



*Angola
Argentina
Australia
Botswana
China
Denmark
Ecuador
France
Germany
Hong Kong
India
Indonesia
Isle of Man
Italy
Japan
Kenya
Malawi
Mozambique
Namibia
Peru
Russia
Singapore
South Africa
South Korea
Taiwan
Tanzania
The Netherlands
U.A.E
U.S.A
United Kingdom*

STRATEGIC OBJECTIVES

Shipping



- Increase level of contract cover over the medium term, particularly in the handysize sector;
- Ensure adequate cash and access to additional banking facilities;
- Maintain a strong brand presence in the market; and
- Improve operating capacity in both the drybulk and tanker sectors.

Trading



- Maximise inter group synergies with Shipping and Logistics;
- Consolidate operations and focus on key growth areas;
- Identify investment opportunities in the supply chain; and
- Focus on improving margins.

Freight Services



- Integration of strategic assets and supply chain capabilities;
- Leveraging growth opportunities created by the demand for regional infrastructural and transport investment;
- Expansion and restructure of terminal facilities; and
- Conclude black economic empowerment strategy to achieve at least a level 4 contributor status in 2009.

Financial Services



- Increase non-guaranteed deposit base;
- Grow advances book and private clients' assets;
- Increase treasury assets under management and focus specifically on generating product based income; and
- Establish a debt capital market capability.

CONTENTS

BUSINESS OVERVIEW

Vision	ifc
Mission	ifc
Strategic objectives	ifc
Group profile	01
Group history	02
Geographic profile	04
Group financial highlights	06
Directorate	08

COMMENTARIES

Chairman's report	14
Chief executive officer's report	16
Financial director's report	22
Group financial review	36
Divisional reviews	40

SUSTAINABILITY

Value added statement	59
Corporate governance	60
Remuneration report	65
Risk management	73
Social performance	77
Stakeholder engagement	86
Environmental performance	88
G3 Global Reporting Initiative content index	94

ANNUAL FINANCIAL STATEMENTS

Directors' responsibility and approval	98
Certificate by company secretary	98
Independent auditor's report	99
Directors' report	100
Accounting policies	102
Balance sheets	112
Income statements	113
Statements of changes in equity	114
Cash flow statements	115
Segmental analysis	116
Notes to the financial statements	117
Loan funds	166
Interests in subsidiaries	167

SHAREHOLDER INFORMATION

Analysis of ordinary shareholders	170
Analysis of preference shareholders	171
Share performance	172
Corporate information	173
Notice of meeting	174
Form of proxy	attached
Terms and expressions	179

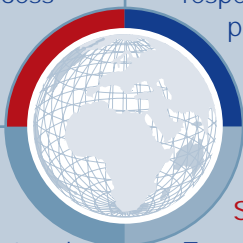
VISION

SHIPPING

To be a significant and profitable international shipowner and operator controlling in excess of 150 ships.

TRADING

To be a sustainable commodity trading business which is a respected global participant.



FREIGHT SERVICES

To be a dominant and profitable regional freight services provider focusing on infrastructural development.

FINANCIAL SERVICES

To grow Grindrod Bank to be a meaningful participant in the Southern African financial services arena.

MISSION

SHIPPING

To provide worldwide, high quality shipping services through the ownership and operation of a diversified fleet of modern ships.

TRADING

To provide a global commodity trading service in agricultural, mineral and fuel products through end to end solutions by being an informed and trusted business partner.



FREIGHT SERVICES

To be the first choice provider of a broad range of regional freight services by integrating the group's strategic infrastructure, assets and logistics and ships agency capabilities.

FINANCIAL SERVICES

To be a fast moving medium size bank with a credit rating and status that attracts stable funding and generates an above average return on capital through a mix of innovative merchant banking and retail offerings.

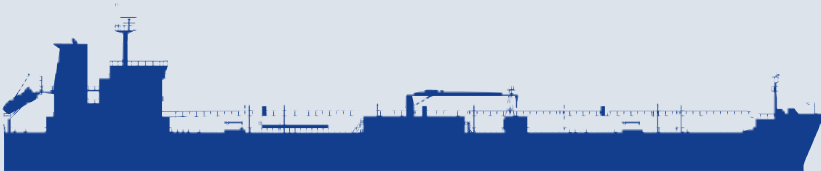
Tankers



Small products tanker
Cargoes shipped: petrol/diesel/bulk liquids



Chemical tanker
Cargoes shipped: industrial chemicals/bulk liquids



Mid-range products tanker
Cargoes shipped: petrol/diesel/vegetable oils

Drybulk carriers



Handysize bulk carrier
Cargoes shipped: mining/agricultural/general bulk products



Panamax bulk carrier
Cargoes shipped: grain/steel



Capesize bulk carrier
Cargoes shipped: iron ore/coal



www.grindrod.co.za

GROUP PROFILE

Shipping	Trading	Freight Services	Financial Services
<p>Revenue R7 069 m</p> <p>Attributable income R1 794 m</p>	<p>Revenue R24 022 m</p> <p>Attributable income R129 m</p>	<p>Revenue R2 552 m</p> <p>Attributable income R198 m</p>	<p>Revenue R94 m</p> <p>Attributable income R36 m</p>
<p> UNICORN SHIPPING</p> <p>Tanker owning and operating</p> <hr/> <p> ISLAND VIEW SHIPPING</p> <p>Drybulk shipowning and operating</p>	<p> ATLAS TRADING & SHIPPING</p> <p>Trading of:</p> <ul style="list-style-type: none"> • Maize • Wheat • Soya bean meal • Soya beans <hr/> <p> oreport</p> <p>Trading of:</p> <ul style="list-style-type: none"> • Bulk and noble alloys • Ores • Coal and metallurgical coke • Carbon steel and stainless steel • Pig iron • Mineral sands <hr/> <p> COCKETT MARINE OIL</p> <p>Trading of:</p> <ul style="list-style-type: none"> • Marine fuel and lubricants 	<p> GRINDROD PORT HOLDINGS</p> <p>Port concessions</p> <hr/> <p> GRINDROD TERMINALS</p> <ul style="list-style-type: none"> • Dry and liquid bulk terminal operations • Automotive terminal operations • Warehousing, distribution and bulk logistics • Rail handling • Stevedoring <hr/> <p> GRINDROD INTERMODAL</p> <ul style="list-style-type: none"> • Container services • Container freight stations and logistics • Container husbandry • Container repairs, sales and leasing <hr/> <p> GRINDROD LOGISTICS</p> <ul style="list-style-type: none"> • Automotive storage and distribution • Consumer goods warehousing and distribution • Dry and liquid bulk road transportation • Airfreight perishable cargo agents • Seafreight perishable cargo agents • Clearing and forwarding agents • Heavy lift, logistics and engineering <hr/> <p> GRINDROD RAIL</p> <ul style="list-style-type: none"> • Rail operations • Locomotive and rollingstock leasing • Shunting services <hr/> <p> GRINDROD SEAFREIGHT</p> <p>Regional container line and logistics service provider</p> <hr/> <p> GRINDROD SHIPS AGENCIES</p> <ul style="list-style-type: none"> • Ships agencies • Marine and industrial procurement service • Travel agents 	<p> GRINDROD BANK</p> <ul style="list-style-type: none"> • Corporate lending – property sector • Treasury • Investment products • Corporate and structured finance • Private client services • Retail banking

business overview

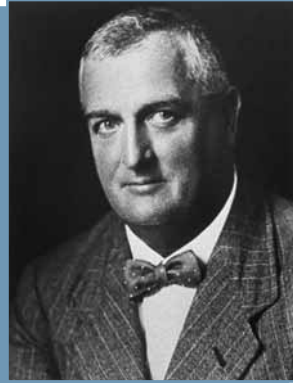
commentaries

sustainability

annual financial statements

shareholder information

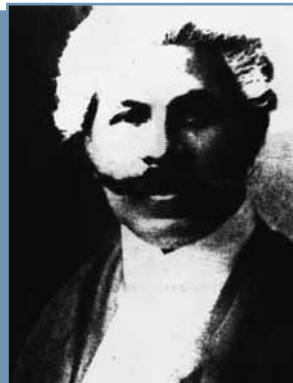
GROUP HISTORY



1910: Captain J E Grindrod



1922: SS Frontier



1933: Leon Renaud

Grincor goes public

NOVEMBER 5, 1966 is a date to remember!
That's the day the newly merged Grindrod Unicorn Group became a listed company.
Present at the Johannesburg Stock Exchange to see the Grincor name go up in lights were, from left Chairman Murray Grindrod and directors Colin Hall, Sandy Morrison, Christopher Renaud and Mike Groves.



1986: Grindrod goes public

1910

Captain John Edward Grindrod starts a shipping and forwarding agents business Grindrod & Company.

1922

Captain Grindrod becomes involved with Mr Leon Renaud in SS Frontier (1922) Steamship Company that bought the tiny vessel *Frontier* for the Durban-Port St Johns trade with Grindrod & Company as the agents.

1933

African Coasters (the forerunner of Unicorn Shipping, currently one of the key operations within Grindrod) is formed in Durban by Mr Leon Renaud to trade to Lourenço Marques (now Maputo) with Grindrod & Company as the agents.

1934

- Shareholding of African Coasters is restructured with Grindrod and Renaud families holding equal shares and it acquires the SS Frontier (1922) Steamship Company.
- Walter Bibby Grindrod goes into partnership with Mr Xavier de Gersigny to form Grindrod, Gersigny & Company (Pty) Limited which acquired the business of Grindrod & Company.

1964

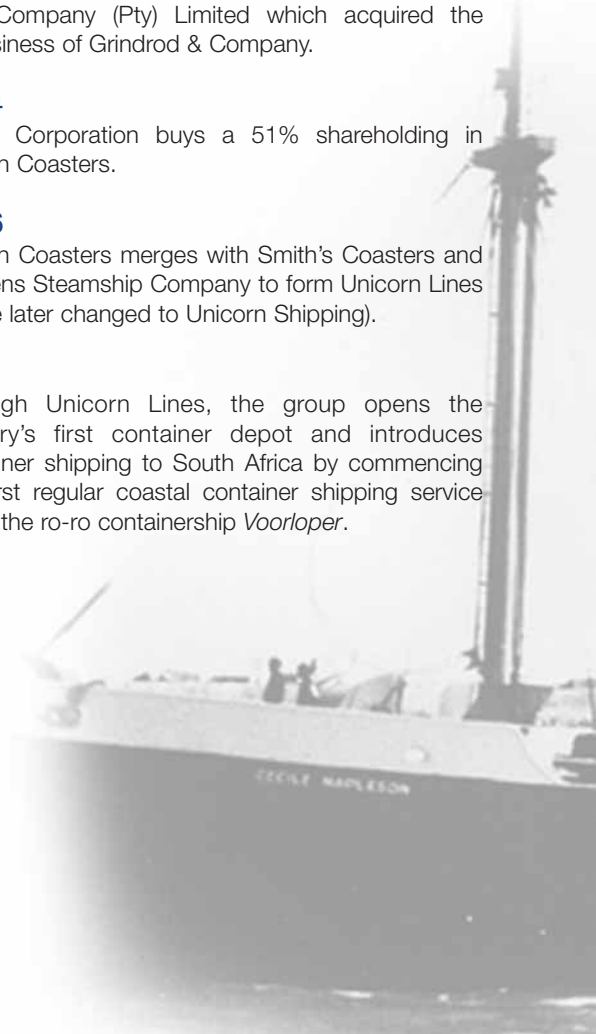
Union Corporation buys a 51% shareholding in African Coasters.

1966

African Coasters merges with Smith's Coasters and Thesens Steamship Company to form Unicorn Lines (name later changed to Unicorn Shipping).

1971

Through Unicorn Lines, the group opens the country's first container depot and introduces container shipping to South Africa by commencing the first regular coastal container shipping service using the ro-ro containership *Voorloper*.



1985

Grindrod & Company celebrates 75 years in the shipping industry.

1986

- Grindrod Unicorn Group Limited (Grincor) is formed as the holding company of the group and listed on the JSE Limited.
- Grincor acquires General Mining Union Corporation Limited's shareholding in African Coasters Holdings, thus ensuring that control of Unicorn Lines returns to the Grindrod group.

1988

The group starts the process of internationalising its shipping operations through the establishment of a presence in key centres across the world.

1999

- Island View Shipping is acquired and this marks the group's entry into the drybulk shipping sector.
- Shares in Unicorn, held by the Restis group, are successfully purchased, ensuring total control of Unicorn by the Grindrod group.

2001

Grindrod Unicorn Group Limited changes its name to Grindrod Limited incorporating a new brand and logo.

2004

- N ordinary share structure dismantled through a simple one for one conversion to ordinary shares.
- Marine Money award (international shipping company award 1st place) (top listed international shipping company).
- Sunday Times/Business Times Top 100 Companies award (top place).

2005

- Marine Money award for second consecutive year (top listed international shipping company).
- Sunday Times/Business Times Top 100 Companies award (top place) for second consecutive year.
- Five to one ordinary share split.
- Issue and listing of preference shares.
- 100% of Marriott Corporate Property Bank Limited acquired and name changed to Grindrod Bank Limited.
- Trading division established with the acquisition of an agricultural commodity trading business.

2006

King & Sons ships agency celebrates its 125th anniversary.

2007

- 21st anniversary as a JSE listed company.
- Commencement of infrastructural development in the port of Maputo.
- Freight Services activities restructured into Logistics, Terminals, Ports, Intermodal, Rail and Seafreight divisions.
- Walter Murray Grindrod retires after 21 years as chairman and 50 years of service with the group.

2008

- BEE deal concluded between Unicorn and Calulo Services to develop maritime activities in southern Africa.
- Unicorn Shipping celebrates its 75th anniversary.

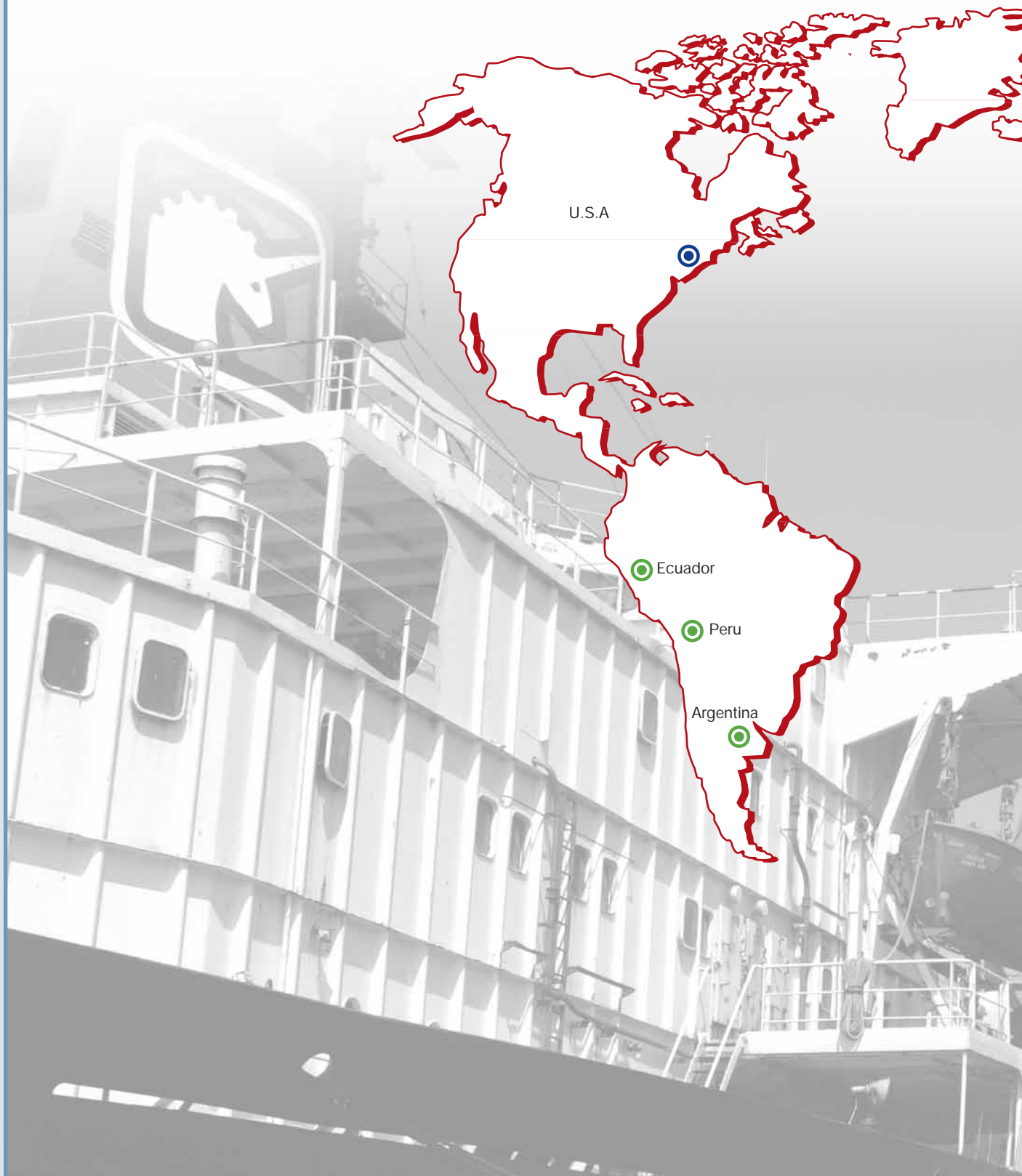
2009

Major black economic empowerment transaction concluded with Calulo and Adopt-a-School Foundation, incorporating the majority of the South African based freight services activities.



worldwide offices/representation

GEOGRAPHIC PROFILE





- Shipping
- Trading
- Freight Services

[business overview](#)

[commentaries](#)

[sustainability](#)

[annual financial statements](#)

[shareholder information](#)

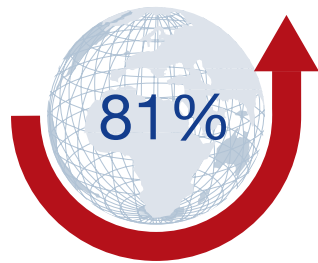
BUSINESS OVERVIEW

Grindrod Limited is a holding company listed on the JSE Limited, principally investing in subsidiaries, joint ventures and associates, operating in four business divisions, namely Shipping, Trading, Freight Services and Financial Services. These businesses provide a range

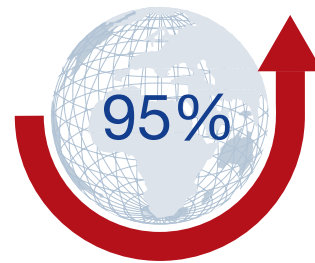
of high quality services, which benefits from operating and marketing synergies both locally and internationally

The group's head office is in Durban, South Africa and has numerous operations worldwide.

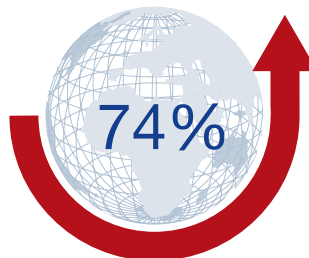
INCREASE IN EARNINGS



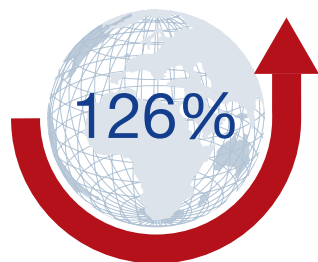
INCREASE IN HEADLINE EARNINGS



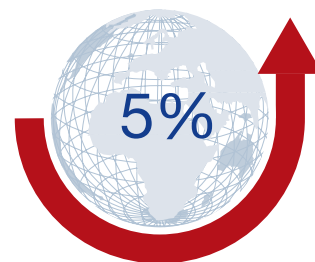
INCREASE IN ORDINARY DIVIDENDS FOR THE YEAR



INCREASE IN CASH FROM OPERATIONS

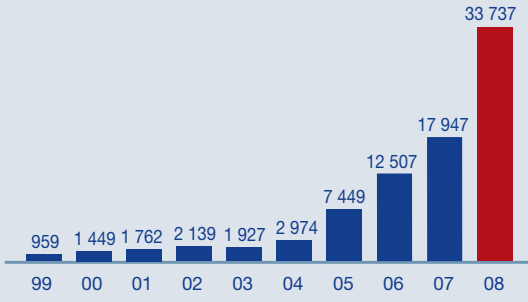


NET CASH/EQUITY



GROUP FINANCIAL HIGHLIGHTS

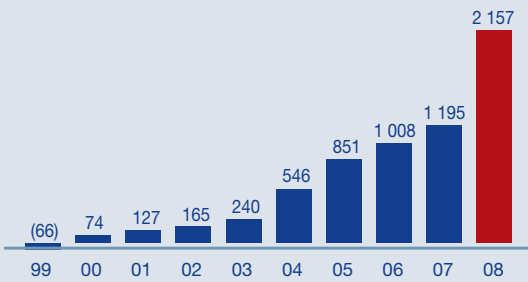
REVENUE (Rm)



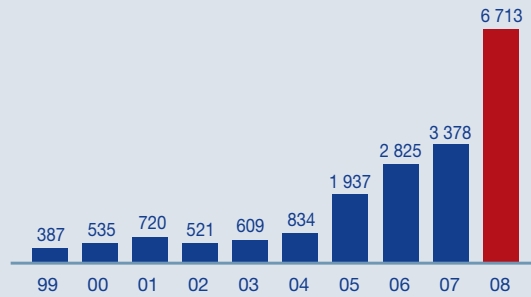
TRADING PROFIT (EBITDA) (Rm)



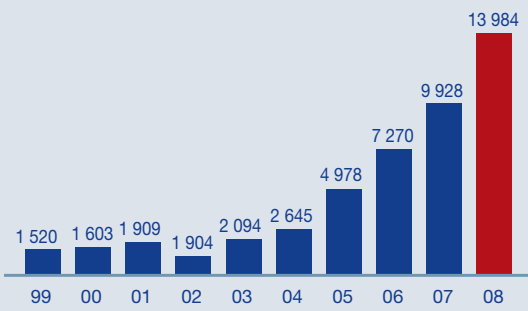
ATTRIBUTABLE INCOME (Rm)



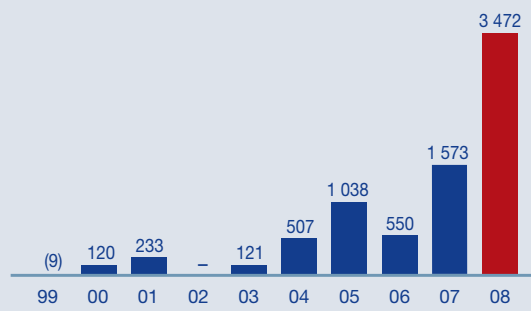
SHAREHOLDERS' FUNDS (Rm)



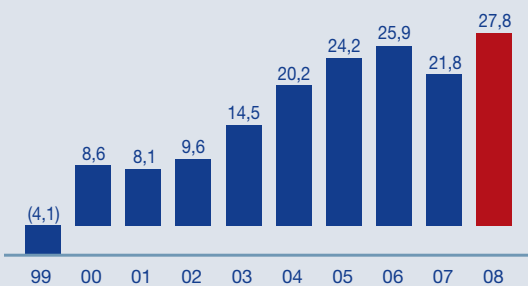
TOTAL ASSETS (Rm)



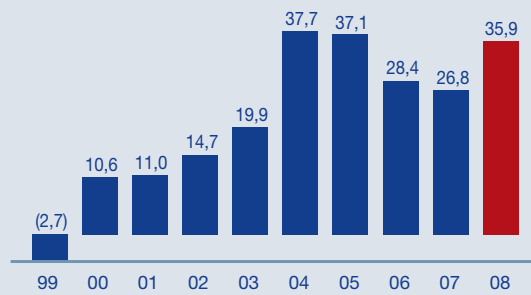
CASH RETAINED FROM OPERATIONS (Rm)



OPERATING MARGIN (%)
(EXCLUDING TRADING)



RETURN ON NET ASSETS (%)



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

DIRECTORATE



I A J CLARK (65)

CA(SA)

Appointed 1993

Chairman

Employed by the group in 1977 and held various senior financial and executive positions in the Shipping division. Served as group managing director/chief executive officer from 1999 to 2006. Appointed chairman of Grindrod Limited in 2007 and chairman of Grindrod Bank Limited in 2006.

Not independent

Remuneration/nomination committee



H ADAMS (56)

Appointed 2000

Chairman of ASCH Consulting Engineers. Deputy chairman of SunWest, Table Bay Hotel and Proman Project Managers. Has diversified business interests in engineering, project management, leisure and gaming.

Independent



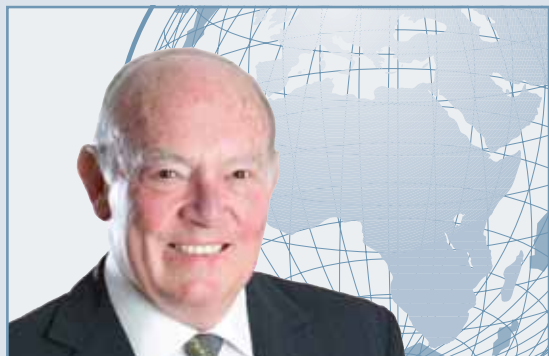
W D GEACH (54)

BA LLB; MCOM; CTA; CA(SA)

Appointed 2008

Advocate of the High Court of South Africa. Senior professor in the Graduate School of Business University of KwaZulu-Natal. Previously on the tax committee of the South African Institute of Chartered Accountants KZN and technical committee member of South African Institute of Professional Accountants.

Independent



I M GROVES (63)

CA(SA)

Appointed 1986

Previously managing director of the group. Retired from this position in 1999. Has considerable experience in the shipping industry. Non-executive director of Value Group Limited, Tiger Wheels Limited, Grindrod Bank Limited and SA Corporate Real Estate Fund Managers Limited.

Independent

Chairman – Audit committee

Remuneration/nomination committee



R A NORTON (69)

BA; MA FIBSA

Appointed 1998

Non-executive director of Grindrod Bank Limited and Illovo Sugar Limited. Considerable experience as an executive in commerce. Past president of the JSE.

Independent

Audit committee

Chairman – Remuneration/nomination committee



N T Y SIWENDU (42)

BSocSc (Hons); LLB

Appointed 2008

Non-executive director of Grindrod Bank Limited and The Airports Company South Africa (ACSA) and chairs the operational risk committee of this board. Director of Siwendu & Partners Inc., Siwendu GHP Inc., Abakwa Investments (Pty) Limited and Busara Trade and Investments (Pty) Limited. Corporate/commercial lawyer and specialist in corporate governance practice. Attorney of the High Court of South Africa.

Independent

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

DIRECTORATE



A K OLIVIER (48)

CA(SA)

Appointed 1999

Chief executive officer

Employed in 1986 in the Shipping division where he has held senior treasury and financial positions. Previously chief executive of Unicorn Shipping and appointed group chief executive officer effective 1 January 2007. Director of local and international subsidiary companies, including Grindrod Bank Limited. Also serves as deputy chairman of The United Kingdom Mutual Steamship Assurance (Bermuda) Limited.



J G JONES (58)

Appointed 2002

Executive director – Ships Agencies

Employed in 1969. Has considerable experience in freight and ships agency businesses. Director of various subsidiary companies.



T J T McCLURE (Captain) (58)

DipM Law

Appointed 2002

Executive director – Shipping

Employed in 1999. Director of major local and international subsidiaries and UK Freight Demurrage & Defence Association. President of South African branch of Institute of Chartered Shipbrokers.



D A POLKINGHORNE (44)

BCom; MA (Oxon)

Appointed 2006

Executive director – Financial Services

Employed in 2006. Managing director of Grindrod Bank Limited. Extensive corporate and investment banking experience.



D A RENNIE (Captain) (48)

Appointed 2002

Executive director – Freight Services

Employed in 1978. Considerable seafaring and seafreight logistics experience and currently chief executive officer of Freight Services division. Previously managing director and now a non-executive director of Ocean Africa Container Lines (Pty) Limited. Director of major local subsidiaries, chairman of the Container Liner Operators Forum and co-chairman of the South African Container Terminals Advisory Board.



A F STEWART (44)

CA(SA)

Appointed 2003

Financial director

Employed in 2000 as financial manager of Unicorn Shipping, also responsible for group taxation and treasury function. Promoted to group financial manager in 2002. Director of major local and international subsidiary companies within the group.



L R STUART-HILL (45)

CA(SA)

Appointed 1999

Executive director – Shipping

Employed as treasury manager by Unicorn Lines in 1993. Promoted to financial manager of Unicorn Tankers in 1996 and then to Grindrod Limited financial director in 1999. Moved to head up the group's Freight Services division in 2002 and then to Unicorn Shipping in 2006. Director of major local and international subsidiary companies within the group. Appointed director of Marine Shipping Mutual Insurance Company Limited (MSMI) in 2008.



J B McILMURRAY (65)

LLB (University of London)

Appointed 2008 to executive committee

Chief executive officer – Trading

10 years in marketing in the mining industry with Union Corporation, Impala Platinum and Anglovaal. Founding member and director of Oreport – 1985. Executive chairman of Oreport group since 2003.

Serves on the executive committee together with the seven executive directors

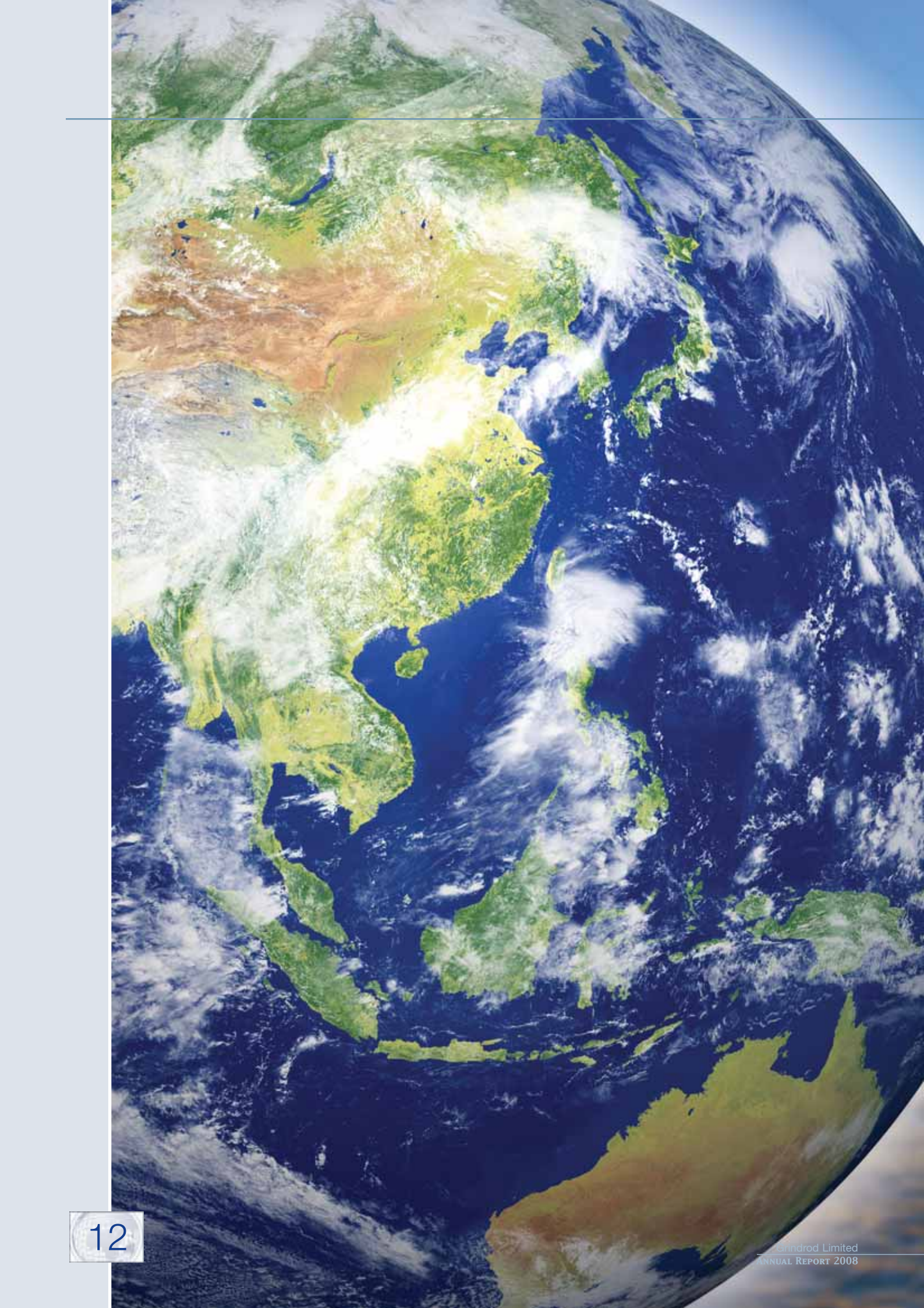
business
overview

commentaries

sustainability

annual financial
statements

shareholder
information



Commentaries

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

CHAIRMAN'S REPORT



While 2008 was an exceptional year in the group's history, the current year will be far more challenging.

