportunities which will be exploited by strategic acquisitions as they arise. We are also looking to expand our motor operations in Australia.




PLASCON
Superior Quality for Beauty and Durability
SUPER ACRYLIC
POLVIN
PLASCON
DRIVEWAY & FLOOR PAINT
Interior and Exterior use
Quick drying
Excellent durability
Resistant to water, oil and household acids, chemicals and detergents
Semi-gloss finish
GREEN DWY 2

CREATING VALUE
WITH BARLOW'S
OWN BRANDS
IN GLOBAL AND
LOCAL MARKETS

BARLOW OWN BRANDS

BUSINESS REVIEW
OWN BRANDS

BY DOING THINGS DIFFERENTLY
BARLOW BRANDS BEAT THE COMPETITION

Cement and Lime

Barlow is the leading cement and lime producer in South Africa operating primarily within a domestic market with some exports. The business segment produces cementitious products, ready-mix, aggregates, metallurgical grade lime, limestone, burnt dolomite, transport services and paper sacks. The customer base is in construction, retail DIY / builders merchants, concrete product manufacturers, the pyro-metallurgical industries, mining, water treatment, food product manufacturers and distributors. Outside of South Africa, there is a cement blending operation in Botswana.

Scientific Products

We are a global or regional market leader in a number of highly niched scientific product markets. Barlow's Melles Griot brand is a leader in the world of photonics, lasers and optomechanical instruments.

Our manufacturing and internet / catalogue-based distribution operation offers lasers, optics, opto-mechanical components, assemblies and related products worldwide, predominantly to the semi-conductors, test and measurement, medical equipment, telecommunication and reprographic industries.

Our Bibby Sterilin brand is a regional market leader in glass and plastic laboratory products and scientific equipment meeting the needs of customers in education, pharmaceutical, biotechnology and quality control laboratories.

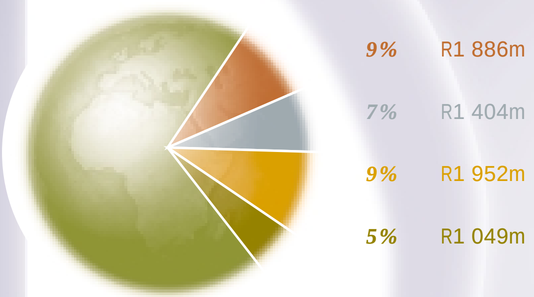
Coatings

Barlow is the market leader in decorative coatings in southern Africa, is the number two in Australia and market leader in speciality decorative coatings in the United Kingdom. The product offering consists of a range of branded paints, coatings and related products. Through a number of joint ventures with world technology leaders, we also supply industrial coatings in southern Africa. These include motor, packaging and heavy duty coatings, as well as powder and marine products.

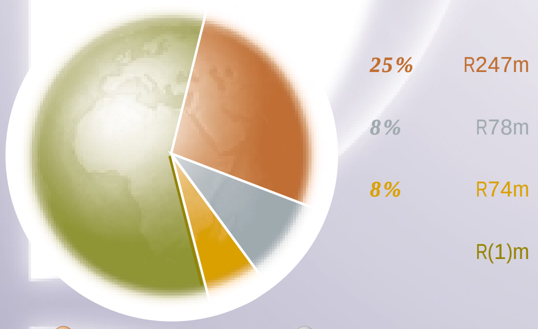
Steel Tube

We are the leading steel tube and pipe manufacturer and distributor in southern Africa. Our tube and pipe, flanges and fittings, accessories, piping systems, galvanising and related products are used in building and construction, mining, automotive manufacture, agriculture, fluid handling and general engineering. In addition to supplying markets throughout southern Africa, we have a growing export business to international markets from our world-class manufacturing base.

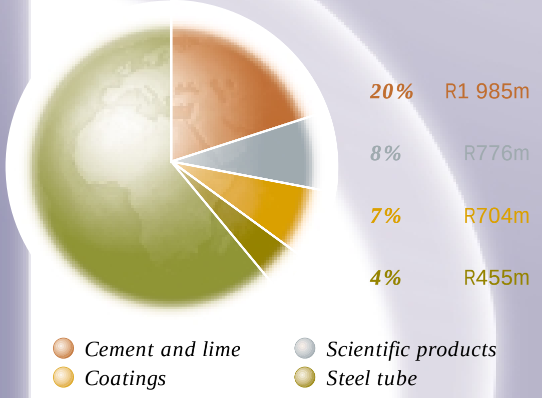
Revenue*



Operating profit*



Net assets*



*The pie chart percentages show the portion of the total figure for Barlow.

CEMENT AND LIME

R'm	1999	1998	Change %
Revenue	1 886	1 921	(2)
Operating profit including income from associates	247	333	(26)
Depreciation	132	105	26
Capital expenditure	229	385	(41)
Net assets	1 985	1 860	7
Number of employees	3 179	3 773	(16)

Revenues in the cement and lime business segment were static at R1,9 billion (US$313 million).

Profits declined at the operating level in the face of weak market conditions in which cement and lime sales volumes declined by 11% and 6% respectively compared with the same period last year. Restructuring as part of the ongoing global competitiveness programme resulted in certain non-recurring costs this year, but has lowered the cost structure for the future.

Following four years of capital investment we are now in a consolidation period.

Throughout this business segment, we have invested over R1,5 billion in the last four years to modernise manufacturing facilities and expand market opportunities. At the same time we have been exploring mechanisms to fully internationalise the business, which is currently focused on South Africa with a small operation in Botswana and limited exports. At an operational level, we have also managed a fundamental change in the past five years in both the cement and lime industries, from formal cartels into free markets. In so doing, we had some notable successes including remaining in a position of market leadership, building sales and distribution networks from scratch, creating a new retail branded cement. We have also focused away from gold mining and into the pyro-metallurgical markets for lime. These successes have been built on the ability of our management team to implement extensive change processes and to achieve paradigm shifts in focus while driving down manufacturing costs to ensure global competitiveness.

Cement demand remains depressed in South Africa but the outlook is positive.

Since the brief boom in 1995/6 after the first democratic elections in South Africa, the low level of capital investment has been the key cause of lower cement demand. High real interest rates have been the main culprit accompanied by extremely low levels of government infrastructural spending. 1999 was a low point in cement sales, which fell 11% from the previous financial year. The rate of decline in demand has slowed and provided interest rates remain stable, we anticipate an upturn in demand during the second half of the current financial year.

Position in the Eastern Cape strengthened with development of the Grassridge quarries.

In the Eastern Cape, development work for the exploitation of a major new limestone deposit began during 1999. Initially the limestone from Grassridge, which is located some 30 km east of Port Elizabeth, will create value by supplying the existing factory at substantially lower cost than the existing

Loerie Quarry which is being closed. In the long term, when demand grows significantly, Grassridge is the natural site for a new cement factory to supply the whole region.

The completed Saldanha Materials Handling Depot awaits Saldanha Steel reaching full output.

Construction of the Saldanha materials handling facility was completed during the year and the operation is fully commissioned. However, our customer, Saldanha Steel is not yet operating at full capacity and as a consequence, for the short term, we have incurred costs (both depreciation charges and finance costs) without generating the associated revenue stream. We anticipate a growing contribution to value creation from this new project into the future.