INTRODUCTION

Grindrod had an exceptional year in 2008 which culminated in a profit of R2,1 billion (475 cents per share), an 81% increase over the record earnings in 2007. These results were achieved on the back of record high drybulk shipping markets, increased tanker earnings and improved performances from Trading, Freight Services and Financial Services. They were further achieved despite having to absorb the impact of a fourth quarter collapse in shipping markets and impairment charges on certain contracts and ship values due to the world financial crisis.

The board decided to maintain its dividend policy of 3,5 times cover notwithstanding the volatility in the market. A final dividend of 68 cents per ordinary share was declared, bringing the total dividend for the year to 136 cents, 74% higher than the total dividend for the prior year. The strength of the company's balance sheet has contributed greatly to the group's capacity to withstand these turbulent times and produce positive results for its shareholders. The strong balance sheet and good cash flow generation means that the group has sufficient cash resources and committed credit lines to comfortably accommodate its contracted capital expenditure.

The strategy of maintaining a balance between open and contracted earnings in the shipping sector and not taking on charters or acquiring ships at the peak of the market, has stood the group in good stead in recent times. The company further has a history of contracting with strong counterparties and is focusing even more vigorously in this area in the current changed business environment.

The consolidation of the land-based freight businesses and the expansion of portside terminal activities, particularly in Maputo, have been highlights of the infrastructural development strategy over the past year. The Trading division has been expanded through the acquisition of the outside shareholdings in both the Cockett Marine and Oreport Holdings businesses during the year. Both companies are now 100% held.

BUSINESS ENVIRONMENT

After nine consecutive years of growth for the group, 2009 is likely to be a year of consolidation and reassessment of future strategy in the face of a completely different business environment.

As referred to earlier, there were substantial challenges in the world economy during the final quarter of 2008 and these have become even more prevalent in early 2009. The world has entered into a major downturn in the aftermath of the financial market shocks.

The South African economy has not been immune to global events and local economic activity has been constrained by the worldwide slowdown and high domestic interest rates. The JSE has followed the severe declines experienced in stock exchanges around the world.

The worldwide credit squeeze had a major impact on shipping markets, particularly the drybulk market. The Baltic Dry Index fell more than 90% from a record high in May 2008. It has subsequently recovered some of its losses during the past few months on the back of demand for commodities from the East. The tanker market was not as severely impacted as the dry sector and followed a fairly steady pattern, but has recently weakened.

On a more positive note it is anticipated that China and India will achieve economic growth during 2009, in contrast to the deep recessionary position of most of the developed economies. This should compensate shipping markets to some extent for the lack of demand in Europe and the United States of America.

BLACK ECONOMIC EMPOWERMENT (BEE)

Subsequent to year-end, the Freight Services division concluded a BEE transaction with Calulo Petrochemicals (Pty) Limited (Calulo) and Adopt-a-School Foundation (AAS) for the disposal of a 25% plus one share interest in Grindrod (South Africa) (Pty) Limited (GSA) subject to a ten-year lock-in period. Calulo is a BEE company with interests in the petrochemical sector and is Grindrod's empowerment partner in Unical, the bunkering business situated in the Durban and Cape Town harbours. AAS is a section 21 company which supports the development of schools in previously disadvantaged areas of South Africa. The majority of Grindrod's South African based assets fall within GSA.

The group has invested in various primary education and school facility initiatives in rural areas of KwaZulu-Natal. Grindrod has also committed to again support a Southern African humanitarian expedition by Kingsley Holgate in 2009.

The group has made constructive progress in the other scorecard requirements of black economic development and is well ahead of its objectives in the South African based Freight Services division. Further details of these activities are available in our sustainability report on pages 78 to 79.

GOVERNANCE AND RISK MANAGEMENT

As mentioned earlier, the world financial crisis and collapse in shipping markets have again highlighted the importance of comprehensive risk management and corporate governance structures. The risk models and benchmark procedures within the group played a significant role in ensuring the current financial strength of the group during the year. Details of the risk management processes and key risks facing the group are set out on pages 73 to 76.

Although the board does not have a separate risk committee to perform this function, a significant portion of the board's time is set aside to review and assess the group risk position on a quarterly basis.

The audit and remuneration/nomination committees, which meet on a regular basis, provide the board with the necessary assurance that the audit and remuneration structures and processes are being correctly applied by management. Proposals related to director appointments, evaluation and training are also dealt with by the remuneration/nomination committee.

SUSTAINABLE DEVELOPMENT

The group is committed to an open and transparent dialogue with its stakeholders in line with global best practice and is further committed to reporting in terms of the G3 guidelines of the Global Reporting Initiative (GRI). Efforts in this regard and a GRI reference table are included in the annual report on pages 94 and 95.

The company was again successful in its application for participation in the Social Responsibility Investment Index (SRI) of the JSE. The entry criteria were even more demanding than before and therefore the qualification is an indication of the solid performance in the non-financial activities of the group.

BOARD OF DIRECTORS

It is my privilege to welcome Thina Siwendu and Walter Geach who were appointed as independent non-executive directors during the past year. It is also to be noted that the board of directors has extended the term of Tony Norton for a further year, despite him having reached the maximum age of 70 years for non-executive directors in February 2009. His commercial experience is invaluable to the board.

These appointments enable the board to continue to have a balance of skills and expertise appropriate to the nature of the group's local and international business activities.

OUTLOOK

While 2008 was an exceptional year in the group's history, the current year will be far more challenging. The turmoil in international markets and the decline in drybulk shipping markets will have a major impact on performance this year. The group will, however, continue to maintain its conservative strategy and is well positioned to take advantage of acquisition opportunities when these arise. The company has a long-serving dynamic management team who are equipped with the necessary industry experience and skill and will no doubt continue to prosper through the economic cycles.

APPRECIATION

I extend my sincere appreciation to the executive management team, headed up by Alan Olivier, and every member of staff on their achievements in 2008.

I further thank the non-executive directors for their contributions to strategic policy, governance and growth of the group.

I A J Clark
Chairman

Durban
25 February 2009

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

CHIEF EXECUTIVE OFFICER'S REPORT



The group achieved extraordinary results for 2008, with earnings increasing 81%, headline earnings per share 95%, ordinary dividends 74% and cash from operations 126% over the prior year.

INTRODUCTION

The group achieved extraordinary results for 2008, with earnings increasing 81%, headline earnings per share 95%, ordinary dividends 74% and cash from operations 126% over the prior year. These results were achieved despite the global financial crisis and the resultant impact on, in particular, drybulk shipping in the last quarter.

Throughout most of the year the group benefited from unprecedented demand for commodities particularly from the East (China and India). This demand overshadowed the supply of shipping capacity in worldwide trade, resulting in soaring drybulk shipping rates. These shipping rates were also positively impacted by port congestion and longer trade routes. It has, however, always been the group's view that the large order book, in particular in capesize bulk carriers, would eventually have a negative impact on shipping markets. The sudden decline in drybulk shipping demand as a result of the global financial crisis brought this about far sooner and to a far greater extent than anticipated. Tanker markets on the other hand, were relatively steady throughout 2008, although they have more recently softened.

The strategies that the group has implemented in the past will, however, ensure that it is well positioned to cope with these challenges in 2009. The group has a strong balance sheet, a high level of contract cover and a modern, low cost and diversified fleet of ships. This, together with the positive liquidity position, will enable the group to take advantage of expansion opportunities at the appropriate time.

STRATEGIC PILLARS

Grindrod is pleased to report that the fundamental pillars which form the basis of its strategy have proven to be effective in safeguarding the group from the worst of the volatility this past year. It has strengthened its resolve to continue to grow the business based on these sound principles:

- **Preserving flexibility through diversification in the fleet**
Grindrod currently operates a diverse fleet of ships which provides flexibility to balance the economic cycles through participation in various shipping industry sectors. Grindrod also believes that its market presence in these sectors enhances opportunities for both strategic expansion and the effective management and re-allocation, where required, of capital resources on an ongoing basis.
- **Reducing the cost of acquisitions through purchase options and opportunistic acquisitions**
The group has well priced charter extensions and purchase options on most of its long-term chartered handysize fleet and all of its chemical tankers, which provide the opportunity to become owners of these vessels during, or at the end of, the charter periods. Alternatively, these vessels can be redelivered to the owners at the end of the initial charters if this is considered more appropriate.

These contractual option arrangements place the group in a strong position to optimise its fleet as market conditions dictate.

The group has a reputation for making acquisitions at low cost in difficult market environments and is again positioned to participate in the right opportunities.

- **Ensuring utilisation and gaining a cost advantage by maintaining a modern fleet**

Grindrod's fleet is younger than the industry average, which results in lower operating costs and makes its vessels more attractive to both charterers and those seeking transportation for specialised cargoes through contracts of affreightment. The high quality of the fleet is maintained through exacting standards on the group's owned vessels and by regularly monitoring the quality standards on chartered-in vessels to ensure that they meet the group requirements.

The modern design of the vessels in the group's fleet leads to operating efficiencies, environmental benefits from increased fuel efficiency, lower emissions and fewer restrictions on operations. The fleet's relative youth also provides an enhanced earnings ranking in the pools in which the group participates and lower operating and maintenance costs.

- **Securing visibility over future cash flows through significant forward contract cover**

Grindrod's drybulk and tanker businesses combine a relatively low cost base with significant contract coverage on time charters-out, forward freight agreements and contracts of affreightment. At 31 December 2008, 62% of the drybulk and tanker fleet is contracted out for 2009, 41% for 2010, 22% for 2011 and 17% for 2012. In addition, approximately 9% of the fleet is contracted out for 2013 and 2014. Grindrod's high proportion of forward charter coverage delivers visibility over future cash flows and reduces the earnings volatility across economic cycles.

- **Expand income streams through investment in Trading, Freight and Financial Services activities**

The group has diversified interests in Trading, Freight and Financial Services businesses which have started to show good financial returns and also provide a counter to cyclical patterns of shipping markets. The group has the flexibility to reallocate equity between shipping and these operations.

The investment in these activities and in particular in ports and terminals over the past two years has positioned these divisions to continue to grow and increase their contribution to group profits over the short to medium term.

RESPONSE TO CHANGED ECONOMIC ENVIRONMENT

In order to reduce the effects of the current environment on its business and to protect its strong liquidity position, the group has taken the following actions over the past few months:

- increased the level of contract cover in the Shipping operations. The group will continue to add to contract cover at appropriate levels and will consider further ship sales to lock-in profits and generate cash;
- monitoring of counterparty risk on an ongoing basis in respect of all shipping and trading agreements;
- debtors across the spectrum of activities are being carefully monitored;
- review of capital expenditure;
- emphasis placed on securing additional funding facilities both locally and internationally;
- cash on hand spread between various banks to reduce large exposures to individual entities;
- share buyback discontinued; and
- conservative stance taken in Grindrod Bank in regard to its liquidity position.

DIVISIONAL OVERVIEW

Shipping

The tanker market remained largely stable in the past year, however, both record highs and all time lows were experienced in the drybulk shipping markets. The effects of the credit crisis impacted on the global economy, resulting in a significant reduction in shipping activity. In spite of this, Shipping continued to be the major profit contributor at 83% of total earnings. This was mainly due to the high level of contract cover, increased tanker and drybulk earnings, substantial profits from ship sales at a high point in the market and the benefit from a weaker Rand/US Dollar exchange rate.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

CHIEF EXECUTIVE OFFICER'S REPORT

The following sale, purchase and chartering transactions were concluded during 2008:

Ships delivered	Ships ordered	Ships sold/redelivered	Contracted sales
1 x 40 000 dwt products tanker	2 x 32 000 dwt handysize bulk carriers	2 x 12 800 dwt products tankers (sold on delivery)	1 x 6 155 dwt products tanker
1 x 16 500 dwt products tanker (50% owned)	1 x 52 378 dwt supramax bulk carrier (two-year charter)	1 x 28 424 dwt handysize bulk carrier (chartered ship sold)	1 x 40 000 dwt products tanker
2 x 12 800 dwt products tankers (sold on delivery)		2 x 34 700 dwt handysize bulk carriers (sold)	1 x 40 000 dwt products tanker (50% owned)
1 x 32 260 dwt handysize bulk carrier (long-term charter – 50%)		2 x 170 000 dwt capesize bulk carriers (chartered ships redelivered)	
1 x 29 600 dwt handysize bulk carrier (long-term charter)			

During the year, an option to purchase a chartered handysize bulk carrier was exercised.

The Shipping division has a solid contract base with a young and low cost fleet which has positioned it to meet the anticipated challenges in the short to medium term.

Trading

Trading had an excellent second half, which resulted in earnings growth of 104% for the year.

Grindrod increased its shareholding in Cockett Marine and Oreport Holdings to 100% in 2008. These acquisitions now provide a sound base to leverage the skills and relationships within the division and to generate sustainable returns.

Operating income in all three businesses improved through focused trading, good position management, improved logistics management and tighter cost control. In agriculture, volume was consciously relinquished in favour of higher margins.

There is continued volatility across all markets with weak demand for certain resources which have resulted in reduced production. While the division has been able to maintain its own credit lines, the lack of credit and liquidity has had a significant effect on the market as a whole.

The focus for the next year is to improve operating margins, develop the Asian trading hub, leverage existing

relationships and possible investment in new origination businesses.

Freight Services

The Freight Services division came under pressure in the fourth quarter of 2008 along with the collapse in commodity and shipping markets, with the worst affected businesses being the Intermodal and Logistics operations. Dry and liquid bulk terminal operations were largely unaffected by the slowdown in the last quarter and are still expected to perform in line with budget in 2009 as the majority of the volumes handled through these facilities are base commodities such as coal, phosrock, clinker, sulphur, fertiliser, vegetable oils and molasses which are expected to be largely unaffected by the global slowdown. Despite current market conditions, volumes through the car terminal in Maputo are expected to increase in 2009 as contracts are concluded with automotive manufacturers to move a portion of their vehicles through Maputo, combined with the benefit of Höegh Autoliners using Maputo as a hub.

Volumes through the Intermodal operations are expected to decline in 2009 along with the downturn in container traffic. Seafreight's container volumes are expected to decline in 2009. The business will, however, benefit from substantially lower charter rates on vessels and a lower fuel price.

The businesses operating in the durable goods sector (furniture and automotive) are expected to remain under pressure in 2009, with the forecast recovery in the automotive sector only expected in 2010.

Freight Services experienced strong growth in earnings of 74%, particularly from terminal and intermodal activities.

Development of infrastructure

A number of significant infrastructural projects were expanded during the year as follows:

Maputo

- terminal and port operations;
- Matola coal terminal;
- first phase development of a car terminal; and
- first of a planned six-phase bulk liquid storage tank farm.

Richards Bay

- bulk terminal export and import handling capacities.

Durban

- import facility in the drybulk terminal operations.

Walvis Bay

- handling operations of the drybulk terminal.

As a result of these expansions the group has significant capacity for growth. The detail of the planned and current capacity is set out in the divisional review on page 48.

Acquisitions

An entry into the bulk liquid petrochemical transport market was achieved through the acquisition of a business in the third quarter of the year and the subsequent expansion of the fleet size to 32 tanker combinations. The fleet will be cautiously increased with the focus on expanding cross-border transportation as required.

The drybulk transportation fleet was expanded through the purchase of 58 super links during the year. The fleet now comprises 68 units.

Grindrod intends re-entering the rail sector through the conclusion of a joint venture with Solethu Investments, subject to the remaining conditions precedent being fulfilled, which will culminate in the establishment of a black empowered company. This business will provide locomotive leasing, rail operations and shunting services to its clients. The intention is to grow the locomotive fleet and rail wagons to support its client base and position itself to capitalise on business opportunities arising from any potential rail restructure in South Africa.



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

CHIEF EXECUTIVE OFFICER'S REPORT

Disposals

During the course of the year, Freight Services disposed of its interests in the Sheltam Grindrod rail operation.

Subsequent to year-end, Grindrod concluded the sale of a 30% interest in the Maputo Car Terminal to Höegh Autoliners, the owner and operator of one of the largest automotive shipping lines in the world. Höegh Autoliners plans to use Maputo as its automotive hub port for the movement of vehicles in the Indian Ocean market.

A BEE transaction involving most of the South African based freight services activities was also concluded subsequent to year-end. Refer to the social performance report on pages 78 and 79 for details of this transaction.

Financial Services

The Financial Services operations achieved good growth in spite of declining equity markets and the slowdown in local economic activity.

During the year the Bank launched its first collective investments scheme, the Grindrod Diversified Preference Share Fund. Investors in the fund benefited from a commendable performance over the year. The Bank's private client portfolios also showed resilient performance, again underscoring the benefits of long-term and conservative investment management.

The Bank is being conservatively managed in the current market. It has maintained a strong liquidity position and has not been unduly affected by the world financial crisis although transaction activity has declined. The Bank's capital adequacy ratio of 16,5% is comfortably above the requirements for banks as stipulated under Basel II.

A challenging operating environment for financial service entities is anticipated in view of the ongoing financial crisis.

DIVISIONAL STRUCTURES

The group restructured its offshore operations and completed substantial preparatory work for a potential listing of its shipping operation. Although the environment is currently not conducive to a listing, management will continue to monitor capital markets and should conditions change, are positioned to respond timeously.

MARKET OUTLOOK FOR 2009

The financial crisis has not just impacted on shipping, but also the entire global economy and trade movement.

Drybulk shipping markets are expected to remain at weaker levels in the short to medium term. The market has recovered substantially from the extreme lows at the end of 2008 as a result of resumed commodity trading, although the potential delivery of a large newbuilding fleet in the short term is likely to result in volatility and will delay the market recovery. Substantial scrapping is taking place and a large portion of the newbuilding order book is expected to be cancelled, which will improve the supply/demand imbalance.

Tanker markets are expected to remain at relatively soft levels for the medium term due to the large order book and subdued demand growth. However, an improvement is anticipated as single hull ships are scrapped and new refinery capacity comes on-stream in areas that require transportation of products over longer distances to reach the major consumption markets.

The markets have further affected the movement of certain commodities, containers and durable goods. However, trade flows of some commodities such as thermal coal and agricultural products are expected to continue to show growth and will offset some of the volume declines. The expansion of the drybulk terminals in Richards Bay and Maputo was to service increased coal exports and further expansion of these facilities will go ahead as planned. Customer commitments have been received for the increased capacity on a 75% take-or-pay basis.

GROUP PROSPECTS

In spite of the current economic outlook, earnings growth is anticipated from the Trading, Freight Services and Financial Services businesses.

The group's balance sheet strength and favourable liquidity position offer a high level of resilience in these markets and will create opportunities to expand through acquisition.

The credit crisis and the global economic downturn have impacted shipping freight movements and this, together

with the anticipated growth in shipping fleets worldwide, is expected to result in continued softer shipping markets in 2009. While the group will continue to benefit from a high level of contract cover at prices above current spot rates and a low cost fleet of ships, there will nevertheless be a decline in the Shipping division's profitability, given the extent of the deterioration in the markets.

Consequently, the group expects a reduction in earnings in comparison to the "super profits" achieved in 2008, but still anticipates acceptable returns on shareholders' funds in 2009.

MANAGEMENT AND EMPLOYEES

Other than the appointment of Brendan McIlmurray as the executive responsible for the Trading division there have been no changes to the group's executive during the year.

I look forward to continued support from the group executive and would like to thank them, all employees and the non-executive directors for their support over the past year. The group has an abundance of quality management and staff. With the high level of management expertise, skills and dedication of employees, Grindrod can face the challenges of 2009 with confidence.

A K Olivier
Chief executive officer

Durban
25 February 2009



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

FINANCIAL DIRECTOR'S REPORT



Shareholders' equity increased from R3 378 million to R6 713 million due to the strong earnings, the effect of the weaker Rand/US Dollar exchange rate and the revaluation of hedging instruments.

INTRODUCTION

Group revenue was up 88% over the prior year, mainly due to high commodity prices and growth in the Trading division, but with strong growth from the other divisions.

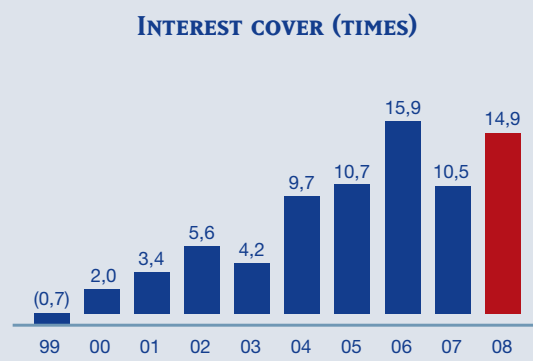
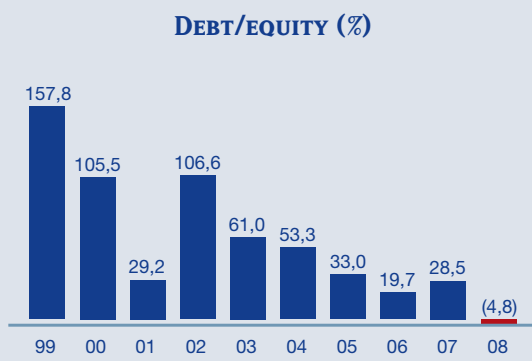
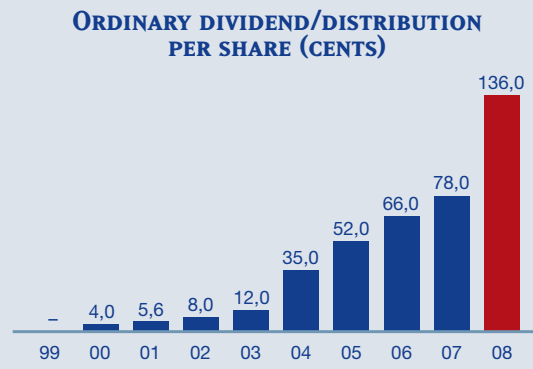
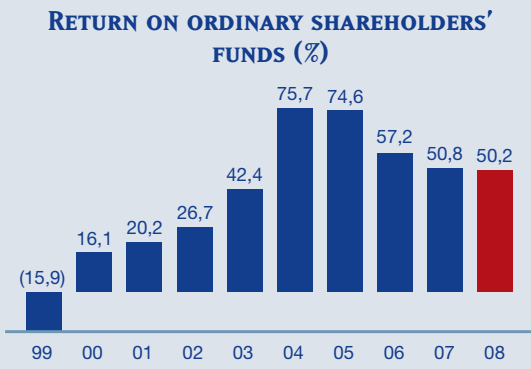
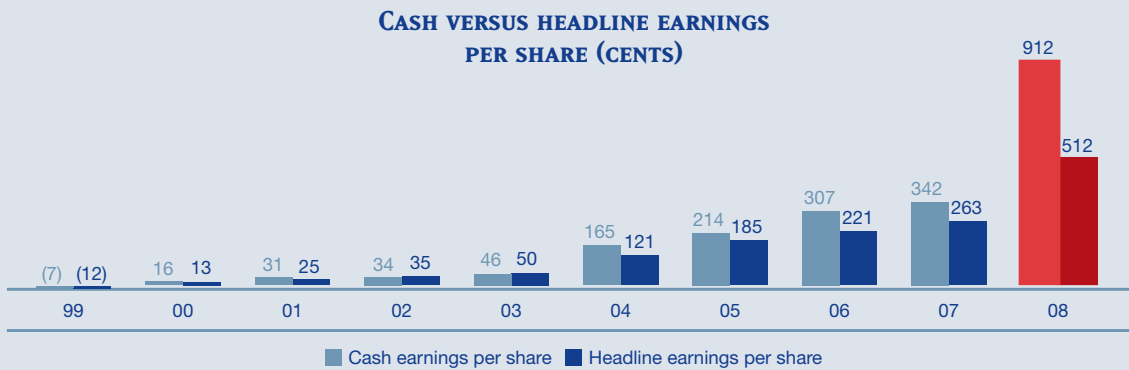
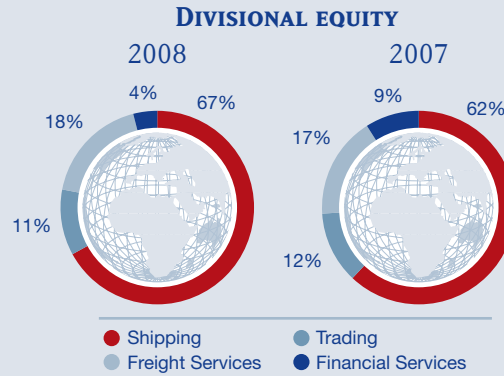
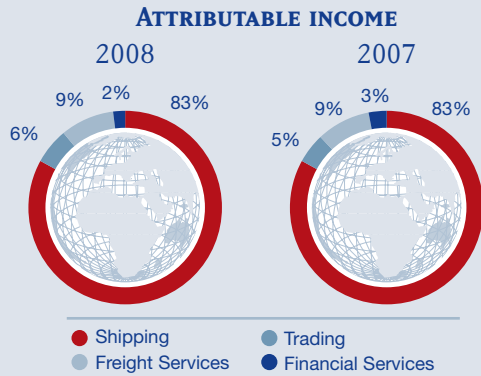
Aggregate operating margins were slightly higher at 8,3% from 8,0% last year. Excluding Trading, the margin improved from 21,8% to 27,8%.

Attributable earnings were 81% higher than 2007 at R2,157 billion (2007: R1,195 billion). Headline earnings per share increased by 95% to 512 cents per share (2007: 263 cents). The difference between earnings and headline earnings is largely due to impairment of ship values. Ordinary dividends per share for the year have increased by 74% with a final dividend of 68 cents (2007: 44 cents). The board also declared a preference share dividend of 623 cents per share (2007: 550 cents).

Shareholders' equity increased from R3 378 million at 31 December 2007 to R6 713 million due to the strong earnings, the effect of the weaker Rand/US Dollar exchange rate and the revaluation of hedging instruments. Return on ordinary shareholders' funds was 50,2% (2007: 50,8%).

During the year, the group repurchased 8 776 542 ordinary shares at an average price of R23,41 and a total of 100 000 preference shares at an average price of R95,34. The treasury shares are held by a subsidiary.

Divisional earnings	2008	2007	Comments
Shipping (US\$ millions)			
Profit from owned and long-term chartered ships	226	160	Increased shipping rates.
Profit/(loss) from ship operating activities	39	(14)	Expansion of operations and improved performance.
Profit from ship sales	62	27	
Overheads/impairments/provisions	(105)	(35)	Increased onerous contract provisions/impairments.
	222	138	
Total group (R millions)			
Shipping (US\$ profit converted to Rands)	1 794	982	
Trading	129	63	Increased shareholding/improved profitability.
Freight Services	198	114	Improved volumes/growth in activities.
Financial Services	36	36	Shareholding reduced to 81,1% in June 2007.
Attributable earnings	2 157	1 195	



business overview

commentaries

sustainability

annual financial statements

shareholder information

continued

FINANCIAL DIRECTOR'S REPORT

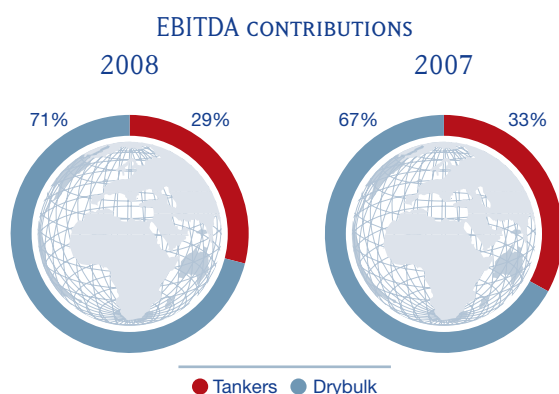
DIVISIONAL RESULTS

Shipping

Shipping accounted for 83% of the group's earnings for 2008.

Income statement	2008 Rm	2007 Rm	Growth %	Comments
Revenue	7 069	4 374	62	Higher spot/contract rates.
EBITDA	2 367	1 135	109	
– tankers	690	372	85	Increased fleet/ship sales.
– drybulk	1 677	763	120	Higher spot rates.
Operating income	2 272	1 035	120	Cost base similar to 2007; higher revenue.
Attributable income	1 794	982	83	Increased tax charge/ship impairments.

For the detailed statutory income statement, see the segmental analysis on page 116.



Balance sheet	2008 Rm	2007 Rm	Comments
Fixed assets/investments	3 590	2 285	Exchange rate/capital expenditure.
Current assets	1 341	1 131	
Net cash including debt	360	440	
Total assets	5 291	3 856	
Equity	4 460	2 134	Retained profit/exchange rate/FFA revaluation.
Other liabilities	831	1 722	Payment of outstanding dividends.
Total equity and liabilities	5 291	3 856	

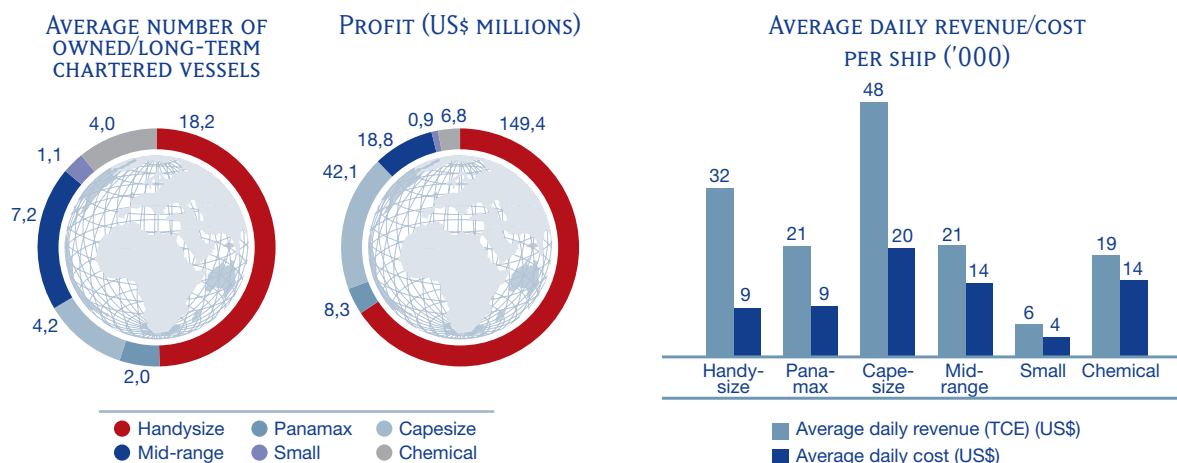
Key financial ratios	2008	2007	Comment
Margin (%)	32	24	Increased shipping rates.
Debt/equity	(0,08):1	(0,21):1	
Return on ordinary shareholders' equity (%)	54	46	
Return on net assets (%)	39	43	

An analysis of the profit by ship category is as follows:

	Bulk carriers			Tankers			2008	2007
	Handysize	Panamax	Capesize	Mid-range	Small	Chemical	Total	Total
Average number of owned/long-term chartered ships	18,2	2,0	4,2	7,2	1,1	4,0	36,7	38,0
Average daily revenue (US\$)*	31 600	20 600	47 700	20 800	6 000	19 000	28 600	23 000
Average daily cost (US\$)	9 100	9 400	20 300	13 700	3 600	14 350	11 700	11 400
Profit (US\$ millions)	149,4	8,3	42,1	18,8	0,9	6,8	226	160
(US\$ millions)								
Profit from owned and chartered ships							226	160
Profit/(loss) from ship operating activities** (see income statement on page 26)							39	(14)
Profit from ship sales							62	27
Impairments/onerous contract provisions							(42)	-
Overheads/profit share expense (includes exceptional items of US\$12 million)							(35)	(26)
Forex/funding costs/taxation (includes exceptional items of US\$8 million)							(28)	(9)
Attributable earnings							222	138
Converted to Rand (millions)							1 794	982

* Time charter equivalent (TCE)

** Shipping activities other than long-term tanker and drybulk business



business overview

commentaries

sustainability

annual financial statements

shareholder information

continued

FINANCIAL DIRECTOR'S REPORT

The Shipping division had an exceptionally strong performance in 2008 with attributable income up 83% on 2007.

Tanker earnings increased due to the larger fleet size and good contract cover.

Drybulk earnings more than doubled on the back of higher earnings on the spot exposed handysize and capesize bulk carriers and a fixed cost base.