Geographical analysis

	Revenue		Operating profit		Net assets	
R'm	1999	**1998**	1999	**1998**	1999	**1998**
South Africa	1 819	1 881	227	335	1 960	1 822
Other Africa	67	40	20	(2)	25	38
	1 886	1 921	247	333	1 985	1 860

WE ARE THE MARKET LEADER IN CEMENT AND LIME IN SOUTH AFRICA

Our lime business unit will benefit from an upturn in the commodity cycle.

Over the past five years we have focused our lime business to supply the pyro-metallurgical industries rather than the gold mining sector. We did this in the belief that the former, notably steel and alloys production, had greater growth potential than deep level gold mining where output is declining. We anticipate that the upturn in the commodity cycle with its associated improvement in world steel demand, will enhance the profit flow from this business unit. This profit flow will be enhanced by the investment of R47 million in a second pre-heater at the Lime Acres factory. This decision follows the success in energy saving of the first pre-heater installed in 1997.

During the year, the Jupiter cement factory in Johannesburg was mothballed and the Richards Bay cement depot was closed.

The focus on efficiencies and cost reduction, combined with the successful implementation of a BaaN ERP system and extensive re-organisation, has enabled us to reduce manning levels by 594 or 16%. Together with the reduction of 236 in 1998, this represents a reduction of 20% from 3 951 to 3 179 over two years. Turnover per employee over this period has risen from R509 000 to R593 000 in spite of weak market conditions. We will, in future, be capable of operating at considerably higher activity levels without a material change to manning. Non-core activities such as security, grounds maintenance and social amenities at factories in remote locations have all been outsourced. A programme to dispose of non-productive assets has also resulted in a decision to privatise company houses and this process commenced in 1999.

SCIENTIFIC PRODUCTS

R'm	1999	1998	Change %
Revenue	1 404	1 291	9
Operating profit including income from associates	78	89	(12)
Depreciation	139	105	32
Capital expenditure	61	112	(46)
Net assets	776	718	8
Number of employees	1 779	1 650	8

Revenues in the scientific products business segment grew 9% to R1,4 billion (US$233 million) in 1999 as markets recovered from the Asian crisis of the previous year.

The second half saw a profit improvement in both the laboratory products and the laser and optics business units. However, this did not fully offset the negative first half impact of a weak semi-conductor industry and the strength of Sterling. As a result, the operating profit declined for the full year.

Our activities are focused through two core business units, Melles Griot on the laser and photonic areas, and Bibby Sterilin in laboratory equipment and consumables. However, the generic strategy in both areas is to ensure a competitive edge through product innovation, a comprehensive range and a high level of support in all major markets.

Value creation as new technologies are developed.

Melles Griot is the world leader in gas laser products with an extensive range of helium neon, helium cadmium, ion and argon lasers. As a result, the company has an unrivalled base of established original equipment customers. As new solid state laser technology is progressively developed and introduced, Melles Griot is extending its partnership with these key customers, providing added value products with advanced new features and higher performance.

A combination of proprietary research and development, and the selective acquisition of new technology from outside partners, ensures that our market leadership is maintained.

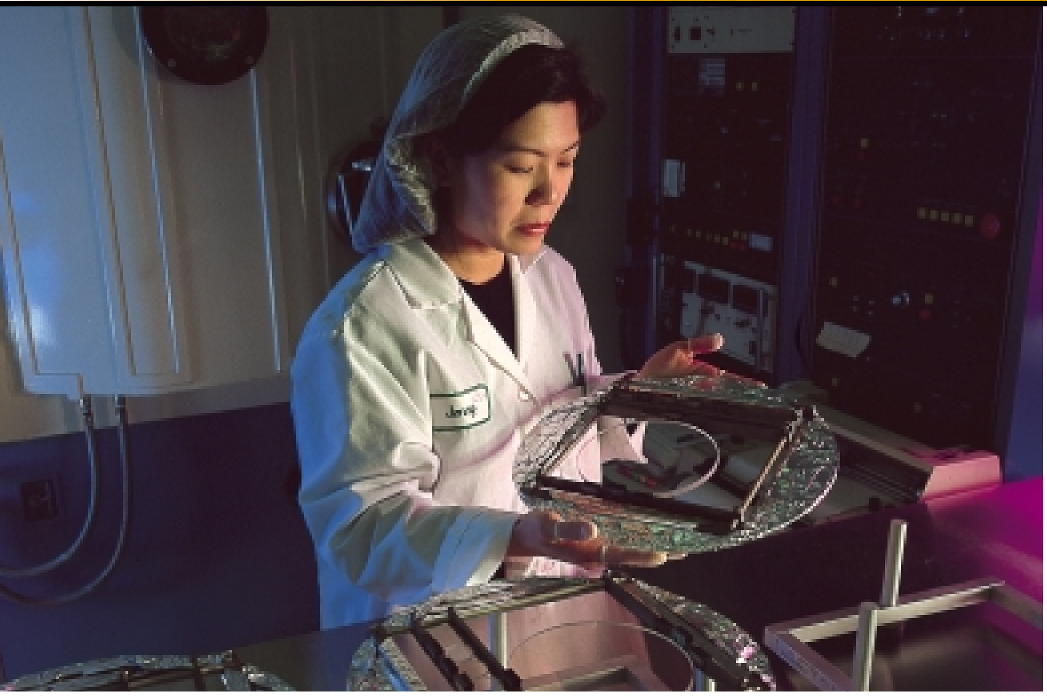
The Melles Griot catalogue is a powerful source of value creation and has e-commerce potential that will soon be realised.

The Melles Griot catalogue offers customers some 11 500 line items to service their every need in the sphere of lasers and optics. Over many years it has built a reputation as the first point of call for the components in this niche market. The year 2000 catalogue is now available on the internet and from next year, will be enabled for e-commerce making the products accessible to an even wider market.

In Laboratory products we continue to develop our relationships with our network of global and regional distributors.

The Laboratory market has undergone significant restructuring and consolidation over recent years, particularly in distribution, and this trend continued through 1999. Barlow enjoys excellent relationships with the major global distributors as well as with a wide network of regional and specialist local distributors. These multi-level relationships ensure an ongoing dialogue on all aspects

IN SCIENTIFIC PRODUCTS, BARLOW IS A GLOBAL PLAYER WITH MANUFACTURING BASES IN EUROPE, NORTH AMERICA AND JAPAN



of the management of the supply chain. Significant value added has been achieved via improved scheduling of manufacturing, inventory management, logistics and business to business e-commerce.

A strong pound remains a challenge.

The continuing strength of sterling has become a significant issue for the Laboratory business in view of the concentration of most of the manufacturing in the UK. Whilst this has acted as a spur to ensure that our cost levels are internationally competitive, there has been some impact on margins as we have adapted to keener effective price levels in both the UK and our major export market. Whilst the integration of sterling into the European monetary system would provide a more stable currency environment, we are running our businesses on the basis that this will not happen in the short term; ongoing productivity savings will, therefore, be sought.

Investment in ERP systems drives business efficiencies.

Further investments in BaaN and Mapics systems in the Melles Griot and Laboratory business units were made during the year. Improved efficiencies will be targeted during the current year in the areas of inventory control, purchasing, customer support and manufacturing as a result of our new capability to access business information on a global basis.