All ship operating activities including the Parcel Service, tanker operating and the new bunker tankers and handymax businesses, performed well. The Parcel Service has benefited through the introduction of market linked contracts ensured that this operation was not exposed to market risk as it had been in the past. New operating businesses included the successful establishment of a handymax operation and two bunker tankers were deployed on long-term contract in the South African ports in the black economic empowered Unical tanker operations. The profitability of ship operating activities is indicated in the income statement below.

Income statement	2008	2007	Growth	
Ship operating activities	Rm	Rm	%	Comments
Revenue	1 796	1 372	31	Higher freight rates.
Gross profit	322	(99)	529	Reduced exposure to shipping
Gross margin (%)	18	(7)	460	markets.

The operating activities generally earn an operating margin per tonne. Accordingly, a reduction in revenue as a result of freight price softening will not have a significant adverse affect on the operating income generated. Reduced volumes will impact profits more considerably.

Profits from ship sales also increased markedly as the group took advantage of high ship values earlier in the year. Five ships were sold. Profit on sale of ships was up from R193 million (US\$27 million) in 2007 to R502 million (US\$62 million) in 2008 as stated in the "analysis of the profit by ship category" on page 25.

Impairment of some drybulk ship values and provisions against onerous charter contracts amounted to R341 million (US\$42 million) as a result of the change in the market outlook (see "analysis of the profit by ship category" on page 25). This results in total impairments and provisions in the balance sheet at year-end amounting to R435 million (US\$46 million).

The IVS profit share arrangement with its management has been "repurchased" with effect from 1 January 2008 and is being expensed over two to three years. Shipping overheads include a substantial cost relating to the profit arrangement which will be lower in the future. In addition, significant expenditure was incurred on legal and consulting fees required to restructure the group's offshore operations in preparation for a possible listing of the Shipping division. This work included a detailed due diligence review of the group's operational, legal, tax and financial status. It is management's view that approximately US\$12 million of the overhead profit share expense in the "analysis of the profit by ship category" is non-recurring.

The tax expense was higher due to the profits of the South African-based Parcel Service and the early recognition of certain deferred tax charges as a result of an internal restructure. Consequently, management believe that approximately US\$8 million of the forex/funding costs/taxation in the "analysis of the profit by ship category" is non-recurring.

Fleet overview (owned and long-term chartered ships)

Contracted in at 31.12.2008	Bulk carriers			Tankers			Total	
	Handysize	Panamax	Capesize	Mid-range	Small	Chemical		
2009	Number (average)	20,3	2,0	3,0	8,3	3,9	4,0	41,5
	Cost (US\$/day)	9 000	9 400	19 900	14 100	8 100	14 700	11 300
2010	Number (average)	21,3	2,0	3,0	9,5	6,5	4,0	46,3
	Cost (US\$/day)	9 100	9 400	20 100	14 800	9 900	14 700	11 500
2011	Number (average)	22,3	2,0	3,5	7,7	9,3	4,4	49,2
	Cost (US\$/day)	8 700	9 400	26 000	14 300	10 200	15 100	11 700
2012	Number (average)	24,0	2,0	3,0	7,5	9,5	5,0	51,0
	Cost (US\$/day)	8 800	9 900	27 700	14 400	10 300	14 600	11 600
Current fleet		19	2	4	7,5	1,5	4	*38
Net number of ships to deliver								
2009		2,5	–	(1)	2	3	–	6,5
2010		1	–	–	–	4	–	5
2011		1	–	–	(2)	1	1	1
2012		0,5	–	–	–	–	–	0,5
Fleet at end of 2012		24	2	3	7,5	9,5	5	**51

* Owned fleet 8,5; chartered fleet 29,5

** Owned fleet 22,5; chartered fleet 28,5

Daily vessel costs have been reduced by the effect of onerous contract provisions and impairments.

A capesize bulk carrier contracted for delivery at the end of 2010 is unlikely to deliver but has been included above.

The above table assumes that the group will exercise the options to extend the charters or to purchase 13,5 chartered ships before the end of 2012. The company also has the flexibility to return the ships to the owners if it is considered financially beneficial to do so.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

FINANCIAL DIRECTOR'S REPORT

Contracted profits

As part of the group's rigorous risk management process, the group continues to maintain a high level of contract cover over its fleet through contracts of affreightment, time charters and freight forward agreements. The current contracted profits are detailed below:

Contracted out at 31.12.2008	Bulk carriers			Tankers			Total	
	Handysize	Panamax	Capesize	Mid-range	Small	Chemical		
2009	Number (average)	9,1	2,0	2,5	6,3	0,9	2,0	22,8
	Revenue (US\$/day)	18 000	20 800	29 800	20 000	9 700	17 200	19 700
2010	Number (average)	3,0	2,0	2,1	5,2	0,5	1,5	14,3
	Revenue (US\$/day)	16 500	23 400	44 600	20 400	13 300	17 200	23 000
2011	Number (average)	0,5	2,0	2,2	2,0	0,5	–	7,2
	Revenue (US\$/day)	20 000	23 900	43 600	21 700	13 300	–	28 300
2012	Number (average)	0,5	2,0	2,2	–	–	–	4,7
	Revenue (US\$/day)	20 000	23 900	44 350	–	–	–	33 000

Contracted profits	% of fleet fixed	Charters US\$m	Ship sales US\$m	Total US\$m
2009		68,9	13,9	82,8
2010		51,2	–	51,2
2011		33,0	–	33,0
2012		25,0	–	25,0

In addition, ± 9% of the fleet is fixed in 2013/2014

Note: Variable volume contracts have been included at forecast volumes.

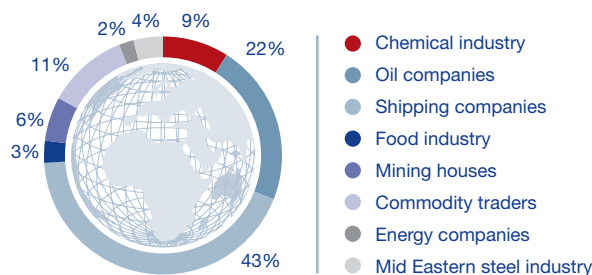
The balance of the fleet will be exposed to the spot market.

It is expected that Grindrod's ships will continue to be fully employed in the future due to the above contract cover, the modern fleet, the strong financial and operating position and the favourable market fundamentals of the sectors in which it operates, particularly the handysize sector.

In addition to the long-term fixed contracts, the Parcel Service has forward contracted to move commodities during the current year but with no volume commitment. Despite this protection, earnings in 2009 will consequently be impacted by lower volumes.

The group has always been diligent in assessing the creditworthiness of counterparties and will continue to monitor this exposure carefully in the current market.

The group's exposure to contract counterparties in relation to the above contracted profits is summarised below:



Market value of fleet

The book value of the group's fleet is still at a substantial discount to current market values in spite of the recent correction. The table below sets out the adjustment that would be necessary to revalue the owned and chartered fleet and related contracts to market value.

Market value adjustments to fleet book value	Rm	Comments
Excess of market value over "book value" of owned fleet and charters with purchase options	1 410	Indicative ship values obtained in consultation with reputable ship brokers. "Book value" of charters = PV @ 6,5% of capital element (i.e. excluding running costs) of charter commitments and purchase option price. Yen options valued at closing rate.
Market value of other long-term charters and contracts	422	Differential between market rates and Grindrod charter/contract rates. PV @ 6,5%.
	1 832	

Notes: • Based on closing Rand/US Dollar exchange rate of R9,45.

• Forward freight agreements (FFAs) have been revalued in terms of IAS 39 and are excluded from the above.

Assumptions used in respect of the group's fleet in the market value adjustment calculation above are as follows:

	Average ship market value US\$m	Average market long-term charter rates US\$ per day
Bulkers		
Handysize	21,0	10 000
Panamax	32,7	15 000
Capesize	51,0	25 000
Tankers		
Mid-range	30,4	17 500
Small	19,5	13 500
Chemical	18,1	n/a

Disclaimer: The market value of the fleet is based on valuations obtained from ship brokers and published market information on ship charter rates. These values and rates are subject to risks and uncertainties, as various factors beyond the control of the group may cause values to fluctuate materially subsequent to the date of the group's profit announcement.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

FINANCIAL DIRECTOR'S REPORT

Trading

Trading accounted for 6% of the group's earnings for 2008.

Income Statement	2008 Rm	2007 Rm	Growth %	Comments
Revenue	24 022	11 334	112	Cockett and Oreport 100% consolidated for nine and six months respectively. The increased shareholding in these businesses generated additional revenue of R6 574 million. Higher commodity prices during the year, but softening in the fourth quarter.
EBITDA	230	119	93	
Operating income	221	112	97	
Attributable income	129	63	105	

For the detailed statutory income statement see the segmental analysis on page 116.

Balance sheet	2008 Rm	2007 Rm	Comments
Fixed assets/investments	282	92	} Increased shareholding in Cockett and Oreport.
Current assets	2 499	2 003	
Total assets	2 781	2 095	
Equity	778	424	
Net debt including cash	394	790	Cash generated from operations.
Other liabilities	1 609	881	Increased shareholding in Cockett and Oreport.
Total equity and liabilities	2 781	2 095	

Key financial ratios	2008	2007	Comments
Margin (%)	0,9	1,0	Additional cash generated/lower commodity prices.
Debt/equity	0,51:1	1,86:1	
Return on ordinary shareholders' equity (%)	21	19	
Return on net assets (%)	18	9	

Note: The trading businesses earn operating margins based on per unit measures e.g. per mt, per lb, per length etc and not on a percentage of sales revenue. Accordingly, a reduction in revenue as a result of commodity or freight price softening will not have a significant adverse affect on the operating income generated. Reduced trading volumes will impact profits more considerably.

After performing below expectation during the first half of the year due to the effect of the strikes in Argentina and voyage delays, Trading had a strong second half with solid revenue and trading margin growth. As a result, earnings increased by 105% over the previous year with all three trading businesses performing well.

Freight Services

Freight Services accounted for 9% of the group's earnings for 2008.

Income statement	2008 Rm	2007 Rm	Growth %	Comments
Revenue	2 552	2 164	18	} Increased volumes in Terminals and Intermodal with profit on sale of locomotives in prior year.
EBITDA	382	291	31	
Operating income	246	181	36	
Attributable income	198	114	74	Benefits from profit on disposals. Losses on disposal of a logistics operation in 2007.

For the detailed statutory income statement see the segmental analysis on page 116.

Balance sheet	2008 Rm	2007 Rm	Comments
Fixed assets/investments	2 018	1 632	Capital expenditure.
Current assets	499	467	
Total assets	2 517	2 099	
Equity	1 250	574	Additional equity contribution/retained profits.
Net debt including cash	67	708	Additional equity/income received in advance.
Other liabilities	1 200	817	Income received in advance.
Total equity and liabilities	2 517	2 099	

Key financial ratios	2008	2007	Comments
Margin (%)	9,7	8,4	Losses on discontinuation of a logistics operation in 2007.
Debt/equity	0,05:1	1,23:1	
Return on ordinary shareholders' equity (%)	22	43	Additional equity contribution.
Return on net assets (%)	15	13	

Freight Services reported improved results for the year with revenues increasing by 18% and operating income by 36%. Terminals and Intermodal in particular produced solid growth on the prior year. The slowdown in motor vehicle and consumer retail sales impacted the performance of the Logistics division, although it still recorded an improvement on its 2007 results. Ships Agencies once again produced solid results.

business
overview

commentaries

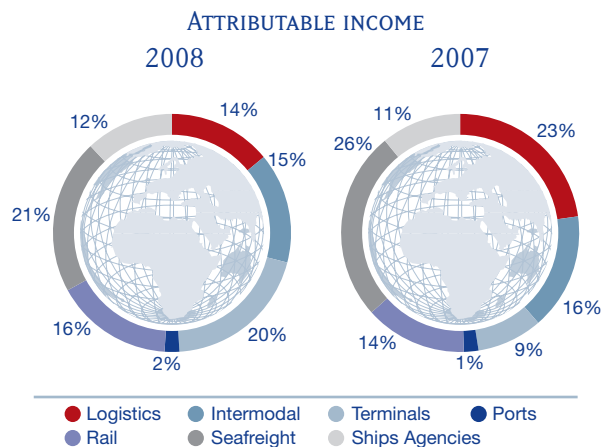
sustainability

annual financial
statements

shareholder
information

continued

FINANCIAL DIRECTOR'S REPORT



Additional detailed financial information relating to the operating divisions within Freight Services are set out on pages 45 to 54.

Financial Services

Financial Services accounted for 2% of the group's earnings for 2008.

Income statement	2008 Rm	2007 Rm	Growth %	Comments
Revenue	94	75	25	} Strong performance from corporate banking, property solutions, investment products, treasury and private client services.
EBITDA	46	39	18	
Operating income	45	38	18	
Attributable income	36	36	-	- Shareholding reduced to 81,1% in June 2007.

For the detailed statutory income statement see the segmental analysis on page 118.

Balance sheet	2008 Rm	2007 Rm	Comments
Fixed assets/investments	76	96	
Bank loans, advances and liquid assets	1 189	1 195	Tighter credit policies.
Current assets	85	246	
Net cash including debt	540	210	Strong liquidity position.
Total assets	1 890	1 747	
Equity	286	307	
Bank deposits	1 507	1 397	
Other liabilities	97	43	
Total equity and liabilities	1 890	1 747	

Key financial ratios	2008	2007
Return on ordinary shareholders' equity (%)	12	15
Return on net assets (%)	2	3
Capital adequacy	16,5	19,0

Revenue increased by 25% on the back of strong performances from Corporate Banking, Property Solutions, Investment Products, Treasury and Private Client Services. Credit and liquidity have continued to be conservatively managed, which resulted in no bad debts being incurred over the reporting period and a healthy liquidity surplus at year-end. Given the competitive market going into 2008 and the subsequent turmoil in financial markets, advances growth was restricted while deposits increased by 7,9% to R1,51 billion. The resulting positive liquidity position in excess of R600 million represents 40% of total bank deposits. In addition the Bank's capital adequacy ratio at 16,5% is comfortably above the requirements for banks as stipulated under Basel II.

CAPITAL EXPENDITURE AND COMMITMENTS

A summary of the group's 2008 capital expenditure and commitments is set out below:

	2008	2009	2010	2011	Total
	Rm	Rm	Rm	Rm	commitments
					Rm
Shipping	1 350	1 377	915	572	2 864
Trading	278	1	–	–	1
Freight Services					
Ports and Terminals	300	239	112	–	351
Intermodal	39	–	–	–	–
Logistics	170	11	–	–	11
Rail	11	19	–	–	19
Ships Agencies	2	–	–	–	–
Financial Services	8	–	–	–	–
	2 158	1 647	1 027	572	3 246

The group has sufficient cash reserves, cash generated from operations and committed bank financing facilities to fund 100% of the capital expenditure approved without the need to raise additional debt.

Given the diverse nature of Grindrod's operations, when assessing investment opportunities within each of the divisions different project hurdle rates are applied to each of the divisions as set out in the matrix below.

		Return on equity required			Optimal Debt/ equity	IRR hurdle rates		
		Low risk	Medium risk	High risk		Low risk	Medium risk	High risk
Shipping	US\$	7,5%	12,5%	17,5%	2,0:1	6,5%	8,5%	10,0%
Trading	US\$	7,5%	12,5%	17,5%	2,5:1	5,0%	6,5%	8,0%
Freight Services	Rand	12,5%	17,5%	22,5%	1,0:1	10,0%	12,5%	15,0%
Financial Services	Rand	12,5%	17,5%	22,5%	n/a	n/a	n/a	n/a

Once stability has returned to the financial markets, the group will review the above hurdle rates to ensure these remain applicable.

Management will continue to monitor returns over the various group divisions and will give consideration to the reallocation of equity to maximise shareholder returns.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

FINANCIAL DIRECTOR'S REPORT

BORROWINGS, CASH FLOW AND LIQUIDITY

Cash generated from operations reflected a growth of 126% over the 2007 year to R4 312 million. Cash outflow included capital expenditure of R2 158 million and dividends of R607 million during the period. This resulted in net borrowings decreasing from R1 051 million at 31 December 2007 to a net cash position of R440 million at 31 December 2008. The higher Rand interest rates increased the net interest charge by 34% to R175 million. There was very little benefit from interest earned on US Dollar cash resources but the group's balance sheet benefited through the weaker Rand/US Dollar exchange rate. The group's debt/equity ratio improved from 23% to a surplus net cash position of 5%, giving the group an extremely strong liquidity position.

Detailed liquidity forecasts have been prepared which take into account the group's capital commitments, available facilities and cash resources and have been "stressed" to assess the outcome of a worst-case scenario, which still indicates a strong liquidity position over the medium term. Management is continually seeking opportunities to further strengthen this position.

FOREIGN CURRENCY EXPOSURES

At 31 December 2008, the group had a net open US Dollar position of US\$37 million which, when revalued, impacts on group earnings. In addition, a further exposure of US\$483 million relating to the group's net asset value of US Dollar assets affects the balance sheet. Based on asset market values, the total exposure equates to US\$677 million.

The group also has substantial exposure to the US Dollar through its US Dollar operating cash flows. In 2008, this amounted to US\$301 million which was converted at the average Rand/US Dollar exchange rate. It is not the group's policy to hedge these exposures as they are US Dollar-denominated businesses.

Foreign currency exposure arising on Yen-denominated shipping capital commitments as at 31 December 2008 is JPY8,5 billion (US\$93,8 million).

INTEREST RATE EXPOSURES

At 31 December 2008, 51% of the group's Rand interest rate exposure was hedged at favourable levels. It is the

policy of the group to maintain adequate cover on ZAR debt to ensure that exposure to fluctuating interest rates is minimised. The existing interest cover is well below the current market interest rates. This position is monitored closely by management.

Due to the minimal US Dollar debt in the group, management has not looked at hedging US Dollar interest rates in the short term. This position will be reviewed, should the group look to increase US Dollar debt in the longer term.

RISK MANAGEMENT

The risks identified as significant to the group and the management of these risks are dealt with in the risk report on pages 73 to 76.

FINANCIAL CONTROLS

The internal control systems are designed to provide reasonable assurance against material losses and misstatement of financial losses.

The principle features of the group's internal financial controls are:

- an organisational structure comprising clearly defined reporting lines, responsibilities and levels of authority;
- a system of financial planning, budgeting and reporting that enables performance to be monitored against pre-determined objectives;
- an operating structure that requires that borrowings and other financial facilities are approved in terms of a mandate by the board and that these remain with pre-determined ratios;
- the review and approval of business plans and budgets by the board; and
- continuous updates of risk models that determine the financial impact of capital expenditure and long-term charter of ships against pre-determined board approved benchmarks.

DIVIDEND POLICY

The group's dividend cover has been maintained at a consistent level of 3,5 times, which is comparable to the average applied within the industrial transportation sector of the JSE.

The strength of the balance sheet and record results achieved have made it possible to continue to maintain the dividend cover in the current markets.

IT SYSTEMS

The group's strategy of implementing internationally recognised enterprise systems has resulted in processes that maintain integrity and high levels of compliance. It is the intention to bring all group companies to the same level of IT systems providing world class functionality and ensuring that operating efficiencies are achieved throughout the business.

The liberalisation within the telecommunications industry has enabled Grindrod to spread the provision of services across more than one supplier, resulting in efficiency and improved resilience of the IT infrastructure.

There is continuous rollout of our enterprise software to all divisions and ongoing effort at the infrastructure level to maintain excellent service delivery and reliability.

ACCOUNTING POLICIES

The annual report complies with International Financial Reporting Standards as well as with Schedule 4 of the South African Companies Act and the disclosure requirements of the JSE Limited's Listings Requirements.

The accounting policies are consistent with those applied in the financial statements for the year ended 31 December 2007, except for the early adoption of the revised IAS 16 (property, plant and equipment) and IAS 7 (cash flow statements). These changes had no effect on the results but there has been some restatement of the prior year disclosures.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES/KEY SOURCES OF ESTIMATION UNCERTAINTIES

These are dealt with in detail in the accounting policies section on pages 110 and 111.

INTERNAL AUDIT APPROACH

The internal audit approach has been dealt with in the corporate governance report on page 63.

POST BALANCE SHEET EVENTS

No material change has taken place in the affairs of the group other than that reported in the directors' report.

A F Stewart

Financial director

Durban

25 February 2009

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

GROUP FINANCIAL REVIEW

	2008	2007*	2006	2005	2004	2003	2002	2001	2000	1999
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
GROUP BALANCE SHEET										
Ships, property, terminals, vehicles and equipment	4 541	3 047	2 337	2 069	1 536	961	1 093	1 047	1 076	1 006
Intangible assets	713	521	351	251	50	37	16	15	10	(1)
Investments	367	307	337	178	201	265	310	271	173	123
Loans and advances to bank customers	1 050	966	506	-	-	-	-	-	-	-
Liquid assets and short-term negotiables	139	229	174	-	-	-	-	-	-	-
Financial assets	141	92	21	1	-	50	-	-	-	-
Deferred taxation	159	138	70	69	37	7	-	-	-	-
Current assets	6 874	4 628	3 474	2 410	822	773	485	576	344	392
Total assets	13 984	9 928	7 270	4 978	2 645	2 094	1 904	1 909	1 603	1 520
Share capital and premium	13	199	515	498	8	84	81	120	174	173
Reserves and accumulated profit	6 700	3 179	2 310	1 439	826	525	440	600	361	214
Shareholders' funds	6 713	3 378	2 825	1 937	834	609	521	720	535	387
Minority interest	62	61	(2)	7	8	7	3	2	-	-
Total equity	6 775	3 439	2 823	1 944	842	616	524	722	535	387
Deferred taxation	19	33	24	20	4	2	12	-	20	16
Interest-bearing loans	1 964	2 306	1 829	1 534	974	856	959	684	778	824
Financial liabilities	37	49	12	83	50	76	-	-	-	-
Other liabilities	5 189	4 101	2 582	1 397	775	543	409	503	270	293
Total funding	13 984	9 928	7 270	4 978	2 645	2 094	1 904	1 909	1 603	1 520
Net current assets/(liabilities)	2 491	679	453	301	(211)	9	(265)	(70)	(112)	(108)
GROUP CASH FLOW										
Cash available from operations	4 076	1 904	654	1 239	568	151	28	258	126	3
Distribution/dividends paid	(604)	(331)	(104)	(201)	(61)	(30)	(28)	(25)	(6)	(12)
Cash retained from operations	3 472	1 573	550	1 038	507	121	-	233	120	(9)
Proceeds on disposal of ships, property, terminals, vehicles and equipment, investments and other items	341	73	669	16	121	481	77	287	38	75
Cash available for investment	3 813	1 646	1 219	1 054	628	602	77	520	158	66
Cash invested	(2 175)	(1 828)	(1 084)	(1 704)	(581)	(348)	(237)	(93)	(62)	(141)
Net finance repaid/(raised)	1 638	(182)	135	(650)	47	254	(160)	427	96	(75)

* Restated (see page 118)

	2008 Rm	2007* Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm
GROUP INCOME STATEMENT										
Revenue	33 737	17 947	12 507	7 449	2 974	1 927	2 139	1 762	1 449	959
Trading profit (EBITDA)	3 026	1 583	1 279	1 047	678	335	268	206	212	51
Depreciation	(241)	(218)	(154)	(122)	(76)	(55)	(62)	(65)	(89)	(92)
Operating profit before net interest and taxation	2 785	1 365	1 125	925	602	280	206	141	123	(41)
Non-trading items	(164)	4	(39)	3	2	–	(3)	(2)	3	2
Net interest paid	(175)	(131)	(71)	(87)	(62)	(67)	(37)	(41)	(62)	(57)
Profit before share of associates companies profit	2 446	1 238	1 015	841	542	213	166	98	64	(96)
Share of associate companies' profit before taxation	66	63	128	89	53	32	19	16	10	4
Profit before taxation	2 512	1 301	1 143	930	595	245	185	114	74	(92)
Taxation	(243)	(17)	(76)	(65)	(48)	(5)	(19)	13	–	26
Profit after taxation	2 269	1 285	1 067	865	547	240	166	127	74	(66)
Minority interest	(20)	(13)	5	1	(1)	–	(1)	–	–	–
Profit for the year before preference dividends	2 249	1 272	1 072	866	546	240	165	127	74	(66)
Preference dividends	(91)	(77)	(64)	(15)	–	–	–	–	–	–
Profit attributable to ordinary shareholders	2 158	1 195	1 008	851	546	240	165	127	74	(66)
Ordinary shareholders' interest in non-trading items	164	(4)	(2)	(2)	1	–	3	2	–	(2)
Headline earnings	2 321	1 191	1 006	849	547	240	168	129	74	(68)

* Restated (see page 118)

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

GROUP FINANCIAL REVIEW

	Objectives	2008	2007*	2006	2005	2004
ORDINARY SHARE PERFORMANCE						
Number of ordinary shares in issue net of treasury shares (000's)		450 252	455 459	449 179	461 626	454 610
Weighted average number of ordinary shares on which earnings per share are based (000's)		453 640	452 934	455 719	458 490	450 220
Headline earnings per share (cents)		511,7	263,1	220,8	185,3	121,4
Earnings per share (cents)		475,7	263,9	221,2	185,7	121,3
Cash earnings per share (cents)		912,3	342,1	306,5	214,4	164,5
Dividend/distribution per share (cents)		136,0	78,0	66,0	52,0	35,0
Dividend/distribution cover (times)		3,5	3,4	3,4	3,5	3,4
Cash dividend/distribution cover (times)		6,8	4,4	4,7	4,1	4,7
Net worth per share at book value (cents)		1 340	590	461	314	183
PROFITABILITY						
Operating margin (%)		8,3	8,0	9,0	12,4	20,2
Operating margin excluding Trading (%)		27,8	21,8	25,9	24,2	20,2
Return on net assets (%)		35,9	26,8	28,4	37,1	37,7
Return on ordinary shareholders' funds (%)	17,5 minimum	50,2	50,8	57,2	74,6	75,7
Effective rate of taxation (%)		9,7	1,2	6,6	7,0	8,1
LEVERAGE AND LIQUIDITY						
Total liabilities to total shareholders' interests (%)		73,3	152,0	115,7	130,2	156,3
Net interest-bearing debt to total shareholders' interests (%)	100,0 maximum	(4,8)	28,5	19,7	33,0	53,3
Net debt to EBITDA (times)	3,5 maximum	(0,1)	0,6	0,4	0,6	0,7
Interest cover (times)	3,0 minimum	14,9	10,5	15,9	10,7	9,7
Cash flow to total liabilities (%)	20,0 minimum	79,8	30,1	44,4	37,1	47,5
Current ratio	1,0 minimum	1,6	1,2	1,2	1,3	0,9
EMPLOYEES						
Number of employees – subsidiaries		3 999	3 955	3 695	2 322	1 516
– joint ventures		651	1 375	1 448	2 248	1 180
Revenue per employee (R000)		7 800	3 678	2 831	2 162	1 412
Assets per employee (R000)		3 233	2 138	1 645	1 445	1 255

Figures from 2004 and prior years have been adjusted for the 5:1 share split. 2004 figures have been restated for IFRS and operating lease adjustments.

* Restated (see page 118)

2003	2002	2001	2000	1999	Definitions
480 685	472 483	496 645	570 845	570 380	
477 710	480 862	527 675	570 400	570 365	
50,2	35,0	24,5	13,1	(11,9)	Headline earnings divided by weighted average number of shares in issue during the year under review.
50,2	34,4	24,1	13,0	(11,6)	Profit attributable to ordinary shareholders divided by weighted average number of shares in issue during the year under review.
46,1	33,9	31,3	16,3	(7,0)	Cash available from operations, including taxation paid and dividends received excluding movement in working capital divided by the weighted average number of shares in issue during the year under review.
12,0	8,0	5,6	4,0	–	Total ordinary dividend/distribution declared relating to the financial year.
4,2	4,2	4,1	3,3	–	Earnings per share divided by dividend/distribution per share.
3,8	4,1	5,3	4,1	–	Cash earnings divided by total ordinary dividend/distribution declared relating to the financial year multiplied by number of ordinary shares in issue net of treasury shares.
127	110	145	94	68	Total equity less preference share equity divided by the total number of ordinary shares in issue net of treasury shares.
14,5	9,6	8,1	8,6	(4,1)	Operating profit before interest and taxation, expressed as a percentage of revenue.
14,5	9,6	8,1	8,6	(4,1)	Operating profit before interest and taxation excluding Trading expressed as a percentage of revenue excluding Trading revenue.
19,9	14,7	11,0	10,6	(2,7)	Operating profit before interest and taxation, including non-trading items and share of associate companies' profit, expressed as a percentage of average total assets excluding deferred taxation, less current liabilities, excluding short-term borrowings and current portion of long-term borrowings.
42,4	26,7	20,2	16,1	(15,9)	Profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' funds.
1,8	10,4	(11,2)	0,2	27,1	
125,6	184,5	98,8	155,9	233,5	Other liabilities, after netting off financial assets and liabilities, and interest-bearing debt (Interest-bearing loans including Bank customer deposits after netting off bank balances, cash on deposit included in financial assets, non-current assets held for sale as disclosed separately and included in inventory, banks advances and liquid assets and short-term negotiables) expressed as percentage of total shareholders' funds (ordinary shareholders' funds plus minority interest).
61,0	106,6	29,2	105,5	157,8	Interest-bearing loans including Bank customer deposits after netting off bank balances, cash on deposit included in financial assets, non-current assets held for sale as disclosed separately and included in inventory, banks advances and liquid assets and short-term negotiables, expressed as a percentage of total shareholders' funds.
1,1	2,1	1,0	2,7	10,2	Interest-bearing loans divided by EBITDA (earnings before interest, taxation, depreciation and amortisation).
4,2	5,6	3,4	2,0	(0,7)	Operating profit before interest and taxation, including non-trading items divided by net interest paid.
22,1	15,2	18,7	12,7	(3,9)	Cash flow (profit after taxation plus depreciation, deferred taxation and other non-cash items) expressed as a percentage of total liabilities.
1,0	0,6	1,0	0,9	0,9	Current assets divided by current liabilities excluding current portion of long-term borrowings.
1 139	965	822	1 113	1 860	
889	835	850	397	–	
1 215	1 547	1 389	1 104	515	Total revenue divided by the number of employees including 50% of the joint venture employees.
1 321	1 377	1 531	1 222	817	Total assets divided by the number of employees, including 50% of the joint venture employees.

business
overview

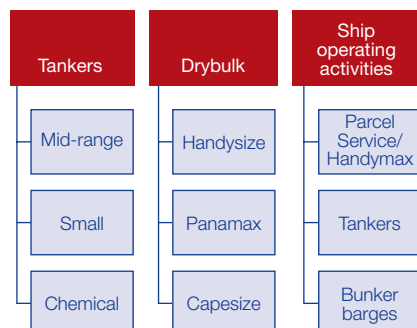
commentaries

sustainability

annual financial
statements

shareholder
information

DIVISIONAL REVIEWS



	2008	2007*
Revenue (Rm)	7 069	4 374
Total assets (Rm)	5 995	3 425
Attributable income (Rm)	1 794	982
Operating margin (%)	32,1	23,7
Number of employees	375	271
Average number of ships operated	56	62
Owned	12	8
Long-term charter	25	30
Short-term charter	19	24

* 2007 restated (refer to note 2 of the annual financial statements).

The main drivers for the excellent financial results in the Shipping division were:

- a higher level of contract cover;
- increased tanker fleet and earnings;
- increased drybulk spot earnings;
- expansion of the international cargo operating business; and
- ships sold at higher average values.

A detailed review of the division's results is included in the financial director's report on pages 24 to 29.

BUSINESS ACTIVITIES

The shipping business is split into three segments as follows:

- **Tankers**
Owned and long-term charters of mid-range product tankers, small product tankers and chemical tankers.
- **Drybulk**
Owned and long-term charters of handysize, panamax and capesize bulk carriers.
- **Ship operating activities**
All other shipping operating activities including the Parcel Service, ITAS, handymax, bunker barges and Unicorn Calulo tankers.





Tankers

Unicorn Shipping operates product tankers and chemical tankers from its offices in the United Kingdom and South Africa. The United Kingdom office houses its commercial operations whilst the South African office focuses on the marine and technical aspects of the fleet. Unicorn owned three drybulk carriers of which two ships were sold in 2008 and one has been sold in 2009.

Unicorn took delivery of two tankers (one in joint venture). No new tankers were ordered.

Two newbuilding tankers were sold (contracted in 2007) and Unicorn has contracted to sell three tankers in 2009, one being to an existing 50/50 joint venture.

The sector will benefit from a large portion of the tanker fleet being time chartered-out for periods of up to three years and has only a 50% interest in a products tanker on the spot market during 2009.

The division's customer base consists of oil majors, blue chip international chemical majors and large international operators. Accordingly, the fleet has a high percentage of secure earnings in 2009 and beyond.



Drybulk

The Island View Shipping (IVS) division has as its core competency the shipping of drybulk cargoes worldwide. IVS is based in Singapore and has numerous offices worldwide including the U.A.E., Denmark, The Netherlands, Japan and South Africa.

It focuses mainly on handysize, panamax and capesize bulk carriers. The division operates the vessels commercially and moved approximately 11 million tonnes of cargo in 2008 (2007: approximately 12 million tonnes). It enters into freighting contracts with blue-chip shippers and counterparties.

The charter periods are predominantly long-term charters from two to seven years and generally include the right to acquire the vessels at pre-determined prices.

The handysize fleet is deployed into the market via a freighting agreement with partners J Lauritzen of Denmark.

The division took delivery of two handysize bulk carriers (one in joint venture) and ordered four newbuilding handysize bulk carriers in a joint venture which will deliver during 2009 and 2010.

A supramax bulk carrier has also been chartered for a two-year period commencing in 2009.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

DIVISIONAL REVIEWS

A handysize bulk carrier was sold (chartered ship with options) and two capesize bulk carriers were re-delivered when their charters terminated.

The Cape Desk performed well on the back of strong demand for large bulk ships. It continued to secure long-term freighting business to be carried by already contracted time chartered vessels. Two panamax ships are chartered out to acceptable counterparties for an average of five years, providing locked-in margins and certainty of earnings in this sector.



Ship operating activities

The Parcel Service was integrated into the international business during the year, allowing synergies with the international ship ownership and operations to be realised. The South African service employs between eight and 11 vessels per month on routes from southern Africa to the North West Continent, the Mediterranean, the United Kingdom and the United States of America. The service carries a wide variety of bulk cargoes including ferrochrome, chrome ore, alloys, mineral sands, concentrates, grains, vermiculite and fluorspar. Key in this service is the ability of the division to segregate individual holds (i.e. parcelling). The charter periods are predominantly short term (30 to 45 days).



The Parcel Service completed the renegotiation of its contracts of affreightment which are now predominantly market linked. This has removed volatility and consequently led to a return to profitability in 2008.

The Islands Service was fully integrated into the division by the acquisition during the year of the remaining interest in Island Trading and Shipping (ITAS). The Islands Service provides bulk shipping services from Europe, South America and Australasia into South Africa and the Indian Ocean Islands.

The Parcel and Islands Services moved approximately 3 million tonnes of cargo in 2008 (2007: 4 million tonnes).

A handymax operation was successfully established during the year.

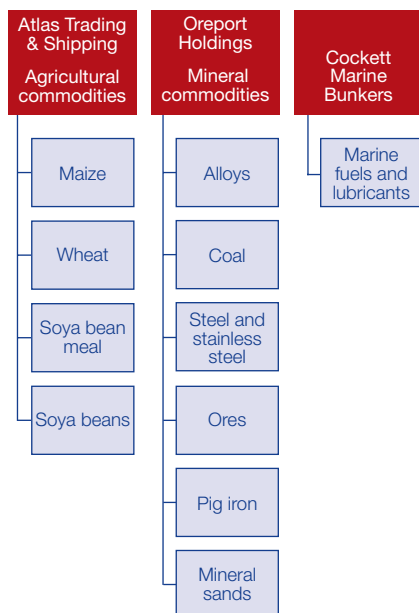


In 2008, Unicorn announced the formation of a partnership with Calulo Services, an empowered South African petrochemical group. The joint venture consists of two companies, Unicorn Calulo Shipping Services, which focus on tanker shipping on the South African coast and Unicorn Calulo Bunker Services, which operates sophisticated bunker barges in South African ports under long-term agreements with the South African oil majors.

Unicorn Calulo Shipping Services operates chartered-in products tankers on the South African coast for the local oil majors.

Unicorn Calulo Bunker Services took delivery of two bunker barges in mid-2008 for deployment in Durban and Cape Town. A third barge is being built in Durban for delivery in 2009.

DIVISIONAL REVIEWS



	2008	2007
Revenue (Rm)	24 022	11 334
Total assets (Rm)	2 845	2 183
Attributable income (Rm)	129	63
Operating margin (%)	0,9	1,0
Number of employees		
Subsidiaries	160	58
Joint ventures	–	85

The Trading division acquired the remaining 50% in both Cockett and Oreport during the year under review. Management structures have been reorganised which has brought about an improved focus on the core strategy of origination.

All trading businesses have been affected by the liquidity issues arising from the credit crisis. Counterparty risk has been highlighted as a key focus and is being actively managed. The softer commodity prices have reduced working capital requirements and the division has an improved cash flow position.

The viability of some key origination projects are presently being assessed technically and financially with a view to investment. These are focused in southern Africa and will reinforce the Trading division's footprint in Africa.



Atlas Trading and Shipping (Atlas) is a focused agricultural commodity trading business offering an end to end service to customers. Atlas has offices in South America – Peru and Ecuador, Dubai and South Africa.

Atlas specialises in the buying and selling of agricultural commodities such as wheat, maize and soya beans and meal, as well as the physical handling of the commodity from source to destination. Growth will come from focusing on core strengths within the business such as regional exposure and expertise, together with investment in assets and people.

Agricultural commodity prices worldwide, reached both close to record highs and lows in the same year. This volatility is expected to continue into 2009.

[business overview](#)

[commentaries](#)

[sustainability](#)

[annual financial statements](#)

[shareholder information](#)

DIVISIONAL REVIEWS



oreport



Oreport is an international marketing organisation specialising in the worldwide procurement, movement and distribution of raw materials, primarily associated with the steel industry.

The company has been able to grow its business through its close relationships with long-term suppliers and international network of customers and agents. The strategy of securing strategic alliances and growth through acquisition, particularly in materials such as chrome, manganese and carbon steel, remain in the forefront of Oreport's development.

Significant changes to market demand and prices were experienced in the second half of 2008 for nearly all bulk commodities. Production cut-backs by the mineral and metallurgical industries in order to balance supply and demand, which started in late 2008, are expected to continue through the first half of 2009.

**COCKETT
MARINE OIL**

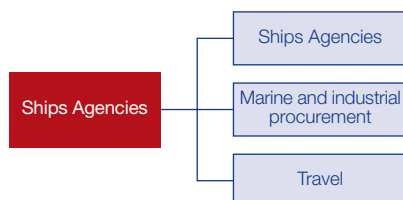
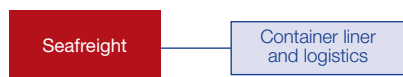
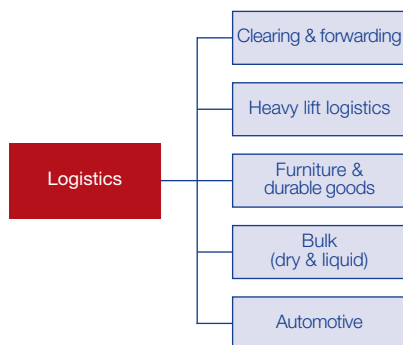
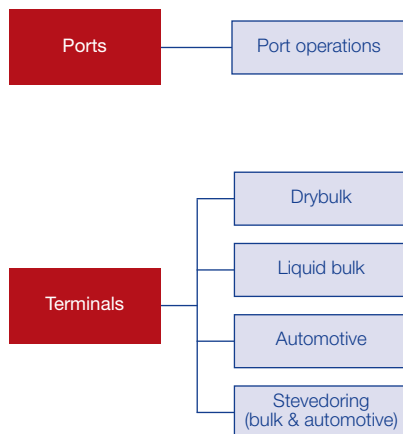


Cockett supplies marine fuel and lubricants on a worldwide basis through its international network. In 2008, the business set out to increase the trading margins and to position the business for growth in 2009 and beyond, and it is pleased to report that this was achieved.

Market conditions in 2009 are expected to be difficult with an overall reduction in the worldwide bunker market.

The company is investigating physical supply opportunities in Europe to improve its presence in those markets.

DIVISIONAL REVIEWS



	2008	2007*
Revenue (Rm)	2 552	2 164
Total assets (Rm)	3 248	2 694
Attributable income (Rm)	198	114
Operating margin (%)	9,7	8,4
Number of employees		
Subsidiaries	3 399	3 561
Joint ventures	651	1 290
Associates	592	690
Average number of ships operated on charter	7	10

* 2007 restated (refer to note 2 of the annual financial statements).

FINANCIAL AND OPERATIONAL OVERVIEW

Freight Services reported improved results for the year. This occurred as the business started to gain critical mass and benefit from economies of scale as a result of the investment into and expansion of the various operations, combined with the rationalisation of operations under focused management teams, over the last few years. Attributable income increased by 74% in 2008 on the back of increased revenues of 18% and operating income of 36%.

Terminals and Intermodal in particular produced solid growth over the prior year. Logistics also improved substantially on 2007, with the prior year results containing a loss on the disposal of a discontinued operation.

Capital expenditure amounted to R513 million for the year (2007: R577 million), which was focused primarily on the expansion of the drybulk terminal facilities at Richards Bay and Maputo (R272 million in total). There was also significant expansion of the logistics fleet, primarily in the dry and liquid bulk transport sectors (R154 million).

Freight Services continues to pursue growth opportunities, by itself or via strategic partnerships, through the expansion of existing operations, entry into new markets by undertaking new developments, or through the acquisition of strategic operations. To this end, capital expenditure of R597 million has been authorised, of which R485 million is planned to be spent in 2009 with the balance in 2010. R383 million of this has already been contracted. Freight Services has sufficient cash reserves to fund 100% of the capital expenditure approved from its own resources. Third party funding has, however, already been secured for R334 million of the expenditure.

business overview

commentaries

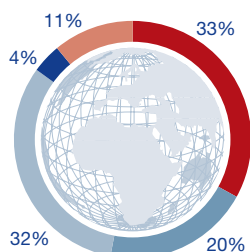
sustainability

annual financial statements

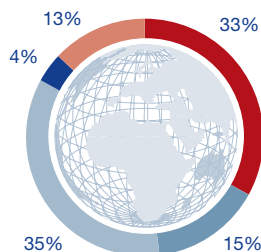
shareholder information

DIVISIONAL REVIEWS

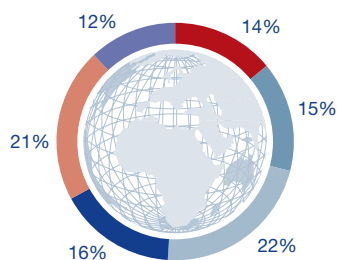
REVENUE



OPERATING INCOME



ATTRIBUTABLE INCOME



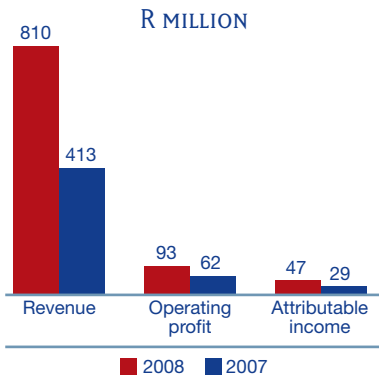
Major capital expenditure projects include:

- expansion of the Maputo coal terminal export capacity from four million to six million tonnes per annum at a total cost of R334 million, with completion expected by the end of 2010. All of this additional capacity has been contracted for on a 75% take-or-pay basis by customers; and
- expansion of the Richards Bay bulk terminal export capacity by 1,2 million tonnes to 6,3 million tonnes per annum with completion expected by the third quarter of 2010 at a total cost of R129 million. All additional capacity has been contracted for on a 75% take-or-pay basis by customers.

BEE

Subsequent to year-end, Freight Services concluded a BEE transaction with Calulo Petrochemicals (Pty) Limited and Adopt-a-School Foundation with the disposal of a 25% plus one share interest in Grindrod (South Africa) (Pty) Limited. Additional information on this transaction is included in the social performance report on pages 78 and 79.





DIVISIONAL OVERVIEWS

Ports and Terminals

Grindrod Ports and Terminals comprises the group's investment in port concessions, which currently comprises the investment in the Maputo Port Development Company (MPDC), and port side terminals within various ports in the Southern African region.

The results of MPDC are equity accounted as Grindrod has an effective 24,7% interest in MPDC.

	2008	2007	Growth	Comments
	Rm	Rm	%	
Revenue	810	413	96	} Growth in the terminals infrastructure and increased utilisation of existing facilities.
EBITDA	143	98	47	
Operating income	93	62	49	
Attributable income	47	29	61	
Margin (%)	11,5	15,1	(24)	



Maputo Port Development Company

MPDC has a concession to rehabilitate and operate the port of Maputo, in partnership with international terminal operator Dubai Ports World (24,7%), the Government of Mozambique (49,0%) and local partners (1,6%).

Volumes through the port increased to 7,5 million tonnes (2007: 6,7 million tonnes) driven primarily by demand for ferroalloys and ferrochrome. Throughput did come under pressure during the last quarter on the back of decreased demand for resources globally.

Capacity restraints in the South African ports are expected to continue, despite planned expansion of these facilities by Transnet, with new capacity forecast to be taken up by an increase in commodity exports on the recovery of commodity demand. The port of Maputo is therefore seen as a key strategic port, being the closest geographically located port to Gauteng and Limpopo to supplement capacity in the South African ports.

As a means of ensuring that the port is efficiently developed in the future, a port master plan setting out the strategy for the future development of the port will be completed in March 2009. The plan provides a framework for berth and channel improvements, development of landside facilities and a review of service corridors and other associated infrastructure.

The master plan at this stage covers the proposed development up to 2031. During this period cargo volumes through the port are projected to increase to 48 million tonnes per annum, up from the 7,5 million tonnes handled in 2008.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

DIVISIONAL REVIEWS



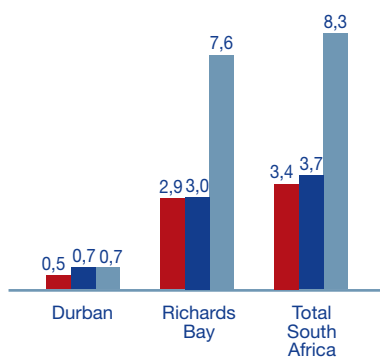
During 2008 Grindrod invested R272 million in the further expansion of its terminal operations (2007: R249 million). A summary of the current terminal capacities, including expected increases in terminal capacity from capital projects approved for development, is presented in the table below.

Capacity in the various drybulk terminals is currently in the process of being expanded by 136% to a total of 14,92 million tonnes per annum, with 5,53 million tonnes per annum of capacity scheduled to come on line in the first quarter of 2009 and an additional 3,2 million tonnes per annum of capacity to come on line at the end of 2010. Specific details of these expansions are as follows:

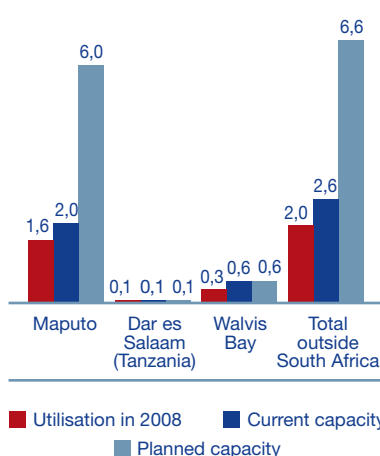
- Capacity in Richards Bay is in the process of being increased to 6,4 million tonnes per annum, with hot commissioning scheduled for March 2009, through the addition of 2,8 million tonnes of export and 0,6 million tonnes of import capacity per annum. Facilities comprise open storage for 450 000 tonnes and covered storage of 220 000 m³. All facilities, with the exception of one site specialising in the storage and handling of small parcel sizes, connected via conveyor belt to Transnet Port Terminal's existing infrastructure. The additional export capacity from this expansion has been contracted out to customers on a 75% take-or-pay basis.
- Capacity at the coal and magnetite terminal at the Matola terminal in the port of Maputo has been expanded by 2 million tonnes to 4 million tonnes per annum. The additional export capacity from this expansion has been contracted out to customers on a 75% take-or-pay basis.
- The expansion and modification of the Maydon Wharf import facilities in Durban comprised the installation of a conveyor system for the handling of bulk commodities, which was commissioned at the end of the second quarter of 2008 and resulted in the addition of 400 000 tonnes of import capacity per annum.
- Handling capacity at Walvis Bay is being increased by 130 000 tonnes per annum with the final elements of the expansion scheduled for completion by the end of the first quarter of 2009.

Terminal	Utilisation in 2008	Current capacity	Planned capacity	
			2009	2010
Drybulk – tonnes	5 354 000	6 320 000	11 720 000	14 920 000
Maputo	1 574 000	2 000 000	4 000 000	6 000 000
Richards Bay	2 951 000	3 000 000	6 400 000	7 600 000
Durban	454 000	700 000	700 000	700 000
Dar es Salaam (Tanzania)	47 000	70 000	70 000	70 000
Walvis Bay (Namibia)	328 000	550 000	550 000	550 000
Liquid bulk – m³	258 000	340 000	340 000	340 000
Durban	183 000	260 000	260 000	260 000
Cape Town	75 000	80 000	80 000	80 000
Automotive – number of cars	5 269	52 000	52 000	52 000
Maputo	5 269	52 000	52 000	52 000

**DRYBULK TERMINALS
(TONNES MILLIONS)
(SOUTH AFRICA)**



**DRYBULK TERMINALS
(TONNES MILLIONS)
(OUTSIDE SOUTH AFRICA)**



Drybulk terminals

Drybulk terminal operations are conducted in Walvis Bay, Durban, Richards Bay, Maputo and Dar es Salaam. Investments in the expansion of these terminals are currently in progress, with the expansion of the Richards Bay and Maputo terminals planned to service increased coal exports from customers with all increased capacity having been contracted out to customers on a 75% take-or-pay basis.

Liquid bulk terminals

Liquid bulk terminal operations are conducted in Durban (molasses) and Cape Town (multi-product). Freight Services is currently investigating the feasibility of expanding existing capacity in the Durban and Cape Town operations by an additional 105 000 m³ per annum in total.

During the year, Grindrod purchased an option to acquire a 50% interest in a newly constructed multi-product terminal in Maputo, at cost, from Southcomm, an international trader in bulk liquid products, subject to South African exchange control approval. The Maputo terminal currently has a storage capacity of 10 000 m³ and is conducting feasibility studies that could potentially see the phase one development, which is already fully utilised, expanded in a proposed five-phase expansion plan to a capacity of 50 000 m³.

Car terminals

Phase one of the Maputo car terminal was commissioned at the end of 2007 with an annual throughput capacity of 52 000 vehicles per annum. The intention in the construction of the car terminal is to absorb the excess capacity that cannot be accommodated through the Durban car terminal that, under normal market conditions, operates at maximum capacity and will be unable to accommodate increased volumes on a sustainable basis. Volumes through the car terminal were below initial expectations due to a combination of the long lead times required to reposition volumes to Maputo, combined with the global downturn in automotive volumes.

The planned further expansion of the Maputo car terminal has been delayed pending a turnaround in the automotive market that has seen a large decrease in automotive sales and exports since the highs of 2006.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

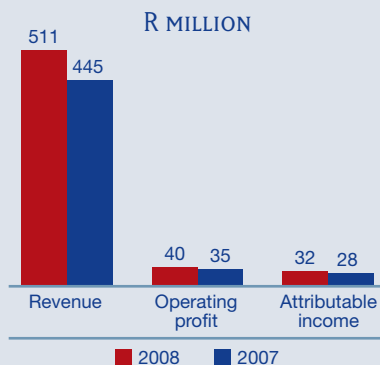
DIVISIONAL REVIEWS



Stevedoring

Grindrod conducts automotive stevedoring in the ports of Durban and East London, specialised pay loading and separation of cargoes in Richards Bay and a wide range of stevedoring in Walvis Bay (Namibia) through Grindrod's 40% held associate company Erundu Stevedoring (Pty) Limited.

The Richards Bay stevedoring operations were acquired in February 2008 through the acquisition of the business of Bay Stevedores (Pty) Limited. The business performed well during the year, but volumes did decline in the last quarter of 2008 on the back of falling commodity exports.



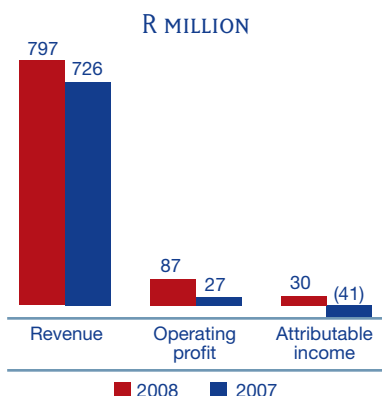
Intermodal's operations comprise the group's container freight logistics operations with services ranging from the provision of depot facilities for the storage, handling and repair of general purpose, refrigerated and tank containers, the provision of warehousing services for cargo that is moved via containers, the road and rail transport of containers and container sales and leasing.

	2008 Rm	2007 Rm	Growth %	Comments
Revenue	511	445	15	} Increased volumes and improved efficiencies due to rationalisation of operations offset by suppressed volumes in last quarter.
EBITDA	66	56	18	
Operating income	40	35	17	
Attributable income	32	28	14	
Margin (%)	7,8	7,9	(2)	



Whereas much of 2007 was spent on the consolidation and rationalisation of various operations acquired in 2006 and 2007 under a new management and operational structure, there was a shift in focus in 2008 to trading and operations.

Intermodal traded strongly for most of 2008, however, trading did come under pressure in the fourth quarter of 2008 as a result of declining container volumes on the back of the economic downturn. Volumes are expected to remain under pressure in 2009 as a result of lower container traffic.



Grindrod Logistics comprises the group's land-based transport, distribution and clearing and forwarding operations.

	2008 Rm	2007 Rm	Growth %	Comments
Revenue	797	726	10	Expansion of bulk transportation 2007 included the losses on disposal of electronics warehousing and distribution operation.
EBITDA	135	71	91	
Operating income	86	27	224	
Attributable income	30	(41)	173	
Margin (%)	10,8	3,7	195	

The improvement in profitability in 2008 was driven primarily by the growth in the bulk logistics and clearing and forwarding operations with the durable goods operations (automotive and furniture) coming under pressure as a result of the economic downturn. The results in 2007 included the loss on the disposal of a consumer electronics warehousing and distribution operation.



Auto Carriers

Auto Carriers remains one of the largest transporters of vehicles in South Africa, supplying vehicle storage, distribution and logistical services for a large majority of the automotive manufactures present in South Africa. The automotive market declined significantly in 2008 with new vehicle sales down 21% on 2007 with total sales of 533 327 being reported in 2008. As a balance to new car sales, exports from South Africa increased by 66% to 284 213 on 2007. Auto Carriers performed well, given the state of the market that saw the exit of two long established players in the motor ferry industry and was successful in increasing market share in what was a severely declining market. The division is well placed in this market segment going forward.

The construction of a 12 000 bay vehicle storage facility on the outskirts of Durban, on which to consolidate all of Auto Carriers' Durban based vehicle storage yards, was due to commence in mid 2008. The project has been delayed pending the disposal of a number of Auto Carriers' current Durban based storage facilities.



Bulk transportation

The Bulk transportation division was established in 2007 as a greenfields venture focusing on the distribution of bulk homogeneous products to complement the bulk terminal and trading activities. Operations in 2007 were focused exclusively on the transportation of soft commodities for the group's trading operations using trailers specifically designed for that purpose. The expansion into the transportation of mineral commodities was achieved by increasing the fleet size from 10 super links during the year to a total fleet size of 68 units. Although the transportation of mineral commodities came under pressure in the fourth quarter of 2008, utilisation of the fleet has remained high as a result of the switch of the fleet to the service of soft commodities.

business overview

commentaries

sustainability

annual financial statements

shareholder information

DIVISIONAL REVIEWS



Although Grindrod currently operates a fleet of bulk liquid tankers through its bulk liquid terminal operations, it did not have any exposure to the petrochemical transportation sector. Therefore, at the end of the third quarter of 2008, Grindrod acquired a small operation focusing on the provision of cross-border transportation of petrochemical products for a number of oil companies in South Africa. The acquisition of this business represented a low cost way of entering into the petrochemicals transport sector through the acquisition of a well run, but distressed business. Since acquisition, the division has increased fleet capacity to 32 rigs through the acquisition of primarily distressed assets.

Furniture

Furniture is a distribution operation offering total supply chain solutions to the manufacturers, importers and retailers of office, hospitality and domestic furniture within the Southern African region. The market segment in which Furniture operates came under pressure during 2008 on the back of falling consumer demand. The operation has been significantly restructured to appropriately position it, in what is likely to be a suppressed market for some time to come. This furniture operation is the smallest component of Freight Services' Logistics operations.



Grindrod Perishable Cargo Agents

Grindrod Perishable Cargo Agents specialises in the clearing and forwarding of perishable products, predominately by air, both domestically and internationally, as well as providing an express freight consolidation service. The business is the largest South African airfreight forwarding agent, measured by turnover with airlines, and has held the number one position with the International Air Transport Association for more than 25 years. The business performed strongly in 2008 despite high fuel costs and the strong Rand persisting for most of the year. The business model favours a weak Rand combined with a low oil price which effectively increases the competitiveness of South African exported perishable products versus competitor countries. These favourable conditions are expected to prevail in 2009, although demand for perishable products is expected to decline.



JOINT VENTURES

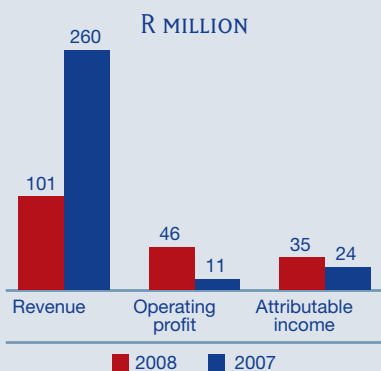
Vanguard is a 50% joint venture with the executive management team of the business. The company is regarded as a leader in its field of heavy lift logistics and engineering. The business performed well in 2008 capitalising on the large infrastructure boom in South Africa, with Vanguard being involved with such key projects as the transportation of locomotives and carriages for the Gautrain. The business continues to offer attractive growth opportunities, particularly in the renewable energy sector where Vanguard has partnered with international wind-turbine manufacturer Vestas in seeking new wind farm opportunities in the southern African region.



The group's clearing and forwarding business is a joint venture with Röhlig & Co International operating under the brand name Röhlig-Grindrod and Kapele. The company is one of the largest freight forwarders and customs brokers in South Africa, enjoying strong relationships with a wide range of blue-chip importers and exporters. The company performed exceptionally well in 2008 following on the back of strong performance in 2007 and benefiting from the continued infrastructure development in South Africa. Volumes are expected to reduce in 2009 on the back of falling consumer demand, however, the Government's infrastructure expenditure is expected to continue unabated, which should benefit the operation.

Röhlig-Grindrod concluded the sale of a 10% shareholding in its subsidiary, Kapele to its BEE partner, who is also the managing director of Kapele, effective 1 January 2008.

LCL Grindrod is a joint venture with LauritzenCool Logistics S.A. in the distribution and transportation of perishable products worldwide by sea. The company did not perform to expectations during the year due primarily to a lack of container space for exports coupled with the weakening Rand which significantly increased carriage costs to final receivers. During the year under review NYK acquired the balance of shares not already owned in LauritzenCool Logistics S.A. and new management is now in place and an improved performance is expected in 2009.



Grindrod Rail houses Grindrod's investments in the rail industry, which during the year comprised a 50% interest in Sheltam Grindrod Holdings (Pty) Limited (a locomotive owning and operating entity) and a 75% interest in Sheltam Grindrod Leasing (Pty) Limited (a locomotive leasing entity). Grindrod disposed of its interests in both of these entities during the third quarter of 2008.

	2008 Rm	2007 Rm	Growth %	Comments
Revenue	101	260	(61)	} Rail operations disposed of during the year with profits being realised on disposal.
EBITDA	13	48	(73)	
Operating income	11	46	(75)	
Attributable income	35	24	45	
Margin (%)	11,4	17,6	(35)	

Attributable income in 2008 benefited from the profit realised on the disposal of the two operations and locomotives.

Grindrod plans to re-enter the rail sector with the conclusion of a joint venture agreement with Soethu Investments in the first quarter of 2009, which will culminate in the establishment of a black empowered company as outlined in the chief executive officer's report.



business overview

commentaries

sustainability

annual financial statements

shareholder information

DIVISIONAL REVIEWS



Grindrod Seafreight comprises Grindrod's investment in seafreight operations, currently comprising the investment in Ocean Africa Container Lines (Pty) Limited (OACL), which is accounted for as an associate.

	2008 Rm	2007 Rm	Growth %
Attributable income	45	44	2

OACL is a 49% held joint venture with Safmarine, operating liner services in the Southern African region between Dar es Salaam in the east and Luanda in the west.

The operation performed well with 172 597 TEUs handled during the year, up 3% on the prior year. Revenues increased by 13% over the prior year to R815 million on the back of increased volumes and prices. Attributable income increased by 2%, lower than the growth in revenue with price and volume increases being diluted by higher oil and charter rates.



The Ships Agencies division had a solid performance in general, with record results achieved by a number of the segments, particularly in the non-liner and bulk areas.

Voigt Shipping changed its name during the year under review (previously ISS-Voigt Shipping) and showed considerable growth with a number of new accounts being secured.

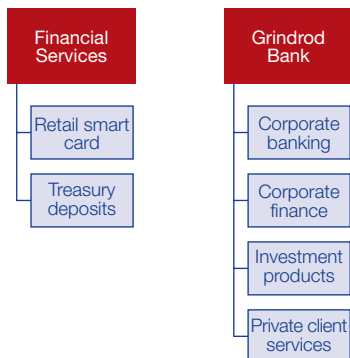
King & Sons and Mitchell Cotts both performed well and continue to represent blue-chip clients in both the liner and non-liner areas.

Volumes and rates are expected to decline in 2009. The Ships Agencies division is well positioned to maintain its number one position in southern Africa and is expected to conclude a BEE deal with senior management during the year.

Grindrod Travel showed solid growth in the year under review and is now represented in Cape Town, Port Elizabeth, Durban, Richards Bay and Johannesburg.

Unilog operations were transferred from the Shipping division to the Ships Agencies division to benefit from the worldwide marketing activities and strong overseas client base enjoyed by the Ships Agency division. Unilog performed exceptionally well in a buoyant market with a net profit growth for the year of 24%.

DIVISIONAL REVIEWS



	2008	2007
Revenue (Rm)	94	75
Total assets (Rm)	1 895	1 626
Attributable income (Rm)*	36	36
Number of employees		
Subsidiaries	65	57
Joint ventures	3	–

* Shareholding reduced to 81,1% in June 2007

During the last quarter of 2008, the Bank had its Investment Grade rating confirmed by Moody's at a time when the global financial crisis had placed many banks on rating downgrades. For the 2008 year, Financial Services increased revenue by 25%, while the Bank incurred no bad debts, remained adequately capitalised and was well funded by a stable and growing deposit base.

The Bank's aim is to grow the lending book in such a way that capital is optimised without falling below a 15% capital adequacy ratio and at all times to focus on conservative liquidity and credit management. This was achieved in 2008 with no impairments for bad debts being recorded and a comfortable liquidity position maintained throughout the year.

The Treasury division had a successful year, increasing the deposit base and lengthening the average duration of the deposit book. In addition, secure funding lines have been obtained on the strength of Grindrod Limited's support, which adds to the liquidity provided by the deposit book.

The Bank became the African representative of M&A International in 2008, opening up a global network of merger and acquisition specialists to South African mid-market companies looking for acquisition and divestiture advice and opportunities.

The Investment Products division currently has two products which focus on providing high yielding returns to investors:

- the Guaranteed Preference Share Portfolio offers secure, high yielding, liquid investments and provides a guaranteed dividend return from premier South African financial institutions; and
- the Grindrod Diversified Preference Share Fund was registered as a Collective Investment Scheme in January 2008 and is a retail based, tax-free return investment complementing the Guaranteed Preference Share Portfolio.