Geographical analysis

	Revenue		Operating profit		Net assets	
R'm	1999	**1998**	1999	**1998**	1999	**1998**
Europe	790	761	42	47	447	386
North America	476	442	30	40	235	263
Asia	138	88	6	2	94	69
	1 404	1 291	78	89	776	718

COATINGS

R'm	1999	1998	Change %
Revenue	1 952	1 734	13
Operating profit including income from associates	74	60	23
Depreciation	44	39	13
Capital expenditure	73	48	52
Net assets	704	657	7
Number of employees	3 133	3 160	(1)

The Australian operations made an improved contribution during 1999 and revenues in the business segment grew 13% to R2 billion (US$324 million).

The impact of the depressed state of the South African economy was felt in most coatings sectors. However, a modest improvement in demand in South Africa towards the end of the year and higher sales volumes of coatings in Australia resulted in increased profit.

Since 1996, Barlow's strategy in this business segment has switched from a focus on being a market leader in all paint and coatings products in South Africa to becoming a player in decorative coatings internationally. Within this strategy, we have quickly moved in two years into the number two position in decorative coatings in Australia and become the market leader in speciality decorative coatings in the United Kingdom.

In South Africa we have joint ventured non-core industrial coatings businesses.

Four years ago, we were directly involved in every segment of the coatings market, albeit in some instances with technology partners. We have sold down our interests in non-decorative coatings so that we are now a minority partner with a number of global technology leaders. As a consequence of the reduction in assets combined, in some cases, with a further increase in market share for the new joint ventures, we have created significant value through the process.

In Australia we are creating value through our skills in brand management.

We have extensively re-organised the two businesses we acquired to enter the market, rationalising production, reducing the asset base of owned stores by franchising them out as "banner stores", and re-building relationships with the retail chains, the largest of whom are expanding rapidly. We are introducing a BaaN ERP system and anticipate benefits in stock and inventory management. We have introduced (and continue to introduce) new products as well as refurbishing existing products by giving them new features which add value for the customer. With the large retail chains, we are also introducing own label brands. Our goal is to steadily increase market share and margins while reducing our asset base.

Expansion from Australia into China.

During 1999 the first franchised outlet for our product in China was opened by a local Chinese company. The product is supplied from our operations in Australia. The potential of the Chinese market is exciting and we anticipate further developments in this area during the current year.

UK business unit makes good returns.

We have established ourselves under the international brand as the leading speciality decorative paint supplier in the UK.

In South Africa, our strategy continues to be to maintain our position of market leadership.

We seek to be the dominant player in the market, both through physical presence of the product in store, and through vigorous marketing programmes. Continued down-sizing and rationalisation of manufacturing and distribution has reduced our cost base. This process will be further enhanced by the introduction of an ERP system during 2000.

Growth in Africa outside South Africa has been limited owing to market conditions.

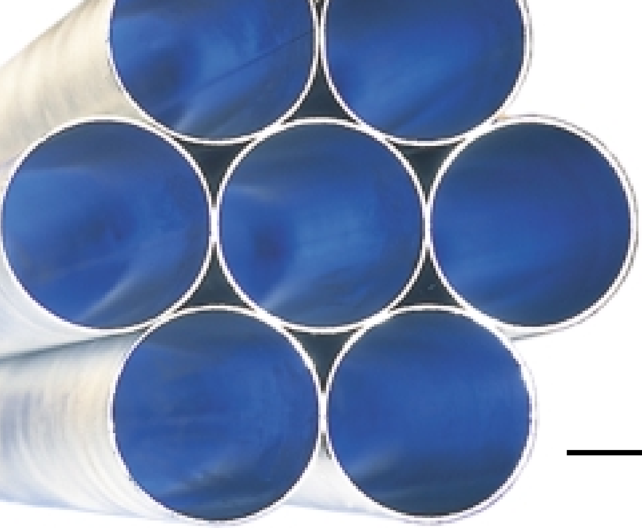
As most African economies have stood still during the past year, we have not sought to expand beyond our bases in Namibia, Botswana and Zambia. That situation will change when we believe that the growth opportunities can be realised and can be converted into value-adding enterprises within a short timeframe. In the meantime, we are consolidating our presence in existing African markets to ensure we maximise the value generated by the current operations.

A strategy of further acquisition in niche geographic and product markets.

In the coatings business segment, expansion is focused on geographic areas and product niches where the large global players either do not, or cannot participate. Overall, the segment is expected to show improved value creation during the current year.

Geographical analysis

	Revenue		Operating profit		Net assets	
R'm	1999	**1998**	1999	**1998**	1999	**1998**
South Africa	1 066	1 068	54	56	403	419
Other Africa	41	25	2	2	9	6
Europe	76	67	7	9	15	5
Australia and Asia	769	574	11	(7)	277	227
	1 952	1 734	74	60	704	657



STEEL TUBE

R'm	1999	1998	Change %
Revenue*	1 049	988	6
Operating profit including income from associates*	(1)	(23)	96
Depreciation	26	23	13
Capital expenditure	27	122	(78)
Net assets*	455	504	(10)
Number of employees	2 134	2 459	(13)

**The majority of the turnover, operating profit and net assets for the steel tube business segment are generated from South Africa.*

In extremely difficult market conditions, revenues in the steel tube business segment increased 6% to R1 billion (US$174 million).

Progress was made on profitability as a consequence of cost savings and improved productivity resulting from investments made in 1998.

A much improved second half performance was the result of considerable efforts over the past four years to reduce costs, upgrade technology and improve customer service. The new mill and the distribution centre are both operating well. Good progress has been made in the past six months on reducing the losses in the merchanting network.

Rationalisation and investment is starting to pay off.

During the past four years, in this business segment we reduced the number of employees from 3 700 to 2 134, reduced the number of carbon steel mills in operation from twenty to nine whilst maintaining productive capacity. During this period we were forced to contract in order to survive, but we believe the market has now bottomed and that as a much leaner business, we are well-placed to meet the competition. By the end of the year, with the exception of the merged merchanting business unit, Robor Stewarts & Lloyds (RSL), every part of the business was operating profitably. We have now completed the restructuring of RSL. This rationalisation saw the number of outlets reduced from 31 in September 1998 to 15 a year later. These remaining outlets are focused on the industrial areas of South Africa and concentrate on selling our own products.

The distribution centre and ERP system are delivering the goods.

The state-of-the-art distribution centre in Elandsfontein, Johannesburg, which was opened in October 1998, has performed

TOSA PIPE SYSTEMS

ROBOR Precision Tube

OPEN SECTIONS BROLLO

EASTERN STEELS

THE NEW DISTRIBUTION CENTRE WAS RECOGNISED AS **THE BEST LOGISTICS OPERATION** IN SOUTH AFRICA BY THE LOGISTICS INSTITUTE IN 1999

beyond expectations. This facility with its updated computer systems, has enabled us to make substantial improvements in service while simultaneously assisting customers to reduce inventories.

Customer service is improving.

Our considerable efforts to upgrade service with increased training focus are starting to have an impact in the market-place.

The South African market remains depressed.

Too much capacity chasing too little demand continued to be the main feature of the trading environment during 1999. Early indications in the current year suggest that the situation is improving as demand firms in response to lower interest rates and in anticipation of rising steel prices.

Our new painted tube has been well received in the domestic market as a result of its many benefits and sales volumes are growing.

Exports of speciality products continue to grow.

From low levels, exports of stainless steel tube have grown steadily. This is an area of the business that will be expanded in the current year. The performance of the business segment is expected to improve during the current year as the market turns and we benefit from the world-class infrastructure and lower cost regime that has been put in place during the past four years.

BUSINESS REVIEW
FINANCIAL SERVICES

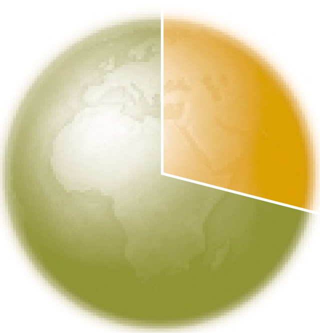
Revenue*

6% R1 213m
Financial services and other

Operating profit*

3% R27m
Financial services and other

Net assets*



29% R2 928m
Financial services and other

**The pie chart percentages show the portion of the total figure for Barlow.*

Financial Services includes the leasing operations of the group and the central functions including treasury, investments, risk management and insurance, information technology and various other corporate services. The results of the Financial Services business segment are set out on the facing page. Where appropriate, the costs of these functions are charged to the operating divisions.

The operating profits of R27 million (1998: R85 million) comprise the operating profit of the South African leasing operations of R15 million (1998: R44 million) and operating profits including income from associates relating to the other financial activities of R12 million (1998: R41 million). The decline being due to the sale of portion of our Comparex holding with the balance being treated as an investment.

Net assets of R2 928 million (1998: R2 622 million) include the combined net assets of the leasing operations in South Africa and the rental assets of the materials handling business in the UK and total R2 408 million (1998: R2 305 million). The balance of net assets consists mainly of long-term investments and cash.

Leasing operations The group's leasing operations form the nucleus of a broad range of financial services which include short and long-term rental hires and instalment sales.

The South African leasing operations consist of two business units. BRL Leasing focuses on the provision of financial services to capital equipment and materials handling customers. Barlow Leasing concentrates on servicing the vehicle financing needs of corporate customers.

Balance sheet	1999 R'm	1998 R'm
Fixed assets	658	457
Non-current assets	934	996
Debtors	901	947
Other assets	3	7
	2 496	2 407
Deferred tax	37	46
Creditors – short-term	51	56
Borrowings	2 216	2 115
Equity	192	1 90
	2 496	2 407
Income statement		
Revenue	978	884
Operating profit	15	44
Taxation	(3)	16
Profit after taxation	18	28

In difficult market conditions, the net leasing book in South Africa declined from R1,8 billion to R1,7 billion during the year.

High interest rates and the decline in the building and construction industry impacted on the bad debt experience and this, together with the adoption of a more conservative approach for provisions for bad debt, resulted in the decline in operating profit to R15 million (1998: R44 million).

The Materials Handling division in the UK and, to a lesser extent, in the USA and some of the offshore capital equipment operations also engage in rental and leasing activities. In

IN ADDITION TO OUR TWO MAIN BUSINESS STREAMS OF CO-BRANDS AND OWN BRANDS, WE HAVE A FINANCIAL SERVICES OPERATION. IN THIS AREA WE CREATE ADDED VALUE FOR OUR CUSTOMERS AND OUR SHAREHOLDERS BY EXTENDING THE NATURE OF OUR MARKET-OFFERING TO INCLUDE FINANCE, INSURANCE AND RELATED PRODUCTS. THE WORK OF THE CENTRAL TREASURY AND RISK FUNCTIONS WITHIN BARLOW IS ALSO BRIEFLY DISCUSSED HERE

R'm	1999	1998	Change %
Revenue	1 213	1 059	15
Operating profit including income from associates	27	85	(68)
Depreciation	14	11	27
Capital expenditure	471	357	32
Net assets	2 928	2 622	12

order to gain an appreciation of the size of the leasing activities, the revenue has been extracted and included in the Financial Services division. The establishment of a separate Leasing division in the UK is being evaluated and, once implemented, the operating profit from these activities will be measured separately and included with the South African profit.

Set out on the previous page is the balance sheet of the South African Leasing operations plus the UK rental assets. This shows that the total assets of these operations is R2 496 million financed mainly by borrowings of R2 216 million and equity of R192 million. The income statement, as mentioned above, reflects the revenue of both the South African and international leasing and rental operations. The international leasing and rental revenue was R634 million in 1999 (1998: R540 million). The operating profit only reflects the South African situation.

Treasury operations As a consequence of exchange controls in South Africa, the centralised treasury operations are managed on a co-ordinated basis in two centres, namely Johannesburg and London.

By managing the company's financial requirements centrally, critical mass is achieved, creating financial muscle in the marketplace. This enhances our interest rate yields on both borrowings and deposits. In addition, it allows us to employ specialised skills cost-effectively. The performance of treasury is benchmarked against generally accepted indicators for corporate treasury such as interbank lending rates.

The net interest paid by the group reduced markedly from R190 million to R23 million during 1999. This was as a result of the strong cash flows, both from operations and from the proceeds of disposals. In particular, the South African treasury operation benefited from a R1,4 billion cash injection in November 1998 following the sale of 26 million Comparex shares. The remaining holding of 24 million Comparex shares is subject to an offer, which expires on 31 December 1999.

During 1995, Barlow raised US$75 million by way of a ten-year convertible bond issue. The process of repurchasing the outstanding convertible bonds at below par was continued and US$7,905 million of these convertible bonds were repurchased during 1999. The outstanding balance at 30 September 1999 amounts to US$30,545 million which, should conversion occur, would require a further issue of 3 518 784 Barlow shares.

Risk profile An extensive analysis of the group's risk exposure profile was completed during the year. This was aimed at formally identifying and recording the risk of the operations around the world. All these risks were rated based on the degree of control which can be exerted by management, the probability that the risk will materialise and the severity of the impact should the risk materialise. The top 20 risks were reviewed by the board of directors and each divisional board has reviewed their detailed risk analyses. The exercise has greatly facilitated the monitoring of risks and the follow up of action on the control of risks throughout the group.

THE BOARD AND CORPORATE GOVERNANCE

NON-EXECUTIVE DIRECTORS

W A M Clewlow OMSG CA(SA), DEcon (hc) (63)
Chairman
Warren Clewlow joined Barlow in 1963 and worked for the company until his retirement as an executive in July 1999. He was appointed to the Barlow board in 1974. He is also a director of Old Mutual PLC, Sasol Limited. and Iscor Limited. He is currently Honorary President of the South Africa Foundation, Honorary Treasurer of the African Children's Feeding Scheme, Vice-president of the Institute of Directors of Southern Africa, Chairman of the University of Natal Foundation, a member of the Board of the Institute of Marketers, Chairman of the National Defence Liaison Council and a trustee of the Nelson Mandela Children's Fund. He has received numerous business and public awards.