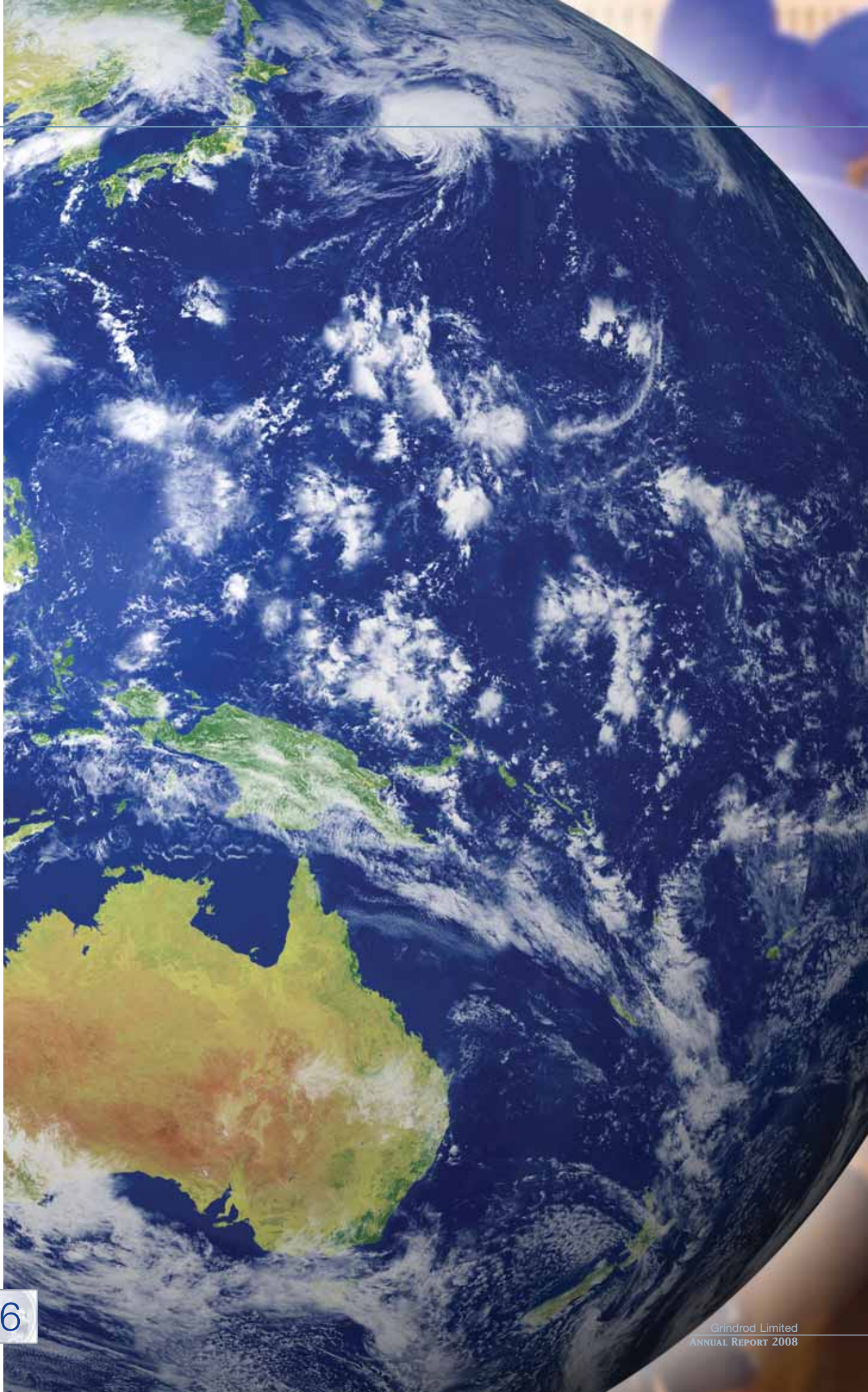
business
overview

commentaries

sustainability

annual financial
statements

shareholder
information





Sustainability

[business overview](#)

[commentaries](#)

[sustainability](#)

[annual financial statements](#)

[shareholder information](#)

SUSTAINABILITY

Grindrod's sustainability review is presented annually as part of the annual report and provides an overview of the company's policies, practices and performance relating to its environmental, social and governance (ESG) activities for the financial year ended 31 December 2008. It covers all group operations.

Certain aspects relevant to a sustainability review, such as the corporate profile and strategy are not duplicated in this section as these are covered elsewhere in the annual report. This year for the first time we are reporting on aspects of sustainability performance per division. This aligns reporting to how the group has reported financial and other performance and will allow for more meaningful comparisons and performance trending going forward.

The report has drawn on guidelines and criteria developed by the various agencies which monitor corporate sustainability and in particular the Global Reporting Initiative's (GRI) G3 guidelines, but has also been adapted to address issues specific to the businesses and industry. A GRI content index is provided on pages 94 and 95.

In setting the boundaries for the scope of environmental data and information to be included, the group consulted the international Greenhouse Gas (GHG) Protocol, which provides recommendations in this regard. Data from joint ventures has been provided as a percentage of the equity

share. Where this changed during the year, the percentage was adjusted accordingly, month on month. However, all safety incidents have been reported, regardless of equity share. Where subsidiaries have their own joint ventures, information and data was only provided where Grindrod has operational control.

In terms of the representativeness of the social and environmental data reported, data and information was received from 20 subsidiary companies, comprising more than 95% of revenue of the total Grindrod group.

The comparability of sustainability data year on year has been affected by changes to the group such as acquisitions and divestitures and changes in joint venture equity shares. Over the last three years, there has been a steady incremental improvement in the completeness of the data sets received from each subsidiary, and this year was no exception. Furthermore, during the year the boundaries for accountability of fuel use was carefully reviewed in the Shipping division. It was ascertained that in previous years the division had been reporting fuel use which actually falls within the responsibility and ownership of third parties. The use of improved definitions and performance data will ensure enhanced comparability in future.

The services of an independent verification agency have not been used for this report.

for the year ended 31 December 2008

VALUE ADDED STATEMENT

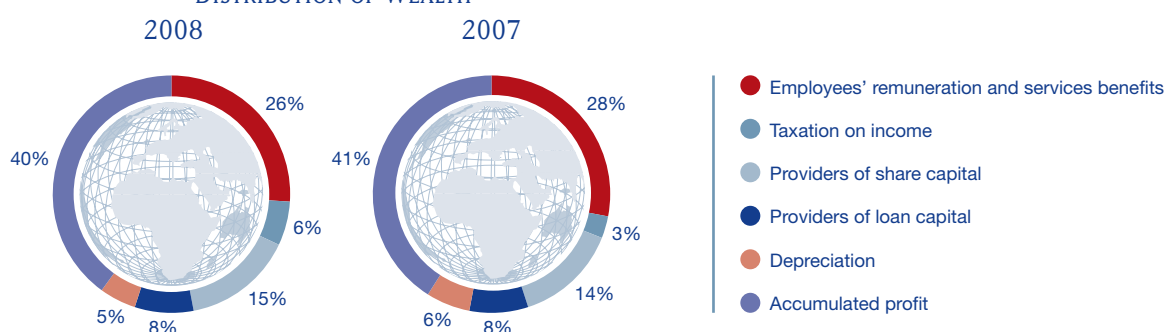
	Group			
	2008		2007	
	R000	%	R000	%
Revenue	33 736 910		17 946 727	
Net cost of services	(29 489 995)		(15 017 072)	
Value added by operations	4 246 915		2 929 655	
Non-trading items	(163 567)		3 508	
Total value added	4 083 348		2 933 163	
Applied as follows:				
Employees' remuneration and service benefits	1 054 028	25,8	826 557	28,2
Taxation on income	263 238	6,4	86 046	2,9
Providers of share capital	599 406	14,7	403 274	13,7
Providers of loan capital	314 071	7,7	239 849	8,2
Reinvested in the business				
Depreciation	203 229	5,0	182 623	6,2
Retained income	1 649 376	40,4	1 194 814	40,8

This statement represents the wealth created by adding value to the group's cost of services and shows how this wealth has been distributed.

MONETARY EXCHANGES WITH GOVERNMENTS

Description of monetary exchanges	2008	2007
	Paid/(received) R000	Paid/(received) R000
Direct taxes	276 243	77 547
South African normal tax	192 393	57 285
Foreign tax	21 086	10 144
Secondary tax on companies	62 764	10 118
Employees tax	108 197	135 246
PAYE	99 394	127 196
UIF	2 708	3 761
Other		
– Skills Development Levy (SDL)	4 852	3 159
– National insurance	1 243	1 130
Indirect taxes	751 206	1 943 497
Net VAT received	(60 315)	(44)
Customs and excise duties	798 030	1 929 443
RSC levies	123	(489)
Municipal rates or property taxes	2 223	2 918
Other	11 145	11 669
Net monetary exchanges with governments	1 135 646	2 156 290

DISTRIBUTION OF WEALTH



CORPORATE GOVERNANCE

The Grindrod group has maintained and enhanced its good corporate governance standards and continues to review current and emerging trends both locally and internationally.

The board subscribes to the principles and code of conduct incorporated in the King II Report and JSE Limited (JSE) Listings Requirements. The provisions of new corporate legislation and the introduction of King III are being closely monitored.

Grindrod is pleased to have maintained its "good" rating in the 2008 Ernst & Young survey of annual reports of the Top 100 Listed Companies and for re-qualifying on the SRI (Social Responsibility Investment) index of the JSE.

BOARD OF DIRECTORS

The Grindrod board comprises 13 directors, seven of whom serve as executive directors. The non-executive directors have a diversity of skills and commercial experience. Five of the six non-executive directors are independent. Details of the non-executive and the executive directors are shown on pages 8 to 11 of this report.

The board meets at least four times a year and additional meetings are held whenever it is considered necessary. The responsibilities of the board are set out in the charter and the board is required to annually review its operations against the charter framework. The charter is available on the website at www.grindrod.co.za. In assuming ultimate responsibility for effective control and leadership of the group the board:

- ensures that the group complies with all relevant laws, regulations and codes of business practice;
- defines levels of materiality, reserving specific powers to itself and delegating other matters to executive management in terms of a limits of authority framework;
- gives direction to all strategic matters and approves the group business plan developed by management;
- monitors implementation of the business plan by management;
- reviews performance of the various board committees established to assist in the discharge of its duties;
- monitors the key risk and performance areas of the group and identifies the non-financial issues relevant to the group;

- determines the policy and models applied to ensure the integrity of:
 - risk management and internal controls;
 - director selection, orientation and evaluation;
 - executive and general remuneration; and
 - external and internal communications;and
- ensures that there is appropriate succession planning at senior management level.

The quorum for board meetings is eight directors.

The role and function of chairman and chief executive officer are separate in the Grindrod group. The chairman, I A J Clark is a non-executive director, but is not considered independent due to his recent role as chief executive officer.

The Grindrod executive committee is responsible for the operational and strategic management of the group. This team is led by the chief executive officer.

The board is supplied with all relevant information and has unrestricted access to all group information, records, documents and property, which enables the directors to adequately discharge their responsibilities. Information needs are well defined and non-executive directors have full access to management and the company secretary.

An induction programme is in place for new directors, which includes an induction book, consultation with each divisional executive and site visits. The cost of attending appropriate external training courses is paid by the company.

At each annual general meeting at least one third of the directors retire by rotation from the board. Directors retiring in this manner may offer themselves for re-election. By convention executive directors retire from the board at 60 or 63 years of age depending on their contracts, whilst non-executive directors retire at the annual general meeting following their 70th birthday. These may, however, be extended at the discretion of the board and in the current year has been done in respect of R A Norton.

The boards of directors of major local and offshore operating subsidiaries comprise executive directors and senior management. The boards of major offshore operating subsidiaries and of Grindrod Bank also include independent non-executive directors.

BOARD ATTENDANCE

The main board met four times during the year and attendance was as follows:

	20 Feb 2008	21 May 2008	20 Aug 2008	19 Nov 2008
H Adams	✓	✓	✓	✓
I A J Clark	✓	✓	✓	✓
W D Geach (Appointed 28 July 2008)			✓	✓
S M Gounden (Resigned 21 May 2008)	✓	✓		
I M Groves	✓	✓	✓	✓
J G Jones	✓	✓	✓	✓
T J T McClure	✓	✓	✓	✓
R A Norton	✓	✓	✓	✓
A K Olivier	✓	✓	✓	✓
D A Polkinghorne	✓	✓	✓	✓
D A Rennie	✓	✓	✓	✓
N T Y Siwendu (Appointed 21 May 2008)		✓	✓	✓
A F Stewart	✓	✓	✓	✓
L R Stuart-Hill	✓	✓	✓	✓

DIRECTORS' AND OFFICERS' SHARE DEALINGS

Directors and officers are not permitted to deal directly or indirectly in the shares of the company:

- during the period from the end of the interim and annual reporting periods, to the announcement of the interim and annual results, or
- during any period when they are aware of any negotiations or details which may affect the share price, or
- during the time declared as a prohibited period in terms of the JSE Listings Requirements.

The company secretary communicates on a regular basis with the board on the status of dealing in the company's shares.

In line with best practice and the JSE Listings Requirements, no group director or employee who has price sensitive inside information on the group may deal directly or indirectly in Grindrod securities.

Directors are required to notify the company secretary in writing immediately following any transaction involving the company's shares. The trades are timeously disclosed to the JSE and they are tabled at the following board meeting.

BOARD COMMITTEES

The board has an audit committee and a remuneration/nomination committee. Members and the chairmen of these committees are appointed by the board. The board has no separate risk committee, as this function is dealt with by the board as a whole.

For the purposes of good governance and in compliance with South African Reserve Bank requirements, Grindrod Bank has its own board committees which include:

- Audit and Compliance;
- Remuneration;
- Directors Affairs;
- Risk and Capital Management;
- Credit Risk; and
- Asset and Liability.

Audit committee

The group audit committee performs the important function of reviewing internal controls, risk procedures and financial results. I M Groves, an independent non-executive of the group, serves as chairman of the committee. The audit committee fulfils its responsibility in line with specific terms of reference and is accountable to the board, which receives minutes of its meetings and a report on the proceedings. The internal and external auditors have full access to the committee.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

CORPORATE GOVERNANCE

The committee meets with management and the internal and external auditors at least three times a year to review the effectiveness of the management information systems and other systems of internal control, including the internal audit function, the scope of the internal and external audits and to assess the auditors' findings. The committee reviews the accounting policies of the group, the interim and annual financial statements and results announcements made.

The committee also establishes the principles by which the external auditors are used for non-audit services.

An internal audit charter is in place which defines the function, responsibility and authority of the group's internal audit activity.

The audit committee met three times during the year and attendance was as follows:

	18 Feb 2008	14 May 2008	19 Aug 2008
I M Groves (Chairman)	✓	✓	✓
R A Norton	✓	✓	✓

In line with the requirements of the Corporate Laws Amendment Act that came into effect at the end of 2007, the composition of the audit committee now comprises only of independent non-executive directors. The same committee has been appointed for 2009.

The chairman of the group, I A J Clark attends the meetings in an observer capacity only.

Remuneration/nomination committee

The board has a remuneration/nomination committee to assist in governance matters related to executive remuneration, succession planning and identification of suitable candidates to serve on the board. The chairman, R A Norton and members, who are all non-executive directors, are appointed by the board. The chief executive officer is not a member of the committee but attends meetings to provide feedback on individual performances and other relevant information.

The committee has formal terms of reference approved by the board and is responsible for the assessment and approval of a broad remuneration strategy for the group. In particular, it reviews and determines the remuneration

packages of the Grindrod executive directors, the fees for the non-executive directors and recommends the granting of cash based notional share options to executive directors and senior employees. These details, together with an overview of remuneration/incentive philosophies, is set out in the remuneration report on page 65.

The committee is also responsible for making recommendations to the board on new director appointments and the composition of the board, taking skills/experience and demographics into account and for the evaluation of the performance of directors retiring by rotation.

The remuneration/nomination committee met three times during the year and attendance was as follows:

	19 Feb 2008	21 May 2008	20 Aug 2008
R A Norton (Chairman)	✓	✓	✓
I A J Clark	✓	✓	✓
I M Groves	✓	✓	✓
S M Gounden*	✓		

* Resigned 21 May 2008

RISK MANAGEMENT

The board has not appointed a separate risk committee. The full board is responsible for risk management and for implementing an effective process to identify risk, measure its potential impact and activate whatever is necessary to proactively manage such risks. Besides the quarterly assessments of risk at board meetings, a separate annual meeting of the board is held which focuses on the review of the group risk management process and approves the group risk management plan for the following year.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The group communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders. In addition, management regularly meet with investors on a one to one basis. The group website (www.grindrod.co.za) is also used for this purpose.

The 2008 presentation for the half year results was done live on Summit TV on 21 August 2008 and the 2008 final

results were presented to the investment community in Johannesburg, Durban and Cape Town during February 2009.

Executive management regularly interact with major institutional shareholders. During the year an analyst tour of the group's Mozambican operations at Maputo was undertaken.

CORPORATE SPONSOR

During the year Grindrod Bank sold its interest in Exchange Sponsors (Pty) Limited and the Bank assumed the direct role of sponsor to Grindrod Limited. In the case of major corporate actions the services of an independent sponsor group will be engaged.

COMPANY SECRETARY

The board considers the company secretary to be qualified to perform his duties in accordance with applicable legislation and to be fit and proper for the position. All directors have access to the advice and services of the company secretary who ensures compliance with applicable procedures and legislation. The removal of the company secretary is a matter for the board as a whole.

GOING CONCERN

The directors are responsible for overseeing the preparation and the final approval of the group interim and annual financial statements. The auditors are responsible for auditing the financial statements and giving their opinion thereon. The directors believe that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements, which fairly present the state of the group. Appropriate accounting standards have been applied and adequate accounting records maintained. The going concern basis was adopted in preparing the annual financial statements. The directors have no reason to believe that the group will not continue to be a going concern in the near future.

INTERNAL CONTROLS

The board is responsible for the group's internal financial and operational control systems. The internal control systems are designed to provide reasonable assurance against material misstatement and loss.

The principal features of the group's internal financial controls are covered in the financial director's report on page 34.

INTERNAL AUDIT

The purpose, authority and responsibilities of the independent internal audit activity are defined by the Internal Audit Charter.

The primary objective of internal audit is to assist management and the board in the effective discharge of their responsibilities by providing assurance in regard to the effectiveness and adequacy of the controls in place to manage the risks facing the organisation within the overall corporate governance framework.

Internal audit coverage plans are prepared annually together with management and approved by the audit committee. The methodology and risk based approach used ensures that all businesses within the group receive adequate coverage and includes:

- general coverage, consisting of the follow up of previous internal audit reports and management letters issued by the external auditors, the completion of taxation, fraud and internal control questionnaires designed to identify auditable risks and an assessment of compliance with the Group Standards policy document;
- extensive coverage, based on a three-year cycle, approved by the audit committee, whereby all businesses are included at least once during a cycle. This incorporates, where applicable, non-current and leased assets, expenditure, disbursements and accounts payable, revenue and accounts receivable, owned and client inventory, human resources and payroll and any other specific and auditable risks identified;
- taxation compliance reviews;
- capital project reviews, where applicable, including the tendering process, expenditure, project management, financial reporting and compliance with group approval framework; and
- IT governance and post implementation reviews, where there has been a change or revision of systems.

External service providers are used for certain specialist reviews, e.g. taxation, IT and capital projects.

continued

CORPORATE GOVERNANCE

The group's internal audit and risk management processes are focused on the risks identified by management and provide a structured, consistent and co-ordinated approach to ensure that the many benefits of Enterprise Risk Management are achieved.

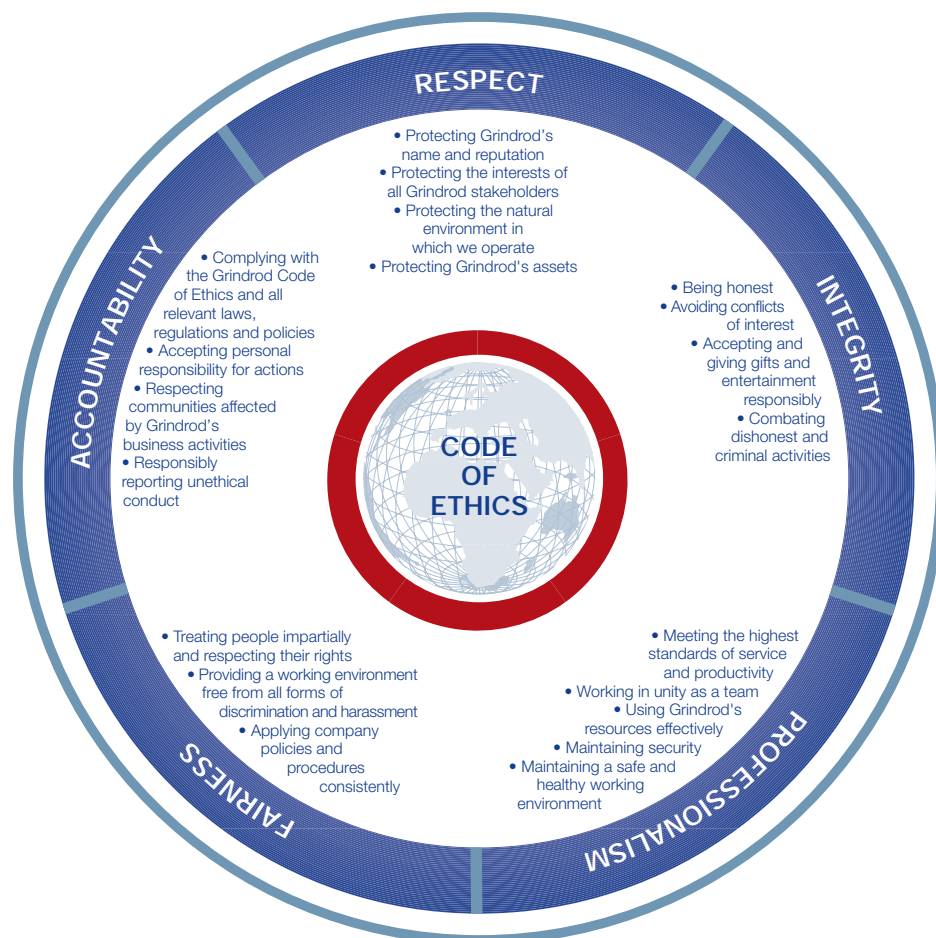
ETHICS

The group is committed to providing excellent services to customers and believes that a high standard of ethical behaviour is paramount to achieving this objective. The group's Code of Ethics is endorsed by the Ethics Institute of South Africa, of which the company is an organisational member. The code is designed to raise ethical awareness, act as a guide in day-to-day decisions and to

help assure customers and other stakeholders of the integrity of the group companies with which they deal.

An important element of the induction process is to communicate to new employees the group's values, standards and compliance procedures. The group's core values include respect for company assets and the environment, operating with integrity, acting with professionalism in our service delivery to our customers, being fair in the way we treat people and accountability, which requires people to take full ownership of actions taken.

A whistleblower facility has been introduced effective 1 April 2009.



REMUNERATION REPORT

REMUNERATION PHILOSOPHY AND POLICY

Grindrod's philosophy is to attract, retain and motivate employees of a high calibre and to ensure that key positions are filled by people who are capable of enhancing and maintaining the group's reputation/stability and to achieve strategic objectives whilst adding shareholder value over the short, medium and long term.

The overall policy is to ensure that rewards are set at responsible and competitive levels in relation to market median.

The objective is to establish a level of guaranteed remuneration that is competitive, short-term incentives that reward directors and management for achieving targets and/or exceptional performance and long-term share incentive schemes that serve as a retention and motivational mechanism for directors and senior management and align them with shareholders' interests.

EXECUTIVE* AND SENIOR MANAGEMENT REMUNERATION

The salient features of executive directors' terms and conditions of employment are as follows:

- the method of remuneration is based on the "total cost to company" concept, which includes the cost of a company expensed motor vehicle or travel allowance, retirement fund contributions, medical aid premiums and death and disability insurance;
- of the executive directors, A K Olivier, D A Rennie, L R Stuart-Hill and A F Stewart are required to give 24 months' notice of intention to terminate their services. J G Jones and D A Polkinghorne are required to give six months notice. T J T McClure will be retiring on 31 July 2010;
- other management have 30-days notice periods; and
- there are no deferred compensation plans.

Executive and senior management remuneration consists of the following elements:

- guaranteed remuneration (including cash and benefits);
- annual incentive bonus; and
- share option scheme which has been replaced by a cash-based, share price linked performance bonus scheme (phantom scheme).

* Reference to executive means participants on the group executive committee.

The incentive schemes reward exceptional performance and are structured around specific individual objectives.

All executive remuneration is considered by the remuneration/nomination committee, details of which are set out in the corporate governance report.

GUARANTEED REMUNERATION

The guaranteed remuneration of each executive is reviewed in February each year by the remuneration/nomination committee which is guided by a report prepared by the human resources division. The report provides a comparison with market survey data on companies of similar size and profile and the advice of credible remuneration consultants.

ANNUAL INCENTIVE BONUSES

All executives participate in the group's executive incentive bonus scheme. The bonus is contractual and is paid annually subject to the achievement of group and subsidiary financial targets combined with personal performance objectives agreed to by the chief executive and the remuneration/nomination committee. In terms of the scheme all executives may earn up to 100% of their total annual guaranteed remuneration. Additional rewards are granted for exceptional performance and in one instance an executive director also participated in a bonus pool scheme as part of an acquisition agreement. Agreement has, however, been reached to settle this profit sharing arrangement with final payment due on 31 July 2010.

Other senior management can earn up to a maximum of 40% of their total annual guaranteed remuneration.

SHARE INCENTIVE SCHEMES

Share option scheme

Grindrod has a share option scheme as an incentive to the senior management employees of the group. At the annual general meeting in May 2008 it was resolved that the unissued shares in the share capital of the company reserved for the purpose of the share option scheme continue to be placed under the control of the directors. The aggregate number of shares which are reserved for the scheme, together with the shares under option, is 90 000 000. These shares represent 5,9% of the authorised share capital and approximately 17% of the issued share capital as at 31 December 2008, excluding treasury shares.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

REMUNERATION REPORT

After taking into account options which have lapsed and options withdrawn in respect of retired employees and employees who have left the group, the balance of the options which have been granted is 58 310 000 shares (equivalent to 12% of the issued share capital), of which 48 860 000 shares have been exercised and issued, leaving 9 450 000 shares (equivalent to 2% of the issued share capital excluding treasury shares) still under option in terms of the scheme at 31 December 2008. The options are exercisable at the market prices ruling on the dates the options were granted and vary from 48 cents to 1 251 cents per ordinary share and at varying dates before November 2015.

3 520 000 ordinary shares were allotted during the year in terms of the scheme for a consideration of R2 926 200.

Details of share options granted but not exercised are:

Date option granted	Expiry date	Number of ordinary shares	Subscription price (cents)
23.11.2000	23.11.2010	100 000	48
25.03.2002	25.03.2012	380 000	110
18.07.2002	18.07.2012	320 000	110
04.02.2003	04.02.2013	600 000	128
26.11.2003	26.11.2013	3 750 000	239
27.05.2004	27.05.2014	300 000	380
23.11.2005	23.11.2015	4 000 000	1 251
		9 450 000	

This scheme has been closed.

Phantom share scheme

The board approved the adoption of the Grindrod group phantom share scheme in 2007 for executives and other key senior managers to replace the share option scheme.

Whilst the rules of the phantom scheme are modelled on those of the option scheme, the important difference is that options under the phantom scheme are "cash settled" rather than "equity settled". One-third of the options become vested on each of the third, fourth and fifth anniversaries of the relevant grant date. The options do not have an expiry date beyond the vesting date.

In terms of the rules of the phantom scheme, the grant price of an option is determined on the same basis as the settlement price, i.e. the weighted average of

previous seven trading days. The cash settlement amount of an option is equal to the difference between the weighted average price of Grindrod shares on the date upon which an option is exercised and the grant price. The participants will receive the amount due as a cash bonus.

The advantage to the company in adopting the phantom scheme include:

- no necessity to issue new shares when options are exercised, i.e. no share dilution;
- ease of administration; and
- tax effectiveness of the expense in the hands of the company.

The remuneration/nomination committee recommends the granting of all share options in terms of the phantom scheme for approval by the board of Grindrod Limited.

Options granted to executive directors and senior managers as at 31 December 2008 comprise:

Date granted	Number of shares	Price (R)
16.03.2007	1 475 000	16,25
23.05.2007	1 148 000	24,00
20.02.2008	2 348 600	23,50
21.05.2008	93 000	28,22
		5 064 600

None of the options were exercisable during 2008.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The level of fees paid to non-executive directors is reviewed by the remuneration/nomination committee on an annual basis.

The recommendations are submitted to the Grindrod board for consideration and the fees are approved in advance by the shareholders at the annual general meeting. Various market surveys are utilised to determine the remuneration levels and reference is made to the fees paid by comparable listed companies.

Non-executive directors do not participate in the group's incentive bonus plan or share option scheme, however, I A J Clark retired as chief executive officer on 31 December 2006 and continues to hold options granted during this tenure.

DIRECTORS' EMOLUMENTS

The remuneration paid to directors of the company, whilst in office, during the year ended 31 December 2008 is as follows:

	Directors' fees R000	Com- mittee fees R000	Basic remu- neration R000	Per- formance bonus R000	Retirement, medical and other benefits R000	Share option gains R000	Total 2008 R000	Total 2007 R000
Executive directors								
J G Jones			1 485	1 750	411	3 528	7 174	9 799
T J T McClure			2 001	34 885*	619	2 352	39 857	23 773
A K Olivier			2 841	2 618	156		5 615	8 527
D A Rennie			1 902	2 420	718	5 880	10 920	15 798
A F Stewart			1 805	2 240	627	10 575	15 247	15 975
L R Stuart-Hill			2 154	2 420	571	1 176	6 321	9 893
Non-executive directors								
W M Grindrod (retired 31 August 2007)								226
I A J Clark	294	40			38	4 330	4 702	9 847
H Adams	113						113	97
W D Geach (appointed 28 July 2008)	51						51	
S M Gounden (resigned 21 May 2008)	41	11					52	123
I M Groves	113	67			68		247	216
N E Mtshotshisa (deceased 22 February 2008)	15						15	97
R A Norton	112	65					177	154
N T Y Siwendu (appointed 20 December 2007)	76						76	
D R D White (retired 23 May 2007)								48
R J H Whitley (resigned 23 May 2007)								36
From the company							90 567	94 609
Executive directors								
D A Polkinghorne			1 570	1 660	258		3 488	3 758
A K Olivier**			519	1 088	731		2 338	1 862
Non-executive directors								
I A J Clark	61	10					71	3 703
W M Grindrod (retired 31 August 2007)								39
I M Groves	41	61					102	93
R A Norton	41	94					135	116
From the subsidiaries							6 134	9 571
Total emoluments							96 701	104 180

* This includes R32 465 244 (2007: R10 161 667) paid as part settlement of a profit share agreement which was entered into when acquiring Island View Shipping.

** 2008 remuneration paid in terms of contract of employment with group company in United Kingdom.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

REMUNERATION REPORT

SHARE OPTION SCHEME AND PHANTOM SHARE SCHEME

Details of share options and phantom shares granted to executive directors and not exercised are set out below. Details of these two schemes are shown on page 65 and 66.