R K J Chambers FCIS (60)
Russell Chambers joined Barlow in 1957 rising to the post of Managing Director of Imperial Cold Storage in 1987. He was appointed an executive director of the company in 1989 with responsibility for Group Administration, Human Resources, Public Affairs and Social Investment. He was Group Operations Director from 1993 until his retirement as an Executive in 1999. He is also a director of Comparex Holdings Limited.

P T W Curtis CA(SA) (68)
Tim Curtis was Chief Executive partner of Deloitte & Touche in South Africa from 1983 to 1992. During the same ten-year period, he was a member of the Deloitte Touche Tohmatsu International Executive Committee. He is a director of various companies including Nedcor Limited, Hollard Insurance Company Limited, Concor Limited and Reunert Limited and in the case of these four, also chairs their audit committees. In his charitable work in education, he is a governor and member of the finance committee of Hilton College, Natal, and Governor and Chairman of Finance at St Anne's Diocesan College, Natal.

Sir Andrew Hugh Smith (68)*
After an early career at the Bar and in industry, Andrew Hugh Smith joined City stockbrokers Capel-Cure Myers becoming Chairman in 1979. He subsequently became Deputy Chairman of ANZ Merchant Bank and Chairman of the London Stock Exchange in 1988. He is now Chairman of Andersen Consulting's European Advisory Board and of three listed companies. He is Vice-chairman of Guide Dogs for the Blind Association and Honorary Treasurer of Sargent Cancer Care for Children. He was formerly a member of the Cadbury Committee on Corporate Governance, Deputy Chairman of the Financial Reporting Council and a director of the Securities and Futures Authority.

M J Levett BCom, FIA, FFA, ASA (60)
Mike Levett, Chairman of Old Mutual PLC, joined the Barlow board in 1985. He is Deputy Chairman of Mutual & Federal Insurance Company Limited and a director of Central Africa Building Society (Zimbabwe), South African Breweries PLC and Nedcor Limited. He is a member of the Board of Governors of the South Africa Foundation, a governor of the University of Cape Town Foundation, a trustee of the Nelson Mandela Children's Fund, the World Wide Fund for Nature (South Africa) and the College of Medicine Foundation. He was *Cape Times* Business Man of the Year in 1990 and *Die Burger* / Kaapstad-Sakekamer Business Leader of the Year in 1995 and *Sunday Times* Business Man of the Year in 1999.

D B Ntsebeza, LLB, BProc, BA (50)
Dumisa Ntsebeza was a political prisoner from 1976 to 1981. Following his release he became one of South Africa's leading human rights lawyers. He served as a commissioner on the Truth and Reconciliation Commission from 1995 to 1999, heading its Investigative Unit for a period and completed his tenure at the TRC as Acting Chairperson in 1998. He is a senior partner in the law firm Ntsebeza Incorporated and a university lecturer on Human Rights. He holds numerous leadership positions in South African civil society and is an acting judge of the Cape High Court. He was appointed to the Barlow board in 1999.

L A Tager BA, LLB, HDip Tax Law, LLM (Harvard) (63)
Louise Tager is Chairman of Transnet Limited and has been a Barlow director since 1992. Rising to prominence as Executive Director, for a decade from 1985, of the ground-breaking Law Review Project she now serves, and has served, on numerous bodies in both the public and private sector. She has been recognised for 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. She is actively involved in numerous other community organisations including Women's Development Business, RUCORE, ORT, STEP, Alexander Community Law Clinic, and Business Skills for South Africa. She is also a member of the Johannesburg Bar, Black Lawyers Association, Black Housewives League, International Bar Association and Institute of Directors.

E P Theron BCom, LLB, FIBSA (58)
Eddie Theron was appointed to the Barlow board in 1996. Formerly Group Chief Executive of Standard Bank Investment Corporation Limited he remains a director of that company. He is also on the board of The Standard Bank of South Africa Limited, Mutual & Federal Insurance Company Limited and Liberty Life Association of South Africa Limited. Highlights of his career in the financial services sector include the formation of Standard Merchant Bank and a period in London where he played a central role in the establishment of Standard Bank's international banking operations.

EXECUTIVE DIRECTORS

A J Phillips BSc (Eng) (53)*
Chief Executive Officer
Tony Phillips joined Barlow in 1968 and has spent most of his career in the capital equipment business, initially in Africa and then in Iberia where from 1992 – 1995 he led the turnaround to profit of Barlow's then listed Spanish subsidiary Finanzauto SA. He was appointed to the Barlow board in 1995 and became CEO on 1 August 1999. He is a trustee of the Jane Goodall Institute (South Africa).

D C Arnold CA(SA), FCMA, AMP (Wharton) (59)
Finance and Administration
Des Arnold joined Barlow in 1967 and held a number of senior financial positions within the company culminating in his appointment to the board in 1993. He has been a leading light in the accountancy profession in South Africa for many years, is a past President of the South African Institute of Chartered Accountants (SAICA), and has been awarded honorary life membership in recognition of his services to the profession. Internationally he has represented SAICA on the Financial and Management Accounting Committee of the International Federation of Accountants and is a past President of the East, Central and Southern African Federation of Accountants. He is also a past-captain and president of Royal Johannesburg Golf Club.

K Brown (56)*
Materials Handling
Ken Brown joined Barlow in 1967 and rose through the materials handling business in the United Kingdom before being transferred to the US in 1980, where he played a major role in the development of the US materials handling business, managing a series of acquisitions. In 1992 he was appointed Chief Executive of the Materials Handling Division of Barlow's then UK-listed subsidiary J Bibby & Sons, joining the Barlow board in 1997. He has served three terms on the Hyster Dealer Council and is a past director of the US Materials Handling Equipment Dealers Association, a member of the Advisory Board, British American Business Council of North Carolina and the Charlotte (NC) Chamber of Business. He is also a past Chairman of the Piedmont Employers Association.

M D Coward CA(SA) (46)
Steel Tube
Mike Coward joined Barlow in 1977 and worked within the financial discipline, in the mining, electronics, steel and ferro-alloys industries 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 Robor Industrial (Pty) Limited and was appointed to the Barlow board in 1995.

L S Day CA(SA) (53)*
Capital Equipment
Lester Day joined Barlow in 1973 and worked in the capital equipment operations in South Africa, Zimbabwe and the United Kingdom, as well as in a senior financial role at the Barlow head office, before being appointed Financial Director of the South African Caterpillar dealership in 1994. A year later he became Managing Director of the same business unit and joined the Barlow board in 1998.

J E Gomersall CA(SA) (53)*
Cement and Lime
John Gomersall joined Barlow in 1971 and has completed thirty years in capital intensive commodity businesses starting in the stainless steel and ferrochrome industry ultimately being appointed Managing Director of Middelburg Steel & Alloys (Pty) Limited in 1986. He joined the Barlow board in 1989 and moved into the cement and lime business segment as Group Managing Director of Pretoria Portland Cement in 1992. In 1990 he led the business team which 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 which is headquartered in Paris as well as the South African Portland Cement Institute.