Share option scheme

Director	Options at 01.01.2008	Options exercised during the year	Price at which options exercised (cents)	Options at 31.12.2008	Option price (cents)	Vesting dates	Expiry dates
I A J Clark	200 000 600 000	100 000	110	100 000	110	25.03.2009	25.03.2012
				200 000	239	26.11.2008	26.11.2013
				200 000	239	26.11.2009	26.11.2013
				200 000	239	26.11.2010	26.11.2013
	400 000	100 000	380	100 000	380	27.05.2009	27.05.2014
				100 000	380	27.05.2010	27.05.2014
				100 000	380	27.05.2011	27.05.2014
				150 000	1 251	23.11.2008	23.11.2015
				150 000	1 251	23.11.2009	23.11.2015
	750 000			150 000	1 251	23.11.2010	23.11.2015
				150 000	1 251	23.11.2011	23.11.2015
				150 000	1 251	23.11.2012	23.11.2015
				150 000	1 251	23.11.2012	23.11.2015
J G Jones	150 000 450 000	150 000	58	150 000	239	26.11.2008	26.11.2013
				150 000	239	26.11.2009	26.11.2013
				150 000	239	26.11.2010	26.11.2013
	500 000			100 000	1 251	23.11.2008	23.11.2015
				100 000	1 251	23.11.2009	23.11.2015
				100 000	1 251	23.11.2010	23.11.2015
				100 000	1 251	23.11.2011	23.11.2015
	100 000 600 000	100 000	58	100 000	1 251	23.11.2012	23.11.2015
				200 000	239	26.11.2008	26.11.2013
				200 000	239	26.11.2009	26.11.2013
200 000				239	26.11.2010	26.11.2013	
100 000				1 251	23.11.2008	23.11.2015	
100 000				1 251	23.11.2009	23.11.2015	
100 000				1 251	23.11.2010	23.11.2015	
500 000			100 000	1 251	23.11.2011	23.11.2015	
			100 000	1 251	23.11.2012	23.11.2015	
			100 000	1 251	23.11.2012	23.11.2015	
			100 000	1 251	23.11.2012	23.11.2015	
T J T McClure	100 000 600 000	100 000	58	200 000	239	26.11.2008	26.11.2013
				200 000	239	26.11.2009	26.11.2013
	500 000			200 000	239	26.11.2010	26.11.2013
				100 000	1 251	23.11.2008	23.11.2015
				100 000	1 251	23.11.2009	23.11.2015
				100 000	1 251	23.11.2010	23.11.2015
	100 000			100 000	1 251	23.11.2011	23.11.2015
				100 000	1 251	23.11.2012	23.11.2015

Share option scheme (continued)

Director	Options at 01.01.2008	Options exercised during the year	Price at which options exercised (cents)	Options at 31.12.2008	Option price (cents)	Vesting dates	Expiry dates	
A K Olivier	600 000			200 000	239	26.11.2008	26.11.2013	
				200 000	239	26.11.2009	26.11.2013	
				200 000	239	26.11.2010	26.11.2013	
	500 000				100 000	1 251	23.11.2008	23.11.2015
					100 000	1 251	23.11.2009	23.11.2015
					100 000	1 251	23.11.2010	23.11.2015
					100 000	1 251	23.11.2011	23.11.2015
				100 000	1 251	23.11.2012	23.11.2015	
D A Rennie	250 000	250 000	58					
	450 000							
					150 000	239	26.11.2008	26.11.2013
					150 000	239	26.11.2009	26.11.2013
					150 000	239	26.11.2010	26.11.2013
	500 000				100 000	1 251	23.11.2008	23.11.2015
					100 000	1 251	23.11.2009	23.11.2015
					100 000	1 251	23.11.2010	23.11.2015
					100 000	1 251	23.11.2011	23.11.2015
					100 000	1 251	23.11.2012	23.11.2015
A F Stewart	130 000	130 000	53					
	640 000	320 000	110	320 000	110	18.07.2009	18.07.2012	
	450 000			150 000	239	26.11.2008	26.11.2013	
				150 000	239	26.11.2009	26.11.2013	
				150 000	239	26.11.2010	26.11.2013	
	500 000			100 000	1 251	23.11.2008	23.11.2015	
				100 000	1 251	23.11.2009	23.11.2015	
				100 000	1 251	23.11.2010	23.11.2015	
				100 000	1 251	23.11.2011	23.11.2015	
			100 000	1 251	23.11.2012	23.11.2015		
L R Stuart-Hill	50 000	50 000	58					
	600 000							
					200 000	239	26.11.2008	26.11.2013
					200 000	239	26.11.2009	26.11.2013
					200 000	239	26.11.2010	26.11.2013
	500 000				100 000	1 251	23.11.2008	23.11.2015
					100 000	1 251	23.11.2009	23.11.2015
					100 000	1 251	23.11.2010	23.11.2015
				100 000	1 251	23.11.2011	23.11.2015	
				100 000	1 251	23.11.2012	23.11.2015	
	9 320 000	1 200 000		8 220 000				

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

REMUNERATION REPORT

Phantom share scheme

Director	Options at 01.01.2008	Options granted during the year	Options at 31.12.2008	Option price (cents)	Vesting dates
A K Olivier	850 000	186 000	283 300	1 625	16.03.2010
			283 300	1 625	16.03.2011
			283 400	1 625	16.03.2012
			62 000	2 350	19.02.2011
			62 000	2 350	19.02.2012
			62 000	2 350	19.02.2012
A F Stewart	50 000	94 000	16 600	1 625	16.03.2010
			16 600	1 625	16.03.2011
			16 800	1 625	16.03.2012
			31 300	2 350	19.02.2011
			31 300	2 350	19.02.2012
			31 400	2 350	19.02.2012
L R Stuart-Hill	135 000	88 000	45 000	1 625	16.03.2010
			45 000	1 625	16.03.2011
			45 000	1 625	16.03.2012
			29 300	2 350	19.02.2011
			29 300	2 350	19.02.2012
			29 400	2 350	19.02.2012
T J T McClure	130 000	90 000	43 300	1 625	16.03.2010
			43 300	1 625	16.03.2011
			43 400	1 625	16.03.2012
			30 000	2 350	19.02.2011
			30 000	2 350	19.02.2012
			30 000	2 350	19.02.2012
D A Rennie	155 000	84 000	51 600	1 625	16.03.2010
			51 600	1 625	16.03.2011
			51 800	1 625	16.03.2012
			28 000	2 350	19.02.2011
			28 000	2 350	19.02.2012
			28 000	2 350	19.02.2012
J G Jones		53 000	17 600	2 350	19.02.2011
			17 600	2 350	19.02.2012
			17 800	2 350	19.02.2012
D A Polkinghorne	155 000	53 000	51 600	1 625	16.03.2010
			51 600	1 625	16.03.2011
			51 800	1 625	16.03.2012
			17 600	2 350	19.02.2011
			17 600	2 350	19.02.2012
			17 800	2 350	19.02.2012
	1 475 000	648 000	2 123 000		

DIRECTORS' INTERESTS IN THE COMPANY

At 31 December 2008 the directors held ordinary shares in the company as set out below:

Director	2008	2007
	Beneficial indirect	Beneficial indirect
H Adams	100 000	
I A J Clark	12 369 900	13 930 000
I M Groves (1)	1 950 000	2 850 000
T J T McClure (2)	1 910 000	1 810 000
A K Olivier	2 334 250	2 334 250
D A Rennie (3)	1 020 000	1 079 406
A F Stewart (4)	1 090 000	640 000
L R Stuart-Hill (5)	987 195	1 937 195
Aggregate	21 761 345	24 580 851

Zero cost collar options have been entered into in respect of the following shares included in the above shareholdings:

	Put strike (R)	Call strike (R)	
(1)	450 000	25,85	30,24
(2)	300 000	21,68	26,45
(3)	320 000	12,38	20,07
(4)	510 000	12,65	25,97
(5)	500 000	23,09	28,59
	500 000	23,48	23,23
			Expiry date 4 October 2009
			Expiry date 29 June 2009
			Expiry date 6 April 2009
			Expiry date 24 November 2010
			Expiry date 18 March 2010
			Expiry date 8 June 2009

At 31 December 2008, the directors held preference shares in the company as set out below:

Director	2008	2008	2007
	Beneficial indirect	Non-beneficial indirect	Beneficial indirect
I A J Clark	205 931		186 910
I M Groves	15 000		15 000
J G Jones	10 000	4 000	10 000
D A Rennie	10 000		10 000
L R Stuart-Hill	8 250		–
T J T McClure	67 000		67 000
Aggregate	316 181	4 000	288 910

There were no direct beneficial holdings in the current or prior year.

These ordinary and preference shareholdings were unchanged at 25 February 2009.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

REMUNERATION REPORT

GENERAL REMUNERATION

Group companies' general remuneration levels are determined by market surveys for the particular industry sector in which they operate. The levels of basic remuneration are reviewed annually based on market movements as reported in various surveys.

Employment positions are evaluated using recognised evaluation systems. Salary scales are determined using a unified pay structure which identifies a minimum and maximum range for each position. Individual performance systems determine the actual pay level within a particular grade.

The group's salary/wage bill including incentive bonuses and profit share incentives for the reporting year and for 2007 per occupation level for temporary and permanent staff is tabled below:

R000 Occupational level	2008		2008	2007		2007
	Permanent	Temporary	Total	Permanent	Temporary	Total
Top management	112 061	6 615	118 676	140 419	4 384	144 803
Senior management	281 091	9 535	290 626	138 533	5 166	143 699
Middle management	113 741	6 046	119 787	105 288	2 958	108 246
Skilled	216 809	8 989	225 798	217 458	7 027	224 485
Semi-skilled	144 303	31 280	175 583	141 340	13 154	154 494
Least skilled	52 098	2 946	55 044	37 927	4 449	42 376
Total	920 103	65 411	985 514	780 965	37 138	818 103

The total payroll increased by R167 million. The disposal of Sheltam Grindrod, PicPack Grindrod and two units of the Auto Carrier Transport division (Bachelor Vehicle Deliveries and Vehicle Care Preservation) who employed a large number of staff, would have reduced the total payroll. However, amounts paid to Island View Shipping executives and general staff in settlement of the profit share scheme, together with some offshore group companies' payrolls previously excluded from the figures, have resulted in the 2008 payroll increasing over the 2007 payroll. This is particularly evident in the senior management level.

RISK MANAGEMENT

The board sets the group risk strategy policies in liaison with the executive directors and senior management and decides the group's appetite or tolerance for the risks Grindrod will or will not take in the pursuit of its goals and objectives.

The board is responsible for risk management and for implementing an effective process to identify risk, measure its potential impact and activate whatever is necessary to proactively manage such risks. Besides the quarterly assessments of risk at board meetings, a separate annual meeting of the board is held which focuses on the review of the group risk management process. The board has not appointed a separate risk committee.

Executive and operational management are accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the group. Group risk management facilitates risk reviews at all subsidiary and joint venture companies. This includes detailed reviews of all risk areas, legal compliance, contracts and insurance policies. Matrices are compiled setting out the risks

identified at the risk reviews and grading these risks into high, medium and low risks. All risks identified are considered when compiling the field work for the internal audit programme.

All business units must adhere to a comprehensive group standards document covering information technology, human resources, taxation, treasury, financial accounting, internal audit, risk management, company secretarial and corporate governance.

Insurance is only arranged with reputable underwriters and brokers. Group insurance cover includes hull and machinery, war risk, P&I cover, freight demurrage and defence cover, charterers liability, purchaser interest, cargo liability cover and comprehensive non-marine insurances cover. The group has a significant self-insurance facility in respect of its motor vehicle fleet.

The increasing diversity of operations has necessitated continual development and integration of risk management processes.

The following risks have been identified as significant to the group:



[business overview](#)

[commentaries](#)

[sustainability](#)

[annual financial statements](#)

[shareholder information](#)

continued

RISK MANAGEMENT

RISK TYPE	MANAGEMENT OF RISK
STRATEGIC RISK	<p>Management addresses these risks by:</p> <ul style="list-style-type: none">• Understanding the markets they operate in – sectorially, geographically and in global or regional business culture terms;• Being informed as fully as possible about the market situation and the market cycle;• Combined “through the cycle” experience base of Grindrod’s executive and management team;• The use of an established supporting expertise base including financiers, insurers, agents, brokers and legal advisors; and• Operating within set financial limits and board review.
MARKET RISK Substantial decline in world shipping markets	<ul style="list-style-type: none">• Management continually assess shipping markets utilising their own experience and detailed research;• Risks are managed through careful timing of fixed charters, timing of entry into markets, a solid contract base and diversification of risk; and• The board has set risk measurement benchmarks and the group’s risk model reflecting the exposure to shipping risk is continuously updated. Furthermore, an annual review of the model’s assumptions and the benchmarks is also carried out. <p>The impact of the current crisis in the global economy and credit markets on shipping markets and specific strategies to manage this risk are discussed in detail on pages 16 and 17 of the annual report.</p>
Exposure to commodity price fluctuations	<ul style="list-style-type: none">• The trading division uses derivatives, futures, contracts and other instruments on open positions to manage this risk; and• A commodity position trading policy is in place which includes a value at risk measurement of all open positions, stress testing and stop losses.
Credit/counterparty risk	<p>Management addresses these risks as follows:</p> <ul style="list-style-type: none">• Charter counterparties are thoroughly investigated and third party advice is provided to ensure that only well known, secure charterers are contracted;• Internal controls require a thorough credit approval process and regular management review;• Debtors are reviewed monthly by management;• Use of credit guarantee insurance;• Operating within set financial limits;• Significant exposures require board approval; and• The effectiveness of controls is assessed through the group’s internal audit process, as determined by the audit committee.

RISK TYPE	MANAGEMENT OF RISK
-----------	--------------------

FINANCIAL RISK

Exchange/interest rate risk	<ul style="list-style-type: none"> The group's exchange and interest rate policy is set by the board; A detailed review of the group's foreign exchange and interest rate exposure is reviewed quarterly by the board; and Management performs an ongoing review of the group's exchange and interest rate exposure.
Risk of non-compliance with loan covenants	<ul style="list-style-type: none"> Loan covenants are continually reviewed to ensure that current loans are well within loan covenant ratios.
Fraud risk	<ul style="list-style-type: none"> Fraud risk factors and internal controls are regularly reviewed and assessed through the group's risk management and internal audit process; A group Risk Fraud Policy and Fraud Response Plan is in place; and An anonymous whistleblower facility is in the process of being implemented within the group.
Funding risk	The group has a detailed funding plan and liquidity gap analysis in order to facilitate adequate funding for its expansion programme and to ensure that the group's funding is at levels that result in an efficient cost of capital, while maintaining an acceptable level of risk.

OPERATIONAL RISK

Financial claims from contractual exposures	<ul style="list-style-type: none"> Internal controls are in place to minimise claims for damages in respect of cargo claims and third party negligence; and Insurance cover is in place in the event that a claim arises.
Loss or breakdown of key assets	<ul style="list-style-type: none"> Management plays a key role in ensuring that adequate insurance cover is held for all key assets; Where necessary, such insurance has been extended to business interruption cover; and Management also ensures that strategic spare parts for equipment are held in storage and that high maintenance standards are upheld.
Significant off-hire or loss of a ship	<ul style="list-style-type: none"> The exposure to loss of charter income or revenue as the result of significant off-hire or loss of a ship is proactively managed by ensuring that high maintenance and safety standards are complied with and by using competent brokers and standard charter party agreements; Provision is also made in the budget process for possible off-hire to minimise the effect of any lost charter income on the group's results; Lost income as a result of the loss of an owned ship is not insured, but would generally be recovered as owned ships are insured in excess of replacement values; and Insurance is in place to cover the value of ships on charter for which the group holds purchase options and newbuildings under construction.

[business overview](#)

[commentaries](#)

[sustainability](#)

[annual financial statements](#)

[shareholder information](#)

continued

RISK MANAGEMENT

RISK TYPE	MANAGEMENT OF RISK
Environmental and climate change risks	<ul style="list-style-type: none">• The application of high level safety standards and use of modern, high-specification ships greatly reduces this risk;• Environmental cover is insured under P&I policies and oil pollution has coverage of up to US\$1 billion per vessel per incident;• All environmental management efforts within group subsidiaries are guided by the board approved group-wide environmental policy. A more detailed review of the group's environmental policy is set out in the environmental performance report on page 88 to 93;• The board requires and monitors through bi-annual quality, health, safety, security and environmental reports that each of the subsidiaries strictly complies with this policy; and• Subsidiary companies are required to formulate key environmental objectives with achievable targets and to report on performance against these targets for the year.
LEGAL RISK	<ul style="list-style-type: none">• Operating companies rely on service providers such as auditors and attorneys as well as trade associations and classification societies to keep them abreast of any significant changes in legislation; and• Tax legislation and the numerous changes are regularly reviewed to ensure the group is in compliance with all relevant tax legislation. In addition a detailed tax compliance review is carried out on a regular basis by internal audit.
ORGANISATIONAL RISK	
Loss of key staff	<ul style="list-style-type: none">• This risk is managed by ensuring competitive remuneration packages and long-term incentives, a progressive work environment, career growth opportunities and succession planning.
Industrial action	<ul style="list-style-type: none">• This is managed by following the appropriate human resources and industrial relations procedures and encouraging a culture of open communication within the group. Further detail is set out in the sustainability report on page 78.
IT systems failure	<ul style="list-style-type: none">• Centralised IT systems are backed up with a disaster recovery plan, while the group's wide area network communications platform is serviced by a fully backed up, outsourced virtual private network (VPN);• The group invests in appropriate computer technology to ensure that business units improve efficiencies and remain globally competitive; and• The targeted technology refresh cycle is between three to five years, thus avoiding the accumulation of legacy systems throughout the group.
RISKS RELATING TO FINANCIAL SERVICES	<ul style="list-style-type: none">• Grindrod Bank has a separate risk committee as required by the Banks Act, which has the responsibility to manage the risks facing the Bank. These include credit, liquidity, operational, market, compliance, reputational and insurance related risks; and• A risk committee charter is in place which defines the role, objectives, responsibilities, duties and authority of the risk committee of the Bank.

SOCIAL PERFORMANCE

HUMAN CAPITAL

Management approach

Grindrod's strategic aspirations ultimately lie in the hands of its people. Highly motivated teams of professional and skilled employees are paramount to the success of each of its companies.

Essential ingredients for Grindrod's success include a safe working environment where employees are treated with dignity and respect, communication is open, honest and courteous, ethical standards are high, equity is a reality and where the group's values are evident.

The group prides itself in its core values which are Respect, Integrity, Professionalism, Fairness and Accountability.

Staff complements

The number of group employees (permanent and temporary) worldwide decreased from 6 019 at 31 December 2007 to 5 245 at 31 December 2008. This staff reduction was as a result of the group exiting certain Freight Services businesses.

The table below provides a breakdown of the number of employees per country as at 31 December 2008.

Country	2008	2007
South Africa	4 000	4 754
Mozambique	935	1 017
Namibia	89	87
United Kingdom	26	24
Singapore	18	11
Russia	10	9
U.A.E.	5	5
Botswana	15	12
Peru	7	6
Ecuador	2	3
China	4	2
Tanzania	25	43
Democratic Republic of Congo	–	9
The Netherlands	1	1
France	3	4
Japan	1	1
Seychelles	–	1
South Korea	3	4
Seafarers: India	–	1
Philippines	53	11
Poland	48	14
Total	5 245	6 019

The above figures include the full complement of employees in subsidiary, joint venture and associated companies.

Subsidiary companies now employ 3 995 staff with 655 employed by joint venture companies and 595 by associated companies.

Recruitment/talent acquisition

The group Talent Acquisition Policy guidelines were revised in the fourth quarter of 2008. This was done to enhance the quality of the recruitment and to provide standard guidelines for the group companies. In line with the aim to achieve continued success, the group recognises the need to attract and retain competent people of high calibre who can enjoy a long and successful career in the group.

The policy creates and promotes an environment in which all employees are afforded equal development and promotional opportunities. It is the group's philosophy to give preference to existing employees where there are such developmental and promotional opportunities. However, in some instances it is necessary to recruit staff from external sources to complement the available competencies within the group.

The majority of group companies have adopted a fair and equitable competency-based assessment tool to guide their talent acquisition efforts. Over and above the traditional recruitment process, job and employee profiles are carefully analysed to determine the skills base and assist with both placement decisions and career pathing.

In 2008, there were 145 vacancies across the group where traditional formal recruitment processes including external sources, were utilised. 2009 will see the introduction of an internal electronic e-Recruitment system which will be more cost effective, improve efficiencies, and reduce the current dependency on external sources.

Benefits

Employee benefit structures provide for retirement, health care, disability insurance, bursaries for employees' children, housing needs and financial assistance for employees to further their education.

Labour relations

The group follows the approach of consultation for the benefit of management and employees. Freedom of association and dissociation is acknowledged and where employees have appropriate representation, recognition agreements are entered into.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

SOCIAL PERFORMANCE

Where there is no union recognition, formal and informal communication forums have been established. These forums promote both upward and downward communication and employees have the opportunity to clarify issues relating to company/division and branch matters.

The group realises the effect that restructuring of operations can have on employees and ensures that extensive and effective consultations are conducted when this occurs.

The level of union membership in the South African based staff complement, was 28% in 2008. The Road Freight Services division has the most union members. There are nine registered trade unions representing the group employees.

There are currently three recognition agreements in place within the group. Certain business units within the Freight Services division fall within the confines of the statutory bargaining councils.

The only industrial action during 2008 occurred at Grindrod Logistics Furniture division on 12 December 2008 and it involved 26 employees.

Disciplinary and grievance procedures

Group policies provide for formal disciplinary and grievance procedures. Behavioural standards are documented as conduct, performance or disciplinary codes, and these are communicated to all employees.

The group prefers progressive corrective rather than punitive measures. To this end, in minor cases of misconduct a written warning is given, subject to an investigation of the facts and based on the balance of probability. For more serious offences which could warrant dismissal, a fair and unbiased disciplinary hearing is conducted. All employees who go through the disciplinary procedure are permitted to be represented by an employee of his/her choice. A formal appeal procedure is in place for dismissals.

A formal grievance procedure exists to enable employees to communicate grievances to management and to obtain the earliest possible resolution.

Grindrod will be implementing a "Tip-off" facility in the second quarter of 2009. This is an anonymous facility

administered by Deloitte which will allow all employees the freedom to report dishonest activities.

Broad-based black economic empowerment (B-BBEE)

Grindrod believes that B-BBEE is an integral component of South African business and in this regard is committed to aligning its businesses with the national legislation in the area of sustainable business transformation and to the creation and development of an enabling environment, for effective implementation within the organisation. In doing so, its subsidiary companies ensure that they retain business focus, values, performance, customer satisfaction and increased shareholder value.

Grindrod has adopted a long-term developmental approach to B-BBEE which is aligned with the Codes of Good Practice issued by the Department of Trade and Industry. Performance against the various elements of B-BBEE is measured by means of the generic balanced scorecard and/or specific industry charters.

Scorecards have been prepared based on the 2007 financial reports. Certificates have been issued by a certified rating agency. Scorecards are currently being updated based on 2008 financial reports.

The five-year target is for each of Grindrod's South African companies to attain a level 4 rating by 2012. The majority of them have achieved level 5 ratings in 2008 and are on track to achieve the target.

Grindrod Bank was also scored in terms of the Financial Sector Charter guidelines and achieved a B rating for its BEE scorecard.

An overview of the group's activities in the various elements is as follows:

1. Ownership

In 2008, Unicorn announced the formation of a partnership with Calulo Services, an empowered South African petrochemical group. The joint venture consists of two companies, Unicorn Calulo Shipping Services, which focus on tanker shipping on the South African coast and Unicorn Calulo Bunker Services, which operates sophisticated bunker barges in South African ports under long-term agreements with the South African oil majors.

The group continues to engage in discussions with regard to equity ownership across the group. A further B-BBEE transaction resulting in the sale of 25% plus one share of Grindrod Limited's subsidiary, Grindrod (South Africa) (Pty) Limited (GSA) to Calulo Petrochemicals (Pty) Limited (Calulo) (15%) and Adopt-a-School Foundation (AAS) or (the Foundation) (10%) by way of the issue of new equity for a total consideration of R274 million was concluded post year-end. GSA houses the majority of Grindrod's South African based Freight Services operations, comprising the dry (Richards Bay and Durban) and liquid bulk (Durban and Cape Town) terminal operations; durable goods (automotive and furniture) and dry and liquid bulk transport operations; intermodal operations; and perishable cargo airfreight operations.

Calulo, established in 1999, is a black owned and controlled company with focused investments in the oil and chemicals sectors and in the related bulk logistics services arena and is an existing B-BBEE strategic partner of Grindrod in its marine bunkering and coastal shipping operations.

AAS is a Section 21 company that supports the development of schools in previously disadvantaged areas in South Africa and since its inception in 2002, has assisted over 60 schools. Ultimately it is hoped that the investment in GSA will form the cornerstone for the development of a foundation by AAS, with the creation of capital wealth out of the investment which will provide it with long-term sustainability. In order to facilitate AAS's entry into the empowerment arena, Grindrod has vendor financed 100% of AAS's investment, as AAS could ill afford to direct much needed funding from its school projects to finance the equity contribution required to acquire its interest in GSA.

GSA was placed second in the 2009 Olive Empowerment awards in the category Best Empowered Logistics Company.

Röhlig-Grindrod sold 100% of its subsidiary, Kapele Logistics to its BEE partner.

A BEE transaction with senior management within the Ships Agency division is expected to be concluded during 2009.

2. Management control

The group continues to strive to advance the appointment and development of black senior management through both external recruitment and internal advancement. As part of the GSA empowerment transaction outlined above, Mkhuselie Faku and Mpho Diale (Calulo) and Yaganthrie Ramiah (Adopt-a-School Foundation), have been appointed to the board of Grindrod (South Africa) (Pty) Limited.

As indicated in the demographic tables under employment equity below:

- the percentage of black representation at top management level increased from 14% to 15% in 2008; and
- the percentage representation at senior management level increased from 14% to 16%.

At Grindrod Limited board level Thina Siwendu was appointed in 2008 as a non-executive director to replace Dr Sivi Gounden who resigned.

3. Employment equity

All group companies have adopted an employment equity policy that promotes equal opportunity and fair treatment in employment through the elimination of any discriminatory practices and prejudices. An environment has been created in which every employee has the opportunity for advancement. Employment equity consultation committees consisting of individuals from different races, genders and occupational levels have been established and meet on a regular basis.

A developmental approach is being taken to affirmative action with the focus on promoting education and training to assist persons from designated groups to occupy more skilled and responsible positions within the group.

The current elements of equity have been analysed, plans and goals have been established and equity reports are submitted in accordance with the Employment Equity Act, No. 55 of 1998. The group's current demographic profile of permanent employees in South African companies per occupational level is tabled on page 80.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

SOCIAL PERFORMANCE

Demographic profile

In 2008, 85% (2007: 82%) of the group staff complement was composed of persons from designated groups of which 73% were black (2007: 71%).

2008

Occupational levels	Male		Designated				White	Total	White male	Non-designated		Total
	African	Coloured	African	Coloured	Indian	Indian				Foreign nationals	Male	
Top management	–	3	4	–	–	–	2	9	35	3	–	47
Senior management	6	3	8	3	1	2	14	37	98	6	1	142
Professionally qualified and experienced specialists and mid-management	13	8	47	2	3	11	53	137	106	–	–	243
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	249	107	165	33	64	92	193	903	174	7	1	1 085
Semi-skilled and discretionary decision making	654	122	201	83	70	107	125	1 362	80	3	3	1 448
Unskilled and defined decision making	342	30	7	62	7	–	–	448	5	4	–	457
TOTAL	1 264	273	432	183	145	212	387	2 896	498	23	5	3 422
% per race and gender	36,9	8,0	12,6	5,4	4,2	6,2	11,3	84,6	14,6	0,7	0,1	

2007

Occupational levels	Male		Designated				White	Total	White male	Non-designated		Total
	African	Coloured	African	Coloured	Indian	Indian				Foreign nationals	Male	
Top management	1	4	4	–	–	–	1	10	52	1	–	63
Senior management	10	4	7	–	–	2	21	44	109	7	2	162
Professionally qualified and experienced specialists and mid-management	13	16	53	14	7	18	66	187	159	3	2	351
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	396	146	218	30	61	90	255	1 196	264	7	4	1 471
Semi-skilled and discretionary decision making	752	122	201	114	63	103	165	1 520	162	3	5	1 690
Unskilled and defined decision making	555	32	27	75	9	3	13	714	3	–	–	717
TOTAL	1 727	324	510	233	140	216	521	3 671	749	21	13	4 454
% per race and gender	38,8	7,3	11,5	5,2	3,1	4,8	11,7	82,4	16,8	0,5	0,3	

4. Skills development

The group companies are committed to the development of all their employees and to this end support the Government's initiatives aimed at promoting training, education and development. The principle of learning through experience, as well as formal training, is adhered to throughout the group.

Training needs are identified and documented in the form of work place skills plans. These plans and implementation reports are submitted to the relevant Sector Education and Training Authorities (SETAs).

Grants have been received from the various SETA Chambers for training completed.

The group spent R8 million on training and development of its employees in 2008. A total of 1 835 employees attended courses. The following table gives an overview of the type of formal training courses which employees attended and the number of participants within the group.

Course programme	Total attendees	Black (%)	Training spend on black (%)
Computer skills	135	72	62
Mobile hoist/driver	235	98	98
Management and supervisory	47	57	69
Adult basic education and training	8	100	100
Continual professional development	120	51	50
Regulatory	435	85	81
Workplace effectiveness	633	72	64
Shipping	222	67	68
Grand total	1 835	76	69

In support of the national skills development strategy group companies continued to engage candidates on learnership programmes. In 2008 a total of 48 candidates (of which 83% were black) completed the programmes.

In addition, employees with professional qualifications are encouraged to keep abreast of developments in their particular fields by attending seminars, conferences and training courses.

Unicorn has been a prominent developer of local seafaring talent since 1965. On completion of approved Maritime Studies at either the Durban Institute of Technology (DIT) or the Cape Technikon, cadets are selected for training to serve as future deck or engineering officers in the Unicorn fleet. They undergo shipboard familiarisation and specialised ancillary training, as required in terms of the International Standards of Training, Certification and Watchkeeping for Seafarers (STCW 95). Training is also undertaken on behalf of third parties such as the National Ports Authority.

The Unicorn Seafarers Training School based in Durban continues to provide valuable support to the maritime industry and demonstrates the group's commitment to skills development. The school is South African Maritime Safety Authority (SAMSA) accredited and individuals who successfully complete courses, receive certificates that are nationally and internationally recognised.

During 2008, 1 994 seafarers completed courses at the school. This number included amongst others, local and international categories of officers, ratings, cadets, auxiliary crew of cruise liners and yachtsmen. Courses included shipboard familiarisation, safety at sea, proficiency in survival craft, rescue craft, first aid at sea, petroleum tanker safety, chemical tanker safety and able seaman and oiler. All courses are recognised in terms of International Maritime Organisation (IMO) Standards of Training, Certification and Watchkeeping (STCW).

There are currently 53 cadets undergoing training, of which 49 are black and 12 are female.

The cadet training expenditure for 2008 was R2,6 million of which R1,7 million was spent on the training of officers and ratings. This included R420 000 spend on specialised training of officers in the United Kingdom.

In addition to the training of cadets for employment in its own fleet, Unicorn provides training berths at sea and manages the training of cadets on behalf of:

- Transnet National Ports Authority of South Africa;
- Namibian Ports Authority (Namport);
- De Beers Marine (Angola);
- Sonatide (Angola); and
- OPS/SBM (Angola).

continued

SOCIAL PERFORMANCE

The group has embarked on the projects described above with the intention of:

- contributing to the meaningful transforming of the local maritime industry; and
- supporting the NEPAD initiative by assisting regional African countries with maritime training requirements.

5. Preferential procurement

Group companies continue to endeavour to direct any discretionary spend towards qualifying BEE enterprises.

This is an area where there has not been sufficient progress and co-ordination of the procurement function is receiving urgent attention by management.

6. Enterprise development

The success of B-BBEE is highly dependent on the development and growth of small businesses and to this end the group companies are continually seeking to support industry specific qualifying small enterprises.

As indicated earlier, R10 million in interest-free enterprise development loans have been provided by Grindrod (South Africa) to Adopt-a-School Foundation to finance its equity contribution in the empowerment transaction.

A number of guarantees have been issued and a shareholder loan granted to Calulo as part of the transaction within the Shipping division referred to in the ownership section.

7. Corporate social investment

The main focus of the corporate social investment (CSI) programme is centred around education, which is regarded by the group as key to the future of the country. The group is, however, also involved in environmental, community welfare and health, and business development programmes.

In some instances initiatives are managed at the business unit level and these are appropriate to the circumstances of each business and community in which it operates.

The group spent approximately R2,1 million during 2008 on its CSI programmes (2007: R1,35 million).

In addition, Grindrod Bank spent R1,9 million mainly through discounted fees to private clients of the Bank. These clients are involved in areas such as education, training, environment, arts and culture and health as defined in Section 13 of the Financial Sector Charter. Also included in this amount was the monetary value of the time spent by staff on charitable organisations.

Education and training

A full report on the internal programmes related to education, training and development within the group is referred to in the schools development sub-section of the social performance report. In particular, a full bursary scheme is available to children of employees, both in respect of school and tertiary education with a strong bias towards the previously disadvantaged.

During the year the company completed the building of two classrooms and administrative buildings in the Bothas Hill area in association with Project Build, a Durban based project management organisation involved in the development of school facilities. The building of modern ablution facilities at the Ukusakwabasha School in Bothas Hill commenced in 2008. Planning also got underway for the development of a maritime centre at the Sithengele High School in the Claremont area. This project will be completed in the first half of 2009.

A number of bursaries were awarded to black pupils to attend both private and "model C" high schools in KwaZulu-Natal. The performance of these children is being monitored in association with the management of these schools.

Grindrod continues to sponsor the Liberty Life/JSE Schools Challenge Project.

A new initiative involving the distribution of 1 000 lap desks to children in the Valley of a Thousand Hills area outside Durban was successfully accomplished.

Grindrod (South Africa) will contribute approximately R1 million a year to the Adopt-a-School Foundation for the ten-year period of the lock-in, in terms of the B-BBEE transaction. The intention is that the vast majority of all Grindrod SA's future CSI expenditure would be directed to AAS, aimed at improving education infrastructure, particularly in rural areas. The CSI expenditure directed towards the Foundation will provide an element of

predictability to the funding of its initiatives, as it relies entirely on donor funds, during the period whilst the funding of the transaction is being repaid.