A J Lamprecht BCom, LLB, PED-IMD (47)
Namibia, Botswana, human resources, social investment & other
André Lamprecht practised as an Advocate of the High Court of South Africa prior to joining Barlow in 1981. From 1983, following his appointment as Group Industrial Relations Advisor and his appointment in 1987 as Group General Manager – Human Resources, he played a leading role in steering Barlow through a turbulent decade of political transition into a post-apartheid South Africa. He was appointed to the Barlow board in 1993, assuming responsibility for the company's interests in Namibia and Botswana in addition to Human Resources and Social Investment. He has served on numerous public bodies and is currently vice-chairman of Business South Africa and member of the Standing Committee on Economic Policy, director of the National Business Initiative (NBI), trustee and member of the Executive of the Centre for Development & Enterprise (CDE), trustee of the Business Trust, vice-president of the AHI and business convenor of the Trade & Industry Chamber of National Economic Development Advisory Council (Nedlac). He is also a long-standing member of the Standards Committee of the International Labour Organisation (ILO).

R M Mansell-Jones MA, FCA (59)*
Barlow International PLC
Richard Mansell-Jones's associaton with Barlow originated from his appointment as a non-executive director of J Bibby & Sons PLC in 1978. From a merchant banking career in which he had risen to Deputy Chairman of Brown, Shipley & Co Limited, he then became Executive Chairman of Bibby in 1988, following that company's acquisition by Barlow in 1984. He joined the Barlow board in 1988, assuming responsiblity for the Company's international operations. He was director of Rand Mines Limited from 1988 to 1993. He is currently Chairman of Barlow International PLC to which Bibby changed its name following the purchase of the minority interest in 1997. His external directorships include being Chairman of Brown, Shipley & Co. Limited and director of Standard Bank London Limited. He is a member of the General Council of the Confederation of British Industry.

P M Surgey BA, LLB (44)
Coatings
Peter Surgey joined Barlow 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 & Packaging in 1990. In 1992 he became Chief Executive of Plascon (Pty) Limited with overall responsibility for the Coatings business segment, joining the Barlow board in 1995. He is a board member of the Business Against Crime initiative in South Africa and a past chairman of the NOVA Paint Club, an alliance of international paint manufacturers.

* *British*

THE BOARD AND CORPORATE GOVERNANCE

Barlow constantly strives to be at the forefront of best practice in corporate governance. This section of the report describes how the company's affairs are managed on behalf of all stakeholders and on progress in the year under review

Overall governance structure. With operations in some 30 countries, overall direction and accountability for corporate governance vest in the board of the holding company, Barlow Limited. Subject to this overriding structure, which is explained more fully below:

- the board of Barlow International PLC is accountable for the corporate governance of all businesses outside South Africa other than Australia;
- the business in Australia has its own board and audit committee.

Directors of Barlow Limited are appointed to these boards. Additional high calibre independent directors have been appointed to the board of Barlow International PLC.

The board of directors

Nine executive and eight non-executive directors (including the chairman of the Board) collectively determine major strategies and policies. They approve the group budget and monitor overall performance against objectives appropriate to the current stage of the business cycle and the prospects in each business unit. Effective control is exercised over company affairs, through the executive directors, in a framework of open communication and integrated financial reporting systems.

The independent non-executive directors hold, or have previously held, appointments at the highest level in major business and public organisations, and are able to independently evaluate strategy and objectives, as well as to act in the company's best interests as a balance to the executive directors. In a rapidly changing world, the present mix of experience and skill of the directorate meets the future requirements of the company.

At least five meetings of the board of directors, and eleven meetings of the executive directors and senior executives are held each year. These meetings are held in Johannesburg. Where a director or executive, based in another country such as the United Kingdom, the United States or Spain, is not able to attend personally, video conferencing facilities are used to include him or her in the relevant proceedings and permit participation in decisions and conclusions reached.

The directorate requires that matters placed before it are properly researched and motivated. 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 director has unhindered access to the Chairman, Financial Director and Secretary. Where reasonable action is taken by a non-executive director and costs are incurred, these will be borne by the company.

Each director is elected by members in a general meeting and must retire by rotation every three years. Executive directors generally retire from the board at 63 years of age or earlier, depending on the retiral age of the pension fund he is a member of, whilst non-executive directors generally retire at the annual general meeting next succeeding the director's 70th birthday. Fees payable to non-executive directors are fixed by the shareholders in general meeting.

Changes to the board. Since the last annual report Messrs R J Goss and J H Steyn, who have reached the age of 70 years, have retired, Mr G P Bellingan, who has reached normal retirement age has also retired and Mr G Griffin resigned as director of the company. Mr D B Ntsebeza was appointed to the board on 18 May 1999.

At the forthcoming annual general meeting Mr D B Ntsebeza retires and Messrs K Brown, R K J Chambers, A J Lamprecht, M J Levett and L A Tager retire by rotation, in the terms of the company's articles of association. All have offered themselves for election.

Contracts of service. 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 for Messrs K Brown and R M Mansell-Jones who have agreements terminable by not less than three years' notice given by the employer or by not less than six months' notice given by the director.

Accounting and reporting

The board places strong emphasis on achieving the highest level of financial management, accounting and reporting to shareholders. The board is committed to leadership in accounting compliance in South Africa, full compliance with International Accounting Standards being the ultimate goal. This will be achieved within the framework of South Africa adopting International Accounting Standards.

Board committees

Audit, general purposes, remuneration and other appropriate committees have been in place since 1982. The following information reflects the composition of the board committees:

General purposes committee

W A M Clewlow	R K J Chambers
M J Levett	A J Phillips
E P Theron	

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

Remuneration committee

W A M Clewlow	R K J Chambers
M J Levett	A J Phillips
E P Theron	

Composed of a majority of non-executive directors, this committee decides the remuneration of executive directors and senior executives.

Audit committee

D C Arnold	W A M Clewlow
R K J Chambers	P T W Curtis
M J Levett	A J Phillips
E P Theron	

The audit committee, which comprises a majority of non-executive directors including its chairman, reviews the adequacy and continuous operation of the internal control systems and their audit. Parameters of the

REPORT OF THE DIRECTORS – A SEPARATE REPORT IS NOT CONSIDERED APPROPRIATE AS DETAILS OF THE PERFORMANCE OF THE VARIOUS OPERATIONS OF BARLOW ARE CONTAINED IN THE CHAIRMAN'S REVIEW, THE CHIEF EXECUTIVE OFFICER'S INTERVIEW, THE BUSINESS REVIEWS AND THE FINANCIAL DIRECTOR'S REPORT. OTHER STATUTORY REQUIREMENTS AND DISCLOSURES ARE CONTAINED EITHER IN THOSE REVIEWS, OR IN THE ANNUAL FINANCIAL STATEMENTS OR THE NOTES THERETO

audit and of internal controls are discussed between the audit committee and the external auditors as part of the process of each audit. The external auditors have access to the audit committee and its chairman. The interim results are discussed with Barlow's external auditors and the audit committee, prior to their submission to the board. The audit committee, with the auditors present, reviews the audited preliminary profit statement and the annual financial statements before they are submitted to the board. The audit committee has written terms of reference approved by the board.

Other board and corporate governance issues. Internal audit is an important tool in good governance. The directors acknowledge that they are responsible for instituting internal control systems that should provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposition;and maintenance of proper accounting records and the reliability of financial and operational information used in the business.

Barlow's internal auditor co-ordinates the internal audit function which now exists throughout the organisation. His duties include, inter alia, liaison with operating companies and their external auditors in order to monitor the development and performance of internal audit departments in the group and reporting to the main audit committee on the conduct of internal audit throughout the group and on significant matters reported to management.