The group has also been involved with the distribution of other educational material to schools and is a supporter of the Fathers Heart Foundation, which operates in the Cato Manor area, through practical caring for orphan children. Another orphan care initiative has been the sponsoring of home care and schooling costs for six teenage pupils under the care of the Durban based I-Care organisation.

Community, welfare and health

A major project reported on in 2007 was the sponsorship of Kingsley Holgate's Cape to Cape expedition aimed at circumnavigating Africa with the major objective of distributing mosquito nets, spectacles and literacy material. The expedition was successfully completed with the return of the convoy in July 2008. A second payment in the amount of R425 000 was made during the year. The group has also committed to support another expedition in 2009.

A number of containers were donated to underprivileged areas to serve as libraries, administrative offices and storage facilities. This initiative takes place through the group's container handling business.

The group continues to support several health related initiatives in KwaZulu-Natal including various HIV/Aids donations.

Grindrod provides financial support to the International Sailors' Society of Southern Africa, which provides practical and spiritual support to international seafarers.

Environment

The group continues to support the World Wildlife Fund, Southern Africa and other environmental related organisations.

Business development

GFS Holdings Limited acquired a 25,1% interest in SM Business Consultants (Pty) Limited owned and run by black women for the management of donor funds and CSI spend.



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

SOCIAL PERFORMANCE

Grindrod is a member of the South African Chamber of Commerce (SACOB) and has an association with the National Business Initiative (NBI). The latter organisation applies its resources to fund a diverse range of sustainable development programmes aimed at employment creation, education and schools development.

Grindrod has also been a co-sponsor and participating member of the KwaZulu-Natal Growth Coalition, which is a public/private partnership aimed at accelerating economic development in the province.

Grindrod continues to build and maintain sustainable relationships with a range of stakeholder groups particularly in relation to long-term strategic direction and focus on sustainability practices.

OCCUPATIONAL HEALTH AND SAFETY

Progress was made in the year under review in standardising and improving reporting on health and safety performance and investment. Occupational health and safety investment increased from around R4,5 million in 2007 to R8,9 million during 2008. A significant proportion of the 2008 investment was spent on health and safety audits in the Shipping division. There was also an increase in investment in safety equipment, training and improved safety measures throughout the group.

Grindrod's health and safety objectives and targets are simple – full compliance with applicable legislation with a target of zero incidents, within a culture of continual improvement.

Occupational health and safety is managed in terms of site-level or ship-based integrated safety health and environment (SHE) and quality (SHEQ) management systems. Senior employees in the company are required to ensure that all legal requirements are complied with and this forms part of their personal assessment. Wherever applicable, health and safety committees are maintained at site level, with full staff representation. Major contractors (e.g. shipyards) are audited in terms of safety, health and environmental performance on an ongoing basis. All serious incidents are reported, fully investigated with appropriate action taken, and are reported to the Grindrod Limited board.

The group's shipbuilding technical specifications have specifically banned the use of asbestos in ship's construction for the last 20 years.

Performance for the year under review per division was as follows:

Shipping

The division continued its excellent record with only five lost time incidents and one medical treatment case. The injury frequency rate within the division was 3,2 per million man hours, a slight improvement from last year's rate of 3,4. Following an injury, incident reports are circulated throughout the fleet and discussed in (HSE Stops) safety moments used for training and awareness. The division also participates in a Lessons Learned Scheme with companies in the oil and gas sector and other shipping companies.

KPIs		
Health and safety spend	R5 576 817	Of which 66% was spent on H&S audits
Medical treatment cases	1	
Lost time incidents	5	
Fatalities	–	

Freight Services

Companies within the Freight Services division reported a total of 79 medical treatment cases, of which 29 were lost time incidents.

Grindrod regrets to report that during the year three employees lost their lives. All three incidents were thoroughly investigated and appropriate health and safety training has been intensified within this division and a Divisional Occupational Health and Safety Manager with considerable experience has been appointed in 2009.

KPIs		
Health and safety spend	R3 282 453	Of which 41% was spent on safety equipment
Medical treatment cases	79	
Lost time incidents	29	
Fatalities	3	

Trading

No injuries were reported during the year.

Financial Services

No injuries were reported during the year.

HUMAN RIGHTS

Grindrod upholds employee human rights throughout its operations. Basic human rights are enshrined in company policy and in employment contracts. There is no child labour and forced labour within the group. There were no incidents of human rights violations during the year under review.

HIV/AIDS

Grindrod acknowledges the enormity of the HIV/AIDS epidemic and the severe social and economic implications of the disease. A group policy encouraging education and training and ensuring fair, compassionate and non-discriminatory treatment of those who may be affected by the disease is in place.

Awareness programmes were stepped up in all operational areas. Within the Freight Services division, a

full-time HIV/AIDS counsellor provides awareness programmes, education and counselling. Long-distance drivers within this division are informed of the location of clinics at certain truck stops throughout the region and are encouraged to utilise these.

Within the Shipping division, modules on HIV/AIDS and STD continued to be featured in a number of training courses including the "personal safety and social responsibility", "first aid" and "personal survival" courses conducted at our Marine Training School. Induction programmes also include a section on HIV/AIDS. Companies within the Shipping and Freight Services divisions provide the opportunity for voluntary testing on sponsored health days.

Group companies have made contributions to HIV/AIDS awareness programmes and support to HIV/AIDS care centres. Such initiatives also include signs and posters on all vessels, distribution of pamphlets and free access to prophylactics. R123 000 was spent on the abovementioned interventions within Unicorn Shipping.



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

STAKEHOLDER ENGAGEMENT

Grindrod continues to build and maintain sustainable relationships with a range of stakeholder groups particularly in relation to long-term strategic direction and focus on sustainability practices.

The group has further improved relationships with key stakeholders as summarised below:

INVESTORS

- Interim and annual results presentations to investors in Durban, Johannesburg and Cape Town;
- Summit TV broadcast of interim results;
- Interim results presentation available as a webcast on the website;
- All presentations and relevant information is available on the website as well as live SENS and share price feeds;
- One-on-one meetings with major investors, institutions and analysts;
- Site visit to the Maputo port facilities;
- Electronic communication and engagement with a wide range of stakeholders; and
- Significant improvements in the disclosure in the annual and interim reports.

CUSTOMERS

- Collective meetings with partners and key customers are held at least annually in Durban, Johannesburg and Cape Town;
- Cross-marketing within the group is continually explored and implemented;
- Responses to enquiries received via the website;
- Quarterly newsletter, brochures and a corporate DVD have assisted in communicating the group services;
- Participation in conferences/exhibitions such as Africa Rail and Harbour and McCloskey's South African Coal Exports Conference;
- Presentations at other local and international conferences;
- Adverts, advertorial, editorial placed in publications relevant to the group's customer base;

- Arranged links from various relevant websites to our own; and
- One-on-one meetings, both locally and internationally, at operational level.

MEDIA

- Press announcements;
- Editorials in relevant publications;
- Investor feedback presentations and client functions;
- Interviews with the chief executive officer (television and radio); and
- Corporate DVD.

GOVERNMENT AUTHORITIES

Meetings and discussions with:

- The South African Department of Trade and Industry regarding the proposed tonnage tax system;
- Government of Mozambique relating to the group's Maputo port investments;
- Namport regarding the group's Walvis Bay port investments;
- Transnet, Port Operations and National Ports Authority (NPA);
- PetroSA;
- South African Reserve Bank (SARB); and
- Financial Services Board (FSB).

NON-GOVERNMENTAL ORGANISATIONS, COMMUNITIES AND OTHER INDUSTRY INTEREST GROUPS

- Ethics Institute of South Africa;
- Maritime BEE Steering Committee, the Container Liner Operators Forum, the Association of Shipping Lines, the South African Container Terminal Advisory Board (SACTAB), Association of Ships Agents and Brokers of South Africa (ASABOSA) and South African Association of Ship Operators and Agents (SAASOA);
- Various communities through corporate social investment programmes;

- Institute of Internal Auditors of South Africa;
- Institute of Directors; and
- Institute of Risk Management of South Africa.

TRADE UNIONS

- The group has committees and reporting structures in place to engage with various unions and ongoing communication activities. Please refer to pages 77 and 78 for further details.

STAFF

- Internal newsletters, memoranda and the company intranet;
- Incentivised on-line quiz to encourage employees to understand all group companies; and
- Career section and job opportunities are posted on the website.

Results announcements, press releases and other updates are communicated to subscribers on the Grindrod website (www.grindrod.co.za).



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

ENVIRONMENTAL PERFORMANCE

A comprehensive benchmarking exercise was undertaken during 2008 which compared group environmental management practices with best practice and trends within the global marine transport sector. The exercise confirmed that the group is on track in this area and that the majority of key performance indicators (KPIs) are following best practice measures to minimise the impact of operations on the environment.

During the year, the board approved the adoption of a new Grindrod group environmental policy which can be found on the company website. The policy, which applies to all subsidiary operations in which Grindrod has a controlling interest, has raised the bar in terms of overall environmental performance within the group and facilitated the further development of company-level environmental management systems, in line with the decentralised approach to managing environmental risks.

A further key achievement was meeting for the third year in a row, the target of zero significant spills (more than one barrel of oil) for all ships under the group's control. This once again demonstrates the working commitment of ships' crews to minimising the environmental impact of operations on the world's marine ecosystems.

There were no material incidents of non-compliance with applicable environmental regulations in any jurisdiction that the group operated in during the year under review.

FOLLOW UP ON COMMITMENTS FROM PREVIOUS YEAR

In the previous report the group committed to improving the accuracy and completeness of monitoring and

reporting energy consumption data and to developing more appropriate measures of energy-use efficiency and greenhouse gas (GHG) emissions.

To meet these commitments the group:

- improved the accuracy and completeness of data collection across the group and undertook greater interrogation of the data received from subsidiaries, challenging and querying figures where appropriate; and
- clarified the scope of energy-use reporting for the Shipping division, moving closer to the goal of being able to report in line with International Maritime Organisation (IMO) CO₂ emission indexing working guidelines. For the first time the group is able to measure and report normalised CO₂ emissions (CO₂-e) in line with these guidelines for the majority of the fleet (see Shipping division section below). The objective going forward is 100% coverage. It should be noted that during 2008, the IMO continued to examine methodologies and guidelines. Grindrod is following these developments closely.

KEY ENVIRONMENTAL PERFORMANCE INDICATORS

The data below is for the whole group, including office-based Trading and Financial Services divisions, and represents more than 95% of the group by revenue and the full spectrum of shipping activities, which poses the greatest environmental risks.

	2008
Electricity usage in company buildings	15 093 464 kilowatts
Diesel usage in land-based vehicles	18 671 kilolitres
Petrol usage in land-based vehicles	497 kilolitres
Water usage	116 813 kilolitres measured and 125 000 kilolitres total estimated
Unrecycled general waste	421 tonnes
Paper and cardboard recycled	505 tonnes estimated
Total estimated GHG emissions	450 000 tonnes CO ₂ -e

Further environmental KPIs and achievements are reported below for the Shipping and Freight Services divisions. It is to be noted that data, although reflective of absolute performance for the group, is not directly comparable in terms of year-on-year eco-efficiency

performance given the changes to group structure and growth of businesses that occurred during the year, as well as improvements in completeness of data collection achieved in 2008.

Shipping

Key environmental inputs and outputs for vessels:



Grindrod acknowledges that climate change is a key risk to the business and in particular marine operations. As a shipping company, a significant amount of fossil fuel is burnt adding to the accumulation of GHG in the atmosphere that are now known to be accelerating human-induced climate change. Burning of marine fuel oil also results in the emission of SOx, NOx and particulate matter (PM). The marine operations are also exposed to the observed increase of unexpected weather patterns and extreme weather conditions. It is therefore in Grindrod's best interests to help reduce emissions where it can. The group continues to demonstrate its commitment to following best practice in this area.

Environmental reporting has been significantly improved in the Shipping division by clarifying the scope of inclusion for vessels in terms of their environmental footprint, following international best practice and guidelines provided by the international GHG protocol.

The company is, as always, responsible for spill prevention, waste management and water use for the ships owned and managed. Accountability for fuel consumption and the associated carbon and emissions (NOx, SOx and particulates) footprints is the responsibility of the company chartering the vessel and therefore, waste and water usage indicators are reported for the ships that are owned and managed by the group. In most

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

ENVIRONMENTAL PERFORMANCE

cases the vessels are chartered out and therefore fuel consumption and the resulting GHG emissions are not within the scope of reporting for these vessels. However, the Shipping division also acts as the charterers on vessels that are owned and managed by a third party and the fuel usage for these vessels is included in the scope of reporting, but in this instance does not maintain records of waste and water use. This re-adjustment means the exclusion of fuel usage and resulting GHG emissions from the majority of the Unicorn fleet, but the fuller inclusion of emissions from IVS shipping operations.

All vessels operated by the group have integrated safety, health, environment and quality (SHEQ) management systems driven by ISO 9001:2000 for dealing with significant potential environmental risks. Unicorn Shipping once again maintained ISO 9001:2000 accreditation by Det Norske Veritas (DNV). Unicorn Shipping vessels also hold documents of compliance issued by the relevant maritime authorities in terms of International Maritime

Organisation (IMO) legislation. All ships are subject to regular SHEQ audits by major oil customers, underwriters, certification and other bodies. Fleet managers within the group also conduct stringent internal SHEQ audits on a quarterly basis. Realistic emergency drills are carried out to test shipboard emergency response plans and shore management preparedness to deal with a variety of shipboard emergencies such as oil spills, collisions, fire, flooding or grounding. Seafarer training conducted by the Unicorn Training School, based in Durban, includes safety, health and environment awareness and response aspects to ensure that all seafaring staff can respond appropriately to emergency situations that could result in marine environmental impacts. Training continues on board in terms of each vessel's SHEQ system.

Emissions KPIs for the Shipping division are summarised in the table below:

SOx emitted	33 tonnes
NOx emitted	38 tonnes
Total marine diesel oil consumed	7 154 kilolitres
Total heavy fuel oil consumed	108 396 kilolitres
Estimated GHG emissions from marine fuel usage	370 000 tonnes CO ₂ -e
Total estimated GHG emissions in the Shipping division (including other sources – e.g. refrigerant gas usage)	380 000 tonnes CO ₂ -e
Average per-ship CO ₂ emissions efficiency (as per IMO guidelines)	12 g CO ₂ per tonne. Nautical Miles (NM) (for 77% of total distance travelled and 79% of tonnage transported by the fleet that fall within the reporting scope for the year)
Range per-ship CO ₂ emissions efficiency	2 – 33 g CO ₂ per tonne. NM

Audits of ships during the year again confirmed full compliance with annexure VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) that deals with air pollution from ships. The majority of ships owned and all new ships purchased, are fitted with the latest marine diesel and marine heavy fuel engines that reduce levels of SOx and NOx emissions.

Routine audits during the year ensured that all Grindrod ships were fully compliant with low sulphur fuel requirements for designated shipping areas.

Another environmental concern in the shipping industry is marine pollution, which can occur from accidents

involving spillage of fuel oil or cargo. It is pleasing to report for the third year in a row there were no spills as a result of ongoing stringent measures on board all vessels under the group's control.

The group policy objective is for 100% of owned vessels to have double-hulls to be constructed with materials designed to minimise corrosion and to promote robustness and longevity and to have the best available onboard navigation and safety equipment.

Discharging ballast water can also negatively impact marine biodiversity, transferring undesirable organisms

from one ocean to another and as a result all vessels have a Ballast Management Plan that complies with IMO requirements, to minimise such impacts.

Other measures in place to prevent marine pollution and impact on marine biodiversity include:

- continued non-use of Tributyl Tin (TBT) or lead containing anti-fouling paint;
- continued operation on most of the ships of non-water-based vacuum-operated sewerage treatment plants, minimising discharge of effluent at sea; and
- vessels owned by Unicorn Calulo Bunker Services, in which Grindrod has a 74,9% stake, are classed as "Cleanship" (see <http://www.cleanship.info>). All solid and liquid waste is retained on ship and not discharged into the sea at all.

Water use for the Shipping division was 3 467 kilolitres. Most of the Unicorn fleet can generate up to 20 kilolitres per day of their own water, but only approximately eight kilolitres is required per day.

Waste generated within the Unical and Unicorn shipping divisions was as follows:

- galley waste: 31,1 tonnes; and
- general non-recycled waste: 83,93 tonnes.

Biodegradable waste generated on all ships is disposed of at sea or incinerated onboard in strict compliance with MARPOL. Solid waste and waste oils are separated on board and where possible incinerated, in strict compliance with the relevant provisions of MARPOL. Any waste that may contain heavy metals is not incinerated on board. As vessels trade worldwide, it is not practicable to audit solid waste disposal sites, however, all company-run ships maintain garbage logs for solid waste and safe disposal receipts for any solid waste landed. Grindrod has maintained its policy of not transporting hazardous waste.

Protection and Indemnity Club cover of US\$1 billion is maintained for each ship accident or collision for oil pollution and resultant environmental liabilities imposed by international convention, national legislation or common law.



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

continued

ENVIRONMENTAL PERFORMANCE

Freight Services

Key environmental inputs and outputs for road freight:



Grindrod Terminals, based in Durban and Richards Bay, are in the advanced stages of implementing ISO 14001 compliant environmental management systems (EMS) and are in line to be certified within the next 12 to 18 months.

Carbon footprint for the Freight Services division:

		Tonnes CO ₂ e
Electricity usage - buildings	14 538 699,83 kWh	14 350
Diesel usage in land-based vehicles	18 652,52 kl	51 220
Petrol usage in land-based vehicles	447,47 kl	1 066
TOTAL		66 636

Measures to reduce air pollution included:

- Grindrod Logistics – Auto Carriers:
 - all trucks purchased in the last three years comply with EU emissions requirements;
 - implementation of a stop-start system to reduce vehicle idling;
 - increased use of low sulphur fuels where possible; and
 - appointment of consultants to investigate the feasibility of using bio-fuels.
- Grindrod Logistics – Bulk Transport:
 - vehicles comply with “Euro 3 specification”. Furthermore, their fuel management system identified anomalies in fuel consumption.

Waste, by type, generated by the division was as follows:

- General non-recycled waste: 295 205 kilograms;
- Paper: 487 772 kilograms;
- Steel/metal: 112 640 kilograms;
- Wood: 141 150 kilograms;
- Liquid chemical waste: 56 kilolitres;
- Salt sweepings: 47 tonnes; and
- Sulphur sweepings: 250 tonnes.

It is group policy that all land-based solid waste be separated at source into hazardous and non-hazardous streams and disposed of separately. Hazardous waste is disposed of by registered contractors to licensed hazardous waste sites. Full compliance with this policy was maintained during the year under review.

There were two environmental incidents within the Freight Services division. A major water leak that resulted from a vehicle damaging a water pipe at a Grindrod Intermodal depot in Durban caused the collapse of four tanks containing jet fuel. Local fire and emergency authorities were called out to attend to the accident and an external contractor successfully contained the resulting spill. In the second incident, a road tanker owned by Grindrod Tank Terminals was involved in an accident that caused the spillage of petroleum fuel. An external contractor successfully contained the resulting spill.

GROUP-LEVEL ENVIRONMENTAL OBJECTIVES AND TARGETS FOR 2009

Following the important groundwork completed during the year and the step-up improvement in environmental

monitoring and reporting, Grindrod is committed to further improving its management of environmental risks as follows:

- to commence roll-out of company-level management programmes and initiatives in line with the new group environmental policy;
- aim to achieve a target of 100% coverage in terms of monitoring and reporting on ships emissions, following the new boundary guidelines established and in line with IMO CO₂ emissions indexing best practice;
- improve on measurement and reporting of normalised land-based electricity usage and associated GHG emissions, so as to start to explore more aggressive options and strategies in terms of reducing energy and GHG emissions from these sources;
- investigate alternative renewable fuel and energy options where feasible; and
- continue to maintain full compliance with MARPOL regulations regarding marine pollution and zero record in terms of significant spills to the marine environment.



business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

G3 GRI CONTENT INDEX

The Global Reporting Initiative (GRI) is a global multi-stakeholder network of thousands of experts worldwide, who participate in the GRI's working groups and governance bodies to provide a universally accepted, trusted and credible framework for sustainability reporting. The following table provides a summary of Grindrod's reporting against the criteria of the Global Reporting Initiative's Sustainability Reporting Guidelines (www.globalreporting.org).

NR – Not reported
N/A – Not applicable

GRI reference	Description	Page no.
Strategy and profile		
1.1	CEO statement	16 – 21
1.2	Description of key impacts, risks and opportunities	73 – 76
Organisational profile		
2.1	Name of the organisation	1, 173
2.2	Primary brands, products and/or services	1, 6
2.3	Operational structure of the organisation	1
2.4	Location of organisation's headquarters	5 – 6, 173
2.5	Number of countries where the organisation operates	4 – 6
2.6	Nature of ownership and legal form	5, 170 – 171, 167
2.7	Markets served	1
2.8	Scale of the reporting organisation	1, 7, 40, 43, 45, 55
2.9	Significant changes to company during the reporting period	6 – 7, 18 – 19
2.10	Awards received in the reporting period	79
Report parameters		
3.1	Reporting period	99
3.2	Date of most recent previous report	This report (2008)
3.3	Reporting cycle	58
3.4	Contact point for questions regarding the report or its contents	173
3.5 – 3.11	Report scope and boundary	58
3.12	GRI content index	94 – 95
3.13	Assurance	99 (Financial only)
Governance, commitments and engagement		
4.1 – 4.10	Corporate governance	60 – 64
4.11 – 4.13	Commitments to external initiatives	82 – 83, 86 – 87
4.14 – 4.17	Stakeholder engagement	86 – 87
MANAGEMENT APPROACH AND PERFORMANCE INDICATORS		
Economic performance		
	Management approach	NR
EC1	Direct economic value generated and distributed	59
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	89
EC3	Coverage of the organisation's defined benefit plan obligations	101, 107, 148
EC4	Significant financial assistance received from government	59
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	NR
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	NR
EC7	Procedures for local hiring and proportion of senior management hired from the local community	81
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	82 – 84
EC9	Understanding and describing significant indirect economic impacts	NR
Environmental performance		
	Management approach	88
EN1 – EN2	Materials and recycling	91 – 92
EN3 – EN7	Energy and energy conservation	88 – 90, 92 – 93
EN8 – EN10	Water and water conservation	89, 91
EN11 – EN15	Biodiversity and natural ecosystem impacts	90 – 91
EN16 – EN18	Greenhouse gas (GHG) emissions	88, 90, 92
EN19	Emissions of ozone-depleting substances	90
EN20	NO _x , SO _x and other significant air emissions	90

NR – Not reported
N/A – Not applicable

GRI reference	Description	Page no.
Environmental performance (continued)		
EN21	Water discharge	90 – 91
EN22	Waste	88, 91 – 93
EN23	Total number and volume of significant spills	90, 93
EN24	Transport of hazardous waste	91
EN25	Impacts to water bodies by discharges of water and run-off	90 – 91
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	90 – 91
EN27	Packaging materials reclaimed	NR
EN28	Fines and non-monetary sanctions for environmental non-compliance	88 (none)
EN29	Environmental impacts of transporting products	88 – 93
EN30	Environmental protection expenditure	NR
Social: Labour practices and decent work		
	Management approach	77
LA1 – LA2	Workforce composition	77, 80
LA3	Employee benefits	77
LA4	Collective bargaining agreements (trade unions)	77 – 78
LA5	Minimum notice period(s)	65
LA6 – LA9	Occupational health and safety	84
LA10 – LA11	Training and skills development	81 – 82
LA12	Employee performance and career development reviews	77
LA13	Employee gender, age, minority group membership and other indicators of diversity	80
LA14	Ratio of basic salary of men to women by employee category	NR
Social: Human rights		
	Management approach	85
HR1 – HR9	Human rights disclosure	85
Social: Society		
	Management approach	NR
SO1	Impacts of operations on communities	NR
SO2	Business units analysed for risks related to corruption	NR
SO3	Anti-corruption policies and procedure training	64
SO4	Actions taken in response to incidents of corruption	N/A
SO5	Public policy positions and participation in public policy development and lobbying	86 – 87
SO6	Contributions to political parties	N/A (None)
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	N/A
SO8	Fines and non-monetary sanctions for non-compliance with laws and regulations	N/A (None)
Social: Product responsibility		
	Management approach	NR
PR1	Health and safety impacts of products and services	NR
PR2	Incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle	NR (None)
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	NR
PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	NR (None)
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	86
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications	NR
PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	NR (None)
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	NR (None)
PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	NR (None)

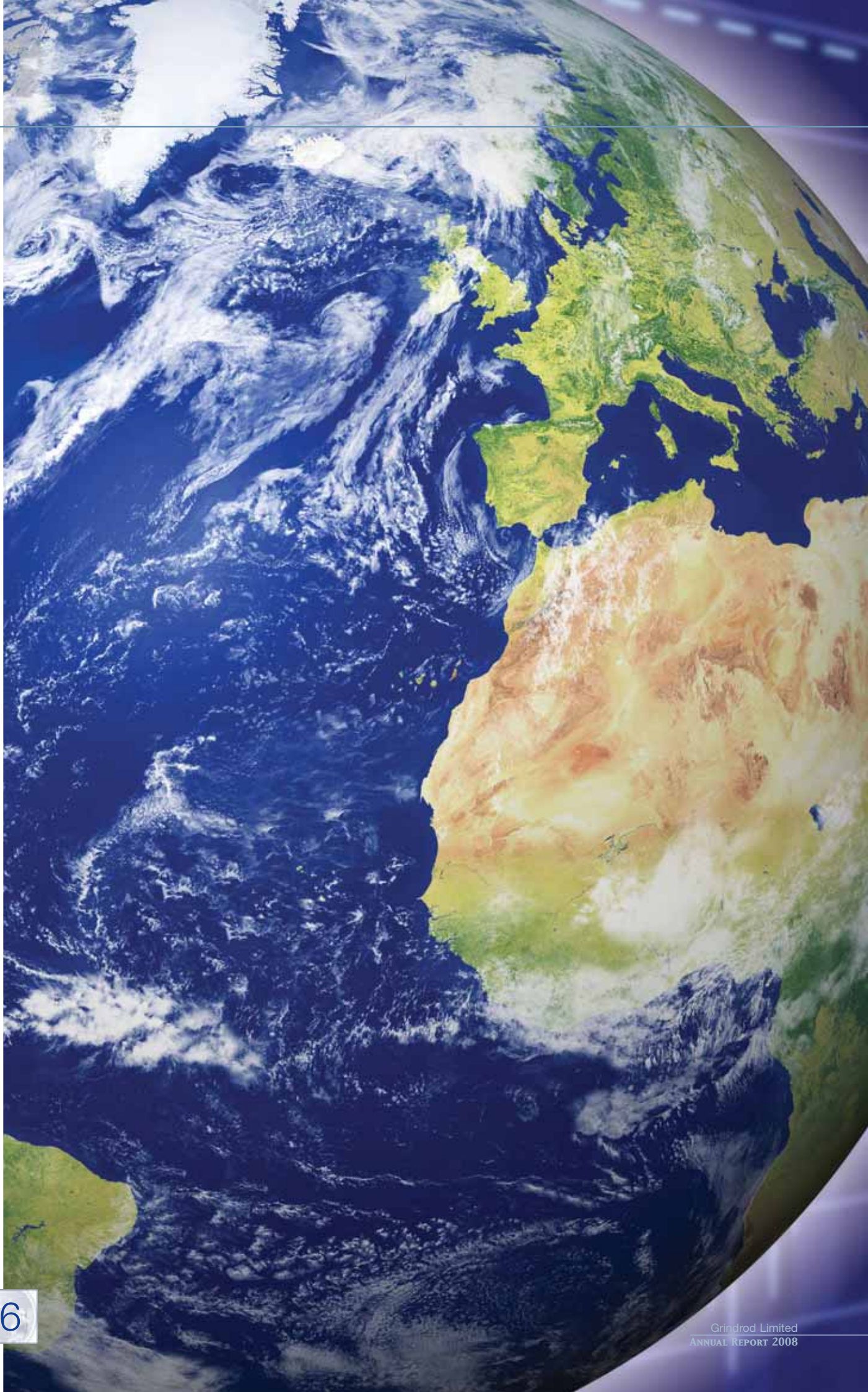
business
overview

commentaries

sustainability

annual financial
statements

shareholder
information



Annual financial statements

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

DIRECTORS' RESPONSIBILITY AND APPROVAL

The directors of Grindrod Limited have pleasure in presenting the annual financial statements for the year ended 31 December 2008.

In terms of the South African Companies Act, 1973, as amended, the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the company and of the group at the end of the financial year and of the profit or loss for that year. To achieve the highest standards of financial reporting, these annual financial statements have been drawn up to comply with International Financial Reporting Standards and the Companies Act of South Africa.

The annual financial statements comprise:

- directors' report;
- the balance sheets;
- the income statements;
- the cash flow statements;
- statements of changes in equity;
- segmental analyses;
- notes; and
- accounting policies.

The reviews by the chairman, the chief executive officer, the finance director and the detailed operational reports discuss the results of operations for the year and those matters which are material for an appreciation of the state of affairs and business of the company and of the Grindrod group.

Supported by the audit committee, the directors are satisfied that the internal controls, systems and procedures in operation provide reasonable assurance that all assets are safeguarded, that transactions are properly executed and recorded, and that the possibility of material loss or misstatement is minimised. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. They are of the opinion that the annual financial statements fairly present in all material respects the state of affairs and business of the company and the group at 31 December 2008 and of the profit for the year to that date. The external auditors, who have unrestricted access to all records and information, as well as to the audit committee, concur with this statement.

In addition, the directors have also reviewed the cash flow forecast for the year to 31 December 2009 and believe that the Grindrod group has adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going-concern basis and the external auditors concur.

The annual financial statements set out on pages 100 to 167 were approved by the board of directors on 25 February 2009 and were signed on their behalf by:

I A J Clark
Chairman

A K Olivier
Chief executive officer

CERTIFICATE BY COMPANY SECRETARY

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

C A S Robertson
Company secretary

Durban
25 February 2009

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GRINDROD LIMITED

Report on the financial statements

We have audited the annual financial statements and group annual financial statements of Grindrod Limited which comprise the directors' report, the balance sheet and consolidated balance sheet as at 31 December 2008, the income statement and consolidated income statement, the statement of changes in equity and consolidated statement of changes in equity and cash flow statement and consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 100 to 167 and pages 67 to 71.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as at 31 December 2008 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Per A G Waller
Partner

Durban
25 February 2009

2 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia
4051

National Executive: G G Gelink (*Chief executive*), A E Swiegers (*Chief operating officer*), G M Pinnock (*Audit*), D L Kennedy (*Tax & legal and financial advisory*), L Geeringh (*Consulting*), L Bam (*Corporate finance*), C R Beukman (*Finance*), T J Brown (*Clients & markets*), N T Mtoba (*Chairman of the board*), C R Qually (*Deputy chairman of the board*).

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company and of the group for the year ended 31 December 2008.

Nature of business

The nature of the group's business is set out under the group profile on page 1.

Financial results

The financial results for the year ended 31 December 2008 are set out in detail on pages 112 to 167 of these annual financial statements.

Year-end review

The year under review is fully covered in the chairman's, the chief executive's and the financial director's reviews.

Share capital

Details of the authorised and issued shares are shown on page 145 and the share analysis is shown on pages 170 to 171. The directors propose that the authority granted to them to control the unissued shares be renewed.

The directors propose that the general authority granted to them to repurchase ordinary shares as opportunities present themselves be renewed at the forthcoming annual general meeting. A similar request is also made in respect of preference shares.

The issued share capital increased by 3 520 000 ordinary shares as a result of the allotment and issue of new shares in terms of the Grindrod Limited Share Option Scheme during the year under review.

Dividends

The directors have declared a final dividend of 68 cents per ordinary share (2007: 44 cents distribution). Dividends paid or payable in respect of the year were as follows:

	Date of declaration	Last day to trade cum-dividend/distribution	Trading ex-dividend commences	Record date	Payment date	Amount per share (cents)
Interim	20.08.2008	05.09.2008	08.09.2008	12.09.2008	15.09.2008	68
Final	25.02.2009	13.03.2009	16.03.2009	20.03.2009	23.03.2009	68

The directors have also declared a dividend of 623 cents per preference share (2007: 550 cents) which will be paid on the same day as the final dividend to ordinary shareholders referred to above.

Directors

Brief curricula vitae of the current directors are given on pages 8 to 11. Details of directors' remuneration and the share option schemes appear on pages 66 to 71.

Change in directorate

During the financial year under review, Mrs N T Y Siwendu and Professor W D Geach were appointed to the board as independent non-executive directors on 21 May 2008 and 28 July 2008, respectively. Dr S M Gounden resigned as a director on 21 May 2008.