Subordinate internal audit reports are submitted to the respective audit committees. Any major issues arising are referred to the main audit committee.

Audit plans are drawn up from time to time to take account of changing business needs. Follow-up audits are planned in areas where weaknesses are found.

The role of the Secretary is clearly defined. Appointment and removal of the Secretary are matters for the board as a whole. The Secretary ensures that, in accordance with the pertinent laws, the proceedings and affairs of the directorate and, where appropriate, members are properly administered. Dealings in shares of the company are advised to him and a report is tabled at each board meeting. He also administers the affairs of the company's subsidiaries in South Africa.

There are no third-party management issues. No part of the company's business was managed during the year by any third party in which any director had an interest.

Employment Equity action is essential in South Africa. The directors believe that affirmative action, structured in an economically viable and self-sustaining manner, is an essential and integral part of corporate governance within any Barlow business unit operating in South Africa. All business units in South Africa have affirmative action programmes which receive regular management attention. Introduction of Employment Equity and Skills Development legislation requires plans to be formalised and reported upon to the Department of Labour.

All business units in South Africa have formalised employment equity policies. Reporting mechanisms are being worked out, in liaison with the Department of Labour, as the latter's detailed requirements are not yet finalised.

Employee participation is important. Barlow subscribes to the belief that employee participation is in the interests of a business. The company's diverse nature, allied to its philosophy of operational decentralisation, makes it desirable that each business unit executes this in a manner best suited to its own circumstances.

Effective communication with all stakeholders is essential. The company subscribes to the principle of timeous, balanced, relevant and understandable communication, focused on substance not form, with all relevant parties.

The year 2000 compliance (Y2K)
The company's Y2K programme is on schedule. This includes full contingency plans and disaster recovery procedures for all business critical areas including the effects of Y2K failures amongst suppliers. No significant expenditure has been incurred in specifically addressing this issue as the investment in hardware and software is part of an ongoing programme of upgrading information systems.

Risk management. As the company moves into new territories and is faced with an ever changing and more complex operating environment, there is a need to move beyond the realm of traditionally considered exposures.

To this end the company has completed a major exercise in risk assessment aimed at identifying the broader range of threats facing it, not only focusing on the pure risk aspect but also enterprise risk. It is intended that this will result in risk exposure being addressed systematically at the appropriate organisational level.

Rather than merely being a tool to reduce and finance losses when they may occur, risk management is, more importantly, capable of ensuring competitive advantage by identifying areas of potential cost reduction and opportunities for improving operational effectiveness and efficiency.

The risk management process is addressed at all organisational levels. Compliance with group standards and recognised best practice is managed internally with independent, outside verification.

OPERATING MANAGEMENT

CORPORATE

Paul Acott 54, Group Internal Auditor
Des Arnold 59, Executive Director, Finance and Administration
Andrew Bannister 42, Finance Director, Barlow International Plc
Mike Barnett 57, Secretary
Gary Berndt 40, Group Legal Adviser
Deena Chetty 36, Group General Manager, Industrial Relations
Arthur Christie 57, Group Retirement Benefits Manager
Liz Dougall 42, Group Taxation Manager
Mark Drewell 37, Head of Corporate Communication
Vaughan Firman 36, Group Financial Controller
Pieter Haasbroek 56, Group Economist
André Lamprecht 47, Finance and Administration
Richard Mansell-Jones 59, Chairman, Barlow International Plc
Ivan Martin 58, Group Risk & Insurance Manager
Jim Murphy 46, Manager, Occupational Health
Marshall Murton 58, Group GM, Administration
Tony Phillips 53, Chief Executive Officer
Dave Powell 53, Chief Information Officer
Mahlape Sello 37, Business & Social Development Executive
Brian Steele 56, Chief Group Financial Manager
Peter Stephenson 48, Managing Director, Martex
Andrew Weight 53, Director, Lanes
Chris Whitaker 42, Managing Director, Sonnex

CAPITAL EQUIPMENT

António Braz 41, Power Systems Manager, STET
Peter Bulterman 44, Director and GM, BEC
José Carriço 63, Commercial After Sales Manager, STET
Lester Day 53, Managing Director, BEC
Ricardo De Oliveira Nunes 55, Product Support Manager, STET
Paul Deppe 35, Managing Director, Perkins Power
Ramon Fernandez-Urrutia 61, Managing Director, Finanzauto
Anabela Franco 32, Control and Information Technologies Manager, STET
Alberto Garcia Perea 48, HR General Manager, Finanzauto
Chris Gibb 50, GM Mining, BEC
Gordon Hall 58, GM & Director, Siberia & Bulgaria
Jackie Le Roux 42, HR Director, BEC
Graeme Lewis 39, Financial Director, Finanzauto
John McCarthy 56, Financial Director, Barlows Tractor International
Alfonso Moraga 59, Development Director, Finanzauto
Carlos Nascimento 55, Communication and Human Resources Manager, STET
Fernando Pastor 58, Power Systems Sales Director, Finanzauto
Eugenio Pereira Mexia 55, Commercial Manager, STET
John Polykarpou 39, Marketing Director, BEC
Guillermo Romero 58, Large Machine Sales Director, Finanzauto
Santiago Salazar Coronado 49, General Director, STET
Luis Salgado 61, General Machine Sales Director, Finanzauto
Victor Salzmann 53, After Sales & Information Systems Director, Finanzauto
Des Shiel 61, Strategic Planning Director, BEC
Abilio Soares Pinto da Silva 60, Financial Manager, STET
Glenn Stevens 45, Director, Cerma Shield
Doug Thomas 41, Financial Director, BEC
Henri van der Walt 60, Chairman, Cerma Shield & Perkins Power
Fabriciano Velasco 57, Materials Handling Sales Director, Finanzauto
Rodney Wainwright 48, Director, Service, BEC and Zambia / Angola / Malawi / Mozambique

MATERIALS HANDLING

Kevin Atkinson 50, Financial Manager, Barlow Handling
Woody Brazel 49, GM, Ditchwitch of Georgia
John Borrows 50, Company Secretary, Barlow Handling, UK
Mike Brougham 49, Director & GM, Barlow Handling UK, Northern Division
Ken Brown 56, Managing Director
Larry Brown 56, Executive Vice-President, Wrenn Brungart
Mike Corbett 45, Managing Director, DD Lamson
Francois Desmedt 50, Managing Director, Barlow Handling NV
James Gillies 43, Divisional GM – South Georgia, Wrenn Brungart
Tony Harrison 48, Financial Director, DD Lamson
Keith Hay 51, Managing Director, Barlow Handling UK
Jimmy Haynes 59, VP, Divisional GM, Alabama, Wrenn Brungart
James Holmes 40, VP, Human Resources, Wrenn Brungart
Graham Jones 35, Marketing / Advertising Manager, Barlow Handling, UK
Alan Knight 54, Finance Director, Barlow Handling UK
Martin Lewis 56, VP, Finance, Wrenn Brungart
Bob Miller 59, Materials Manufacturing Director, DD Lamson
Terry Moore 49, VP, Divisional GM – Mid-South, Wrenn Brungart
Gary Newell 42, Director & GM, Barlow Handling UK, Scottish Division
Chris Parnall 54, Director & GM, Barlow Handling UK, Midlands & West Division
Robert Role 43, Divisional GM – North Georgia, Wrenn Brungart
Robert Russell 39, Group Director of Finance, IS Director
Stan Sewell 44, President, Wrenn Brungart
Scott Simmons 43, Senior Vice-President, Wrenn Brungart
Jeff Smith 51, VP, GM – South Carolina, Wrenn Brungart
Geoff Tucker 49, Managing Director, Barlow Handling
Don Tyler 50, VP, Divisional GM – Florida, Wrenn Brungart
Daniel Vicini 54, Divisional GM – North Carolina, Wrenn Brungart
Mike Worden 55, Director & GM, Barlow Handling UK, Southern Division

MOTOR

Rocky Cloete 55, Group Financial Director
Michael Cusack 57, GM, Brighton Star
Brandon Diamond 48, Managing Director
Neels Du Preez 50, Divisional Director – Ford
Pam Grobler 55, Franchise Director – BMW
Barry Hastings 53, Franchise Director – Mercedes
Martin Laubscher 39, Franchise Director – VW / Audi
Bob Smith 50, Divisional Director – Toyota
John Smith 55, Director – Delta / Rental / Nissan
Richard Tudor 42, Dealer Principal, Collins
Willie van Zijl 46, HR Director

CEMENT & LIME

Ray Andrews 58, Managing Director, PPC Transport
John Blackbeard 42, Managing Director, PPC Cement

The worldwide Barlow management team is focused on creating value for all stakeholders. We appreciate our diversity, and take pride in doing things differently and taking on difficult challenges

Rod Burn 46, HR Director, PPC Cement
Jeff Cutler 40, Factory Manager, Afripack
Harley Dent 48, Director, Strategic Projects
Peter Esterhuysen 42, Financial Director, PPC Cement
Orrie Fenn 45, Manufacturing Director, PPC Cement
Jeremy Gaylard 52, Technical Director, PPC Lime
John Gomersall 53, Group Managing Director
Eric Gower-Winter 30, Marketing Manager, PPC Transport
Deon Heyns 43, Operations Director, PPC Lime
Anthony Higgins 34, Marketing Director, Afripack
Colin Jones 46, Sales & Marketing Director, PPC Cement
Eben Kloppers 40, Logistics Manager, Afripack
John Maurel 55, Financial Director, Afripack
Pepe Meijer 39, General Manager – Saldanha, PPC Lime
Hannes Meyer 40, General Manager – Lime Acres, PPC Lime
Henry Pipkin 47, HR Manager, Afripack
Ian Stevens 49, Director, Finance & Administration
Paul Stuiver 42, Managing Director, PPC Lime
Mark Tarlton 40, General Manager – Group Logistics, PPC Transport
Stephen Temple 45, Technical Director, PPC Transport
Rob Tennant 42, Group IS Manager
Pieter Van Dam 43, Technical Director, PPC Cement
Jacques van Jaarsveld 33, Financial Manager PPC Lime
Francois van Rensburg 34, Financial Manager, PPC Transport
Arnie Vermaak 40, Managing Director, Afripack
Norbet Watzlawick 41, Human Resources Manager, PPC Transport
Simon Willmott 42, General Manager – Marketing, PPC Lime

SCIENTIFIC

John Bailey 42, Director of Export Sales, Sterilin
Tim Bird 53, General Manager, Henry Cooke
Peter Blocksidge 52, Director of Finance, Laboratory Group
Mike Bratt 54, Materials and Logistics Manager, Sterilin
Geoff Brookes 48, Director of UK Sales, Sterilin
Guido Crespi 49, GM, Sterilin, Italia
Martin Davies 39, Chief Executive Officer, Dynalab
Mike Dorich 56, Chief Operations Officer, Melles Griot
Blake Fennell 35, Chief Operating Officer, Melles Griot Photonics
Phil Horsfield 52, Finance Director
Bernard Leguillon 43, MD, Bibby Sterilin, France
Peter Maybury 55, Chief Executive
Jaime Sala 55, MD, Afora
Alan Siddall 47, GM, Sterilin
Eugene Smith 38, Chief Financial Officer, Melles Griot
John Whitehouse 51, Managing Director, Laboratory Group
Frank Wilson 47, Personnel Manager, Laboratory Group
Ed Wynn 43, Sales & Marketing Director

COATINGS

Ross Baxter 43, Marketing Director, Taubmans
Barry Booth 64, Purchasing Director, Taubmans
Frank Boyle 50, Business Director, Plascon Inks & Packaging
John Bremner 38, Manufacturing Director, Taubmans
Allan Carter 46, Managing Director, Plascon International (UK)
Mike Christie 43, Managing Director, Plascon Paints SA
Brian Dearham 58, Purchasing Manager, Plascon Inks & Packaging
John Dykes 58, Managing Director, White Knight Paints
Rudi Funk 41, Technical Director, OEM
Warren Gillman, Marketing Manager, Plascon Automotive
Ralph Johannsen 61, Managing Director, Taubmans
Ian Johnson 35, Production Manager, Plascon Automotive
Paul Langdale 33, Supply & Distribution Manager, Taubmans
Trevor Lisher 44, Quality Manager, Plascon Automotive
Phil Millar 55, Technical Market Manager, Taubmans
Trudi Neill 30, Marketing Director – Plascon Paints SA
Tony Parlabean 38, Financial Director, Plascon Inks & Packaging
Tony Parry 39, Information Services Manager, Taubmans
Graham Rogers 46, Finance Director, Taubmans
Hymie Sacks 55, National Stores Manager, Taubmans
Ron Scherer, HR Manager, Plascon Automotive
Gary Seale 36, Operations Director, Plascon Inks & Packaging
Garth Smart 42, Managing Director, Plascon Automotive
Pete Smith 41, HR Manager, Plascon Inks & Packaging
Peter Surgey 44, Chief Executive
Doug Swanson 47, Managing Director, Plascon Inks and Packaging
Clive Thomson 33, Group Financial Director, Plascon Paints SA
Wayne Tonissen 48, Goup HR Manager, Taubmans
Chris van der Merwe, Financial Director, Plascon Automotive
Dominic Watson 40, Commercial Director, OEM
Robert Whiten 38, National Sales Manager, Taubmans
Jacques Whittle 29, Business Process Manager, Plascon Automotive
Tony Wood 45, Commercial Director, Refinish

STEEL TUBE

Geoff Colloty 51, Managing Director, Distribution
Mike Coward 46, Group Managing Director
Ben De Klerk 45, Managing Director, New Business Development Division & Logistics
Chris Fisher 41, Group HR Director
Pieter Liebenberg 53, Chairman, Value Added Division
Fergus Macleod 47, Group Financial Director
Geoff Pallister 57, Project Director
Neil Rose 62, Group Marketing Director
Alwyn Smith 34, Managing Director, Salmac
Hugh Theunissen 58, Managing Director, Tube Division

FINANCIAL SERVICES

Ron Franklin 60, Director & GM, BRL Leasing
Brian Graumann 36, Group Finance Director
Terry Knight 52, Managing Director, BRL Leasing
Frank Pretorius 46, Managing Director, Barlow Leasing