According to the company's articles of association, at the forthcoming annual general meeting, Messrs I A J Clark, A K Olivier, D A Rennie and D A Polkinghorne retire by rotation. All are eligible and have offered themselves for re-election.

Company secretary and registered office

The company secretary is Mr C A S Robertson and his address and that of the registered office are as follows:

Business address	Postal address
Quadrant House 115 Margaret Mncadi Avenue Durban, 4001 South Africa	PO Box 1 Durban, 4000 South Africa

Subsidiary companies

Information on associate and subsidiary companies is contained on pages 124 to 125 and 167, respectively. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the operational reviews on pages 40 to 55.

International Financial Reporting Standards (IFRS)

The company's financial statements were prepared in terms of International Financial Reporting Standards as issued by the International Accounting Standards Boards (IASB) and are consistent with those applied in the previous year with the exception of the revised IAS 16 (property, plant and equipment) and IAS 7 (cash flow statements) which were early adopted. These changes had no effect on results but there has been some restatement of prior year disclosure.

Going-concern

The directors consider that the company has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the company's financial statements. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Major shareholders

A list of major shareholders is detailed on page 170 of the annual report.

Special resolutions

The company's articles of association were amended at the 2008 annual general meeting by the insertion of a paragraph in the articles to accommodate the proposed amendment of the Income Tax Act, which abolishes secondary taxation on companies and simultaneously introduces a withholding taxation on dividends.

A renewal of authority for the company or its subsidiaries to repurchase its own shares was obtained at the 2008 annual general meeting.

There have been no special resolutions other than those referred to in this report passed by the company or its subsidiaries, the nature of which might be significant to members in their appreciation of the state of affairs of the group.

Employee retirement benefit plans

Details of the group's employee retirement benefit plans are separately disclosed in note 18.

Holding company

Grindrod Limited had no holding company at 31 December 2008.

Auditors

Deloitte & Touche will continue in office in accordance with section 270 (2) of the Companies Act.

Subsequent events

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report other than the sale of 25% plus one share of Grindrod (South Africa) (Pty) Limited to an empowerment group.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

ACCOUNTING POLICIES

BASIS OF PREPARATION

Accounting framework

The financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Financial Reporting Standards Board using the historic cost convention except for certain financial instruments that are stated at fair value.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.1 and 2 to the financial statements.

Underlying concepts

The financial statements are prepared on the going-concern basis using accrual accounting.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard.

Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standards. If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively.

Changes in accounting estimates are recognised in profit or loss. Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the group and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the entity and the cost or fair value can be measured reliably.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

Foreign currencies

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates. Transactions in currencies other than the entity's functional currency are recognised at the rates of exchange ruling on the date of the transaction.

Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at the balance sheet date.

Gains and losses arising on exchange differences are recognised in profit or loss.

The financial statements of entities within the group whose functional currencies are different to the group's presentation currency, which is South African Rand, are translated as follows:

- assets, including goodwill, and liabilities at exchange rates ruling on the balance sheet date;
- income items, expense items and cash flows at the average exchange rates for the period; and
- equity items at the exchange rate ruling when they arose.

Resulting exchange differences are classified as a foreign currency translation reserve and recognised directly in equity. On disposal of such a business unit, this reserve is recognised in profit or loss.

Segmental reporting

Segment accounting policies are consistent with those adopted for the preparation of the group financial statements. The principal segments of the group have been identified on a primary basis by business segment, which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns.

All segment revenue and expenses are directly attributable to the segments and are subsequently adjusted for group costs. Segment assets include all operating assets used by a segment, and consist principally of ships, property, terminals, vehicles and equipment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments and are subsequently adjusted for group costs. All intra-segment transactions are eliminated on consolidation.

Post-balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide additional evidence of conditions that existed at the balance sheet date. Events after the balance sheet that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

Comparative figures

Comparative figures are restated in the event of a change in accounting policy or a prior period error.

COMPANY FINANCIAL STATEMENTS

Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures in the separate financial statements presented by the company are recognised at cost.

CONSOLIDATED FINANCIAL STATEMENTS

Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the company and all entities controlled by the company (its subsidiaries) as if they were a single economic entity. Control is achieved where the company has the power to govern the financial and operating policies of the acquired entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All material inter-company balances and transactions are eliminated.

Minority interests in the net assets of consolidated subsidiaries are shown separately from the group equity therein. It consists of the amount of those interests at acquisition plus the minorities' subsequent share of changes in equity of the subsidiary. On acquisition, the minorities' interest is measured at the proportion of the pre-acquisition fair values of the identifiable assets and liabilities acquired. Losses applicable to minorities in excess of its interest in the subsidiaries' equity are allocated against the group's interest except to the extent that the minorities have a binding obligation and the financial ability to cover losses. Minorities are considered to be equity participants and all transactions with minorities are recorded directly within equity.

Interests in associate companies

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The consolidated financial statements incorporate the assets, liabilities, income and expenses of associates using the equity method of accounting from the acquisition date to the disposal date, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Losses of associates in excess of the group's interest are not recognised unless there is a binding obligation to contribute to the losses.

Goodwill arising on the acquisition of associates is accounted for in accordance with the accounting policy for goodwill as set out below but is included in the carrying amount of the associate.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control. The group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale and discontinued operations. The group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

ACCOUNTING POLICIES

FINANCIAL STATEMENT ITEMS

BALANCE SHEET

Ships, property, terminals, vehicles and equipment

Ships are reflected at cost less accumulated depreciation and any impairment losses. Cost comprising acquisition cost and costs directly related to the acquisition up until the time when the asset is ready for use, include interest expense incurred during the period. The market average useful life of a ship is estimated to range from 25 to 30 years at which point it would usually be scrapped. The group maintains a young fleet compared to the market average and estimates useful life as 15 years from date of delivery for new ships. Ships are depreciated on a straight-line basis to an estimated residual value over their useful life to the group. Borrowing costs incurred in the financing of the acquisition of ships prior to their delivery are capitalised to the cost of the ships.

From time to time the group's vessels are required to be dry-docked for inspection and re-licensing at which time major repairs and maintenance that cannot be performed while the vessels are in operation are generally performed. The group capitalises the costs associated with dry-docking as they occur by adding them to the cost of the vessel and amortises these costs on a straight-line basis over 2,5 years, which is generally the period until the next scheduled dry-docking.

In the cases where the dry-docking takes place earlier than 2,5 years since the previous one, the carrying amount of the previous dry-docking is derecognised. In the event of a vessel sale, the respective carrying values of dry-docking costs are derecognised together with the vessel's carrying amount at the time of sale. At the date of acquisition of a vessel, management estimates the component of the cost that corresponds to the economic benefit to be derived until the next scheduled dry-docking of the vessel under the ownership of the group, and this component is depreciated on a straight-line basis over the remaining period to the estimated dry-docking date.

Terminals, vehicles and equipment are reflected at cost and are depreciated over their estimated useful lives to estimated residual values, on a straight-line basis as follows:

Aircraft	5 years
Locomotives	15 years
Terminals and machinery	5 – 20 years
Information technology equipment	3 – 5 years
Vehicles	3 – 10 years

Depreciation commences when the assets are ready for their intended use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

Assets that are held for rental are initially classified as ships, property, terminals, vehicles and equipment. When these assets cease to be rented and a decision is made to sell these assets, the carrying amount is transferred to current assets (inventories) as "held for sale". Upon disposal of the "held-for-sale" assets, the sales value is recorded in gross revenue and the related carrying value of these assets recorded in cost of sales.

Freehold land is reflected at cost and not depreciated. Buildings are reflected at cost and depreciated to estimated residual value over their useful life to the group, currently estimated at 50 years from the date of acquisition. Where the estimated residual value exceeds the cost, depreciation is not provided.

Expenditure relating to leasehold properties is capitalised and depreciated over the period of the lease, or 25 years, whichever is the lesser period.

Intangible assets

Goodwill

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or joint venture recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous SA GAAP amounts subject to being tested for impairment at that date.

If, on a business combination, the fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, this excess is recognised in profit or loss immediately.

Other intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. It includes purchased long-term contracts, and certain costs of purchase and installation of major information systems (including packaged software).

Intangible assets acquired separately are initially recognised at cost or at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, it is not amortised but tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over their useful lives using a straight-line basis, and tested for impairment if there is an indication that they may be impaired.

Deferred taxation assets and liabilities

Deferred taxation is recognised using the balance sheet liability method for all temporary differences, unless specifically exempt, at the taxation rates that have been enacted or substantially enacted at the balance sheet date.

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused taxation losses and the carry forward of unused taxation credits (including unused credits for secondary taxation on dividends). Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for taxable temporary differences, unless specifically exempt.

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Loans and advances

Advances designated as loans and receivables are recognised at amortised cost using the effective interest rate method less any impairment. Fixed rate advances which have been hedged are held at fair value through profit and loss and are remeasured to fair value through the income statement at each subsequent reporting date.

Exposures are considered past due where the facility has expired and the Bank is not considering renewal of the facility or where expected cash flows on the facility are more than one month in arrears. Past due exposures are considered impaired and a specific provision/impairment amount is raised based on the carrying amount less the expected realisable value of the security held, but as a minimum the amount should be equivalent to the regulatory requirement.

Advances are assessed for indicators of impairment and impairments are accounted for when there is objective evidence that the estimated future cash flows from the assets/advances have been negatively impaired by events occurring subsequent to initial recognition. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Advances considered to be irrecoverable are written off to the extent that the loss can be reliably measured.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal group are available for immediate sale in its present condition and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held for sale, the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale it is measured at the lower of the carrying amount and fair value less costs to sell and therefore not depreciated. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

ACCOUNTING POLICIES

Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories which include merchandise, bunkers on board ships and other consumable stores are valued at the lower of cost and net realisable value. Cost is determined on a weighted average and first-in-first-out basis. Spares on board ships are charged against income when issued to the ships.

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

Agricultural and other commodities are valued at fair value less costs to sell. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

Financial assets

A financial asset is an asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets designated as held at fair value through profit or loss are expensed.

Investments classified as held-to-maturity financial assets are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Financial assets are accounted for at fair value through profit or loss where the financial asset is either classified as held for trading or is designated as held at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Investment banking portfolio assets are classified as held for trading and are recognised on a settlement basis. These investments are initially measured at cost, including transaction costs, and are remeasured to fair value at each subsequent reporting date. Changes in fair value are recognised in the profit or loss when they arise.

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts, which is determined as set out under impairment of assets below. Items with extended terms are initially recorded at the present value of future cash flows and interest income is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

Other investments are classified as available-for-sale financial assets. These investments are carried at fair value with any gains or losses being recognised directly in equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Derivatives that are assets are measured at fair value, with changes in fair value being included in profit or loss other than derivatives designated as cash flow hedges. The fair value of derivative assets is classified as non-current assets if the remaining maturity of the instruments are more than, and they are not expected to be realised within, 12 months.

Cash and cash equivalents are measured at fair value, with changes in fair value being included in profit or loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not designated as held at fair value through profit or loss.

Financial liabilities

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial liabilities are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial liabilities designated as held at fair value through profit or loss are expensed.

Financial liabilities are accounted for at fair value through profit or loss where the financial liability is either held for trading or it is designated as held at fair value through profit or loss.

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities held at fair value through profit or loss or classified as held for trading are measured at amortised cost. Items with extended terms are initially recorded at the present value of future cash flows. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the accounting policy for borrowing costs (see accounting policy below).

Non-derivative financial liabilities that are designated on initial recognition as financial liabilities held at fair value through profit or loss or classified as held for trading are measured at fair value, with changes in fair value being included in net profit or loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not designated as held at fair value through profit or loss.

Employee benefit obligations

The group operates a defined benefit pension plan as well as two defined contribution provident funds.

Current contributions to the group's defined contribution funds are charged against income when incurred. The cost of providing benefits to the group's defined benefit plan and the obligation in respect of post-retirement medical aid are determined and provided using the projected unit credit actuarial valuation method. Contribution rates to the defined benefit plan are adjusted for any unfavourable experience adjustments. Favourable experience adjustments are retained within the fund. Actuarial surpluses are brought to account in the group's financial statements only when it is clear that economic benefits will be available to the group.

The group's estimated liability in respect of post-retirement medical benefits has been fully provided for in the balance sheet.

The group operates a share option scheme. The proceeds on share options are credited to share capital when exercised.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

Onerous contracts

Full provision is made for the present obligations of the unavoidable future costs of fulfilling the terms of onerous ship charter contracts or contracts of affreightment to which the group is committed.

Equity

Debt and equity instruments are classified as either financial liabilities or as equity based on the substance of the contractual arrangement. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

INCOME STATEMENT

Revenue

Revenue represents the gross inflow of economic benefits during the period arising in the course of the ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Included in revenue are net invoiced sales to customers for goods and services, ship and locomotive sales, freight, charter hire, handling fee revenue, commission and financial institution interest and fee income.

Revenue is measured at the amount received or receivable. Cash and settlement discounts, rebates, VAT and other indirect taxes are excluded from revenue. Where extended terms are granted, interest income is accounted for over the term until payment is received.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, when delivery has been made and title has passed and when the amount of the revenue and the related costs can be reliably measured.

Charter hire is recognised on a daily accrual basis. Freight revenue is recognised on completion of the voyage and for uncompleted voyages at year-end on the percentage completion basis. Results of uncompleted voyages are included based on estimated voyage result and voyage time elapsed. Anticipated losses for contracts arising on uncompleted voyages are provided for in full.

Where the group acts as agent and is remunerated on a commission basis, only the commission is included in revenue. Where the group acts as principal, the total value of business handled is included in revenue.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

ACCOUNTING POLICIES

Fee income earned on origination of advances is deferred and recognised on a yield-to-maturity basis over the average life of the relevant advances. Where the receipt of knowledge based fee income is deferred by contractual agreement, the present value of the fee income is recognised upfront and the accretion is recognised over the duration of contractual receipt.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is recognised on a time proportion basis which takes into account the effective yield on the asset. Interest income includes the amount of amortisation of any discount or premium.

Cost of sales

When inventories and "held for sale" inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

Employee benefit costs

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees.

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Borrowing costs

Borrowing costs (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Non-trading items

Non-trading items cover those amounts that are not considered to be of an operating/trading nature, and generally include re-measurements due to:

- impairments of goodwill and non-current assets;
- gains and losses on the measurement to fair value less costs to sell (or on the disposal) of assets or disposal groups constituting discontinued operations;
- gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale;
- gains and losses on the disposal of property, terminals, vehicles and equipment;
- recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency;
- recycling through profit or loss of fair value gains and losses previously recognised directly in equity upon the disposal of available-for-sale financial assets and realisation of hedges of a net investment in a foreign operation; and
- the group's proportionate share of exceptional items (determined on the same basis) of associates and joint ventures.

Remeasurements to fair value of other financial instruments (including amounts recycled through profit or loss under cash flow hedges that were previously recognised directly in equity) are not included in non-trading items.

Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using taxation rates that are applicable to taxable income.

Secondary taxation on companies (STC) is recognised as part of the current taxation charge when the related dividend is declared. Deferred taxation is recognised if dividends received in the current year can be offset against future dividend payments to the extent of the reduction of future STC.

Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

TRANSACTIONS AND EVENTS

Hedge accounting

If a fair value hedge meets the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in profit or loss.

If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses recognised in equity are transferred to income in the same period in which the asset or liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

If a hedge of a net investment in a foreign entity meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss. On disposal of a foreign entity, the gain or loss recognised in equity is transferred to profit or loss.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

Derivatives

The group enters into derivative financial instruments in order to manage its exposure to interest rate and foreign exchange rate risk which have a cash flow impact. This includes forward exchange contracts, cross currency and interest rate swaps, futures, options and forward freight swap agreements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured to their fair value at each balance sheet date. The resultant gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Impairment of assets

At each reporting date the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use, included in the calculation of the recoverable amount, is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. The impairment loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash-generating unit. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on financial assets as well as trade and other receivables are determined based on specific and objective evidence that assets are impaired and are measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Goodwill and intangible assets with indefinite useful lives or not available for use and the cash-generating units to which these assets have been allocated, are tested for impairment even if there is no indication of impairment. For the purpose of impairment testing goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination at inception of the combination. Impairment losses recognised on goodwill are not subsequently reversed. The attributable amount of goodwill is included in the profit or loss on disposal when the associated business is sold.

Leasing

Classification

Leases are classified as finance leases or operating leases at the inception of the lease.

In the capacity of a lessor

Amounts due from lessees under a finance lease are recognised as receivables at the amount of the group's net investment in the lease, which includes initial direct costs. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

In the capacity of a lessee

Finance leases are recognised as assets and liabilities of the group at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to profit and loss over the term of the lease and at interest rates applicable to the lease on the remaining balance of the obligations, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

ACCOUNTING POLICIES

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Government grants

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Discontinued operations

The results of discontinued operations are presented separately in the income statement and the assets and liabilities associated with these operations are included with non-current assets held for sale in the balance sheet.

Share-based payments

Equity-settled share options

Executive directors, senior executives and other employees have been granted equity-settled share options in terms of the Grindrod Limited Share Option Scheme.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and recognised in profit or loss on a straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using a binomial pricing model.

Cash-settled share-based payment

Share appreciation rights granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss immediately or, if vesting requirements are applicable, over the vesting period. The liability is remeasured annually until settled and any changes in value are recognised in profit or loss. Fair value is measured using a binomial pricing model.

Treasury shares

Treasury shares are equity instruments of the company, held by the company or other members of the consolidated group.

All costs relating to the acquisition of treasury shares as well as gains or losses on disposal or cancellation of treasury shares are recognised directly in equity.

Financial guarantee contracts

Financial guarantee contracts are accounted for in terms of IFRS 4 Insurance Contracts and consequently are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Judgements made by management

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

Asset lives and residual values

Property, terminals, vehicles and equipment are depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

Shipping maintains a young fleet of ships and generally aims to replace vessels that are 15 years or older. As a result vessels are depreciated over 15 years to the expected residual value of a vessel of a similar age and specification. Management reassess the depreciation period of vessels that surpass this limit with special consideration of the condition of the vessel and the purpose for which the vessel was retained in the fleet. The estimated life will be considered at each reporting period.

Residual values of the ships are reassessed by management at each reporting period based on the current shipping markets and the movement of the markets over the previous five years, the age of the vessel, the specifications and the condition of the vessel.

The current market related scrap values for demolitions in the Far East and India are used for older vessels.

Deferred taxation assets

Deferred taxation assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Three-year business plans are prepared annually and approved by the boards of the company and its major operating subsidiaries. These plans include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

The plans contain profit forecasts and cash flows and these are utilised in the assessment of the recoverability of deferred taxation assets. Deferred taxation assets are also recognised on STC credits to the extent it is probable that future dividends will utilise these credits.

Management also exercises judgement in assessing the likelihood that business plans will be achieved and that the deferred taxation assets are recoverable.

Impairment of assets

Goodwill is considered for impairment at least annually. Property, terminals, vehicles and equipment, and intangible assets are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Ships (owned and leased) and ships under construction are considered for impairment at least annually.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

Cash flows which are utilised in these assessments are extracted from formal three-year business plans which are updated annually.

Onerous contract provisions

Full provision is made for the present obligations of the unavoidable future costs of fulfilling the terms of onerous ship charter contracts or contracts of affreightment to which the group is committed. Note 19 provides more detail on these provisions.

Management has estimated the onerous contract provisions based on expected ship running costs, fuel costs and freight rates for the remaining period of the charter contracts and contracts of affreightment. The estimates have been made with reference to the current expenditure and current freight rates and market projections from reputable business partners.

Post-employment benefit obligations

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare inflation cost and rates of increase in compensation costs.

Judgement is exercised by management, assisted by advisors, in adjusting mortality rates to take account of actual mortality rates within the schemes.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Percentage completion of voyages

The stage of completion of a voyage is determined by calculating the total number of actual days from the loading of the cargo at the commencement of a voyage to the period end, divided by the total estimated number of days from loading to discharging the cargo.

The duration of a voyage depends on the size of the vessel being loaded, cargo type and quantity, vessel speed as well as delays occasioned by weather or due congestion at load or discharge ports.

Fair value of derivative financial instruments

The ship purchase option is revalued on a monthly basis over the period of the agreement to an estimated value of a vessel of a similar age and specification at the contract end. This is dependent on management's expectations and movements in the shipping markets. Note 9 provides more detail.

Valuations of forward freight agreements (FFAs)

The FFAs are valued by comparing the strike price of the instrument against the estimated market spot earnings for the period that the instrument has been contracted for. Management make use of projected market earnings from reliable shipping brokers in order to assess the expected profits or losses from the transaction. Note 9 provides more detail.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

BALANCE SHEETS

	Notes	Group		Company	
		2008 R000	2007* R000	2008 R000	2007 R000
ASSETS					
Non-current assets					
Ships, property, terminals, vehicles and equipment	3	4 540 514	3 046 945		
Intangible assets	4	713 046	521 063		
Investments in subsidiaries	5			3 514 371	1 641 825
Investments in joint venture	6			–	40 252
Investments in associates	7	316 746	236 420		
Other investments	8	50 151	70 374		
Derivative financial assets	9	141 087	91 876	–	9 600
Deferred taxation assets	10	159 352	138 069	7 059	–
Total non-current assets		5 920 896	4 104 747	3 521 430	1 691 677
Loans and advances to bank customers	11	1 049 761	965 964		
Current assets					
Inventories	12	905 842	684 629		
Trade and other receivables	13	3 529 510	2 543 336	1 643 139	814 568
Taxation		33 681	4 227	3 665	–
Liquid assets and short-term negotiable securities	14	138 553	228 938		
Cash and cash equivalents		2 403 087	1 254 611	804	–
		7 010 673	4 715 741	1 647 608	814 568
Non-current assets classified as held for sale	15	2 245	141 608		
Total current assets		7 012 918	4 857 349	1 647 608	814 568
Total assets		13 983 575	9 928 060	5 169 038	2 506 245
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	16	11	189 072	495 169	492 124
Equity compensation reserve		12 817	9 868	12 831	9 868
Non-distributable reserves		1 547 122	(339 286)		
Accumulated profit		5 152 746	3 518 678	3 298 727	1 240 554
Interest of shareholders of Grindrod Limited		6 712 696	3 378 332	3 806 727	1 742 546
Minority interest		62 315	60 643		
Interest of all shareholders		6 775 011	3 438 975	3 806 727	1 742 546
Non-current liabilities					
Long-term borrowings	17	796 958	718 661		
Provision for post-retirement medical aid	18	77 900	72 819		
Provisions	19	98 508	40 893		
Income received in advance	20	151 200	–		
Derivative financial liabilities	9	36 528	48 562		
Deferred taxation liabilities	10	18 527	33 224	–	6 312
Total non-current liabilities		1 179 621	914 159	–	6 312
Deposits from bank customers	21	1 507 046	1 397 073		
Current liabilities					
Trade and other payables	22	3 035 205	2 417 934	1 362 311	748 885
Provisions	19	101 048	17 743		
Short-term borrowings and overdraft	17	938 927	1 349 280		
Current portion of long-term liabilities	17	227 679	238 246		
Current portion of income received in advance	20	37 800	–		
Taxation		181 238	64 077	–	8 502
		4 521 897	4 087 280	1 362 311	757 387
Non-current liabilities associated with assets classified as held for sale	15	–	90 573		
Total current liabilities		4 521 897	4 177 853	1 362 311	757 387
Total equity and liabilities		13 983 575	9 928 060	5 169 038	2 506 245

* Restated

for the year ended 31 December 2008

INCOME STATEMENTS

	Notes	Group		Company	
		2008 R000	2007* R000	2008 R000	2007 R000
Revenue	23	33 736 910	17 946 727	2 754 919	573 551
Other income	24	559 070	157 507	20 884	19 400
Operating expenses	24	(31 307 676)	(16 555 824)	(55 819)	(26 892)
Trading profit		2 988 304	1 548 410	2 719 984	566 059
Depreciation	24	(203 229)	(182 623)		
Operating profit before interest and taxation		2 785 075	1 365 787	2 719 984	566 059
Non-trading items	25	(163 567)	3 508	11 671	(7 100)
Interest received	26	138 711	109 324	1 484	254
Interest paid	26	(314 071)	(239 849)	(37)	–
Profit before share of associates' profit		2 446 148	1 238 770	2 733 102	559 213
Share of associate companies' profit before taxation		66 076	62 953		
Profit before taxation		2 512 224	1 301 723	2 733 102	559 213
Taxation	27	(243 030)	(15 803)	(48 814)	(8 891)
Profit for the year		2 269 194	1 285 920	2 684 288	550 322
Attributable to:					
Grindrod Limited shareholders		2 248 782	1 272 165	2 684 288	550 322
Minority shareholders		20 412	13 755		
		2 269 194	1 285 920	2 684 288	550 322
Earnings per share (cents)	28				
Basic		475,7	263,9		
Diluted		469,2	258,5		

* Restated

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

STATEMENTS OF CHANGES IN EQUITY

GROUP	Ordinary share capital R000	Preference share capital R000	Share premium R000	Equity com- pensation reserve R000	General risk reserve R000	Foreign currency translation reserve R000	Hedging reserve R000	Accu- mulated profit R000	Interest of shareholders of Grindrod Limited R000	Minority interest R000	Interest of all share- holders R000
Balance at 31 December 2006	9	2	508 475	6 508	100	53 080	(72 920)	2 329 289	2 824 543	(1 755)	2 822 788
Foreign currency translation adjustments						(23 219)			(23 219)	18	(23 201)
Foreign currency translation realised						(9 085)			(9 085)		(9 085)
Financial instrument hedge							(610 733)		(610 733)		(610 733)
Hedging reserve realised							318 066		318 066		318 066
Transfer from/(to) income					5 425			(5 425)			
<i>Net income/(expense) recognised directly in equity</i>	-	-	-	-	5 425	(32 304)	(292 667)	(5 425)	(324 971)	18	(324 953)
Profit attributable to shareholders								1 272 165	1 272 165	13 755	1 285 920
Total recognised in income and expense	-	-	-	-	5 425	(32 304)	(292 667)	1 266 740	947 194	13 773	960 967
Share options exercised			6 509						6 509		6 509
Distribution of share premium			(325 923)						(325 923)		(325 923)
Share-based payments				3 360					3 360		3 360
Minority interest acquired										52 220	52 220
Minority interest disposed										(3 595)	(3 595)
Dividends paid								(77 351)	(77 351)		(77 351)
Balance at 31 December 2007	9	2	189 061	9 868	5 525	20 776	(365 587)	3 518 678	3 378 332	60 643	3 438 975
Foreign currency translation adjustments				84		1 385 190	(50 934)		1 284 340	639	1 284 979
Foreign currency translation released						35 912			35 912		35 912
Financial instrument hedge							572 704		572 704		572 704
Gains/losses recognised directly in equity						1 389	(2 328)		(939)		(939)
Transfer (to)/from income					(5 525)			5 525			
<i>Net income/(expense) recognised directly in equity</i>	-	-	-	84	(5 525)	1 372 491	519 442	5 525	1 892 017	639	1 892 656
Profit attributable to shareholders								2 248 782	2 248 782	20 412	2 269 194
Total recognised in income and expense	-	-	-	84	(5 525)	1 372 491	519 442	2 254 307	4 140 799	21 051	4 161 850
Share options exercised			3 045						3 045		3 045
Share-based payments				2 865					2 865		2 865
Repurchase of shares			(192 106)					(20 833)	(212 939)		(212 939)
Minority interest acquired										(320)	(320)
Minority interest disposed										532	532
Dividends paid								(599 406)	(599 406)	(19 591)	(618 997)
Balance at 31 December 2008	9	2	-	12 817	-	1 393 267	153 855	5 152 746	6 712 696	62 315	6 775 011
ANALYSIS OF HOLDING COMPANY AND SUBSIDIARY INTERESTS											
Holding company	9	2	495 158	12 831				3 298 727	3 806 727		
Subsidiaries			(495 158)	(14)		1 393 267	153 855	1 854 019	2 905 969		
	9	2	-	12 817	-	1 393 267	153 855	5 152 746	6 712 696		

COMPANY	Share capital R000	Preference share capital R000	Share premium R000	Equity compen- sation reserve R000	Accu- mulated profit R000	Interest of shareholders of Grindrod Limited R000
Balance at 31 December 2006	9	2	825 571	6 508	768 697	1 600 787
Profit attributable to shareholders					550 322	550 322
Total recognised in income and expense	-	-	-	-	550 322	550 322
Share options exercised			6 509			6 509
Distribution of share premium			(339 967)			(339 967)
Share-based payments				3 360		3 360
Dividends paid					(78 465)	(78 465)
Balance at 31 December 2007	9	2	492 113	9 868	1 240 554	1 742 546
Profit attributable to shareholders					2 684 288	2 684 288
Total recognised in income and expense	-	-	-	-	2 684 288	2 684 288
Share options exercised			3 045			3 045
Share-based payments				2 963		2 963
Dividends paid					(626 115)	(626 115)
Balance at 31 December 2008	9	2	495 158	12 831	3 298 727	3 806 727

CASH FLOW STATEMENTS

	Notes	Group		Company	
		2008 R000	2007* R000	2008 R000	2007 R000
OPERATING ACTIVITIES					
Cash receipts from charter hire		2 747 866	1 963 566		
Cash receipts from freight		2 590 718	1 843 571		
Cash receipts from invoiced sales		2 208 591	1 798 220		
Cash receipts from commodity sales		24 397 014	10 612 674		
Proceeds from sale of ships and locomotives		1 070 101	869 368		
Interest income from financial institution		202 660	114 074		
Interest expense from financial institution		(169 436)	(85 499)		
Dividend income from financial institution		9 524	4 579		
Corporate and structured finance fee income and other income		50 772	46 253		
Handling fees and other revenue		294 217	143 372		
Cash receipts from customers		33 402 027	17 310 178		
Cash payments to suppliers and employees		(29 089 806)	(15 400 468)	(2 833)	10 748
Cash generated from/(absorbed by) operations	35.1	4 312 221	1 909 710	(2 833)	10 748
Interest received		138 711	109 324	1 484	254
Interest paid		(314 071)	(239 849)	(37)	-
Dividends received		3 035	66 640	2 735 806	552 967
Dividends paid	35.2	(607 429)	(397 347)	(620 451)	(412 583)
Taxation paid		(176 571)	(46 721)	(74 354)	(2 971)
		3 355 896	1 401 757	2 039 615	148 415
Cash flows from operating activities of financial institutions					
Advances to customers		(83 797)	(459 530)		
Liquid assets and short-term negotiable securities		90 385	(55 338)		
Deposits from customers		109 973	686 169		
Net cash flows from operating activities		3 472 457	1 573 058	2 039 615	148 415
INVESTING ACTIVITIES					
Ships, property, terminals, vehicles and equipment acquired	35.3	(1 824 416)	(1 486 457)		
Replacement of ships, property, terminals, vehicles and equipment		(1 805)	(1 848)		
Additions to ships, property, terminals, vehicles and equipment		(1 822 611)	(1 484 609)		
Acquisition of associate and other investments		-	(37 699)	(128 264)	(600)
Acquisition of subsidiaries and joint ventures	35.4	(334 085)	(298 638)		
Proceeds on disposal of property, terminals, vehicles and equipment		277 405	18 904		
Proceeds from disposal of investments		63 219	53 731	-	48 088
Acquisition of intangible assets		(916)	(5 491)		
Loans advanced to associate companies		(15 415)	-		
Net advances to subsidiaries				(1 913 591)	(202 412)
Net cash flows used in investing activities		(1 834 208)	(1 755 650)	(2 041 855)	(154 924)
FINANCING ACTIVITIES					
Proceeds from issue of ordinary share capital		3 044	6 509	3 044	6 509
Repurchase of ordinary share capital		(212 936)	-		
Long-term borrowings raised		643 072	484 111		
Payment of capital portion of long-term borrowings		(637 433)	(411 519)		
Short-term loan (repaid)/raised		(436 589)	92 563		
Net cash flows (used in)/from financing activities		(640 842)	171 664	3 044	6 509
Net increase/(decrease) in cash and cash equivalents		997 407	(10 928)	804	-
Cash and cash equivalents at beginning of period		711 739	732 055		
Difference arising on translation		265 960	(9 388)		
Cash and cash equivalents at end of period	35.5	1 975 106	711 739	804	-

* Restated

business
overview

commentaries

sustainability

annual financial
statementsshareholder
information

SEGMENTAL ANALYSIS

For management purposes, the group is organised into four main segments, namely Shipping, Trading, Freight Services and Financial Services. These divisions are the basis on which the group reports its primary segment information. The principle services of each of these segments are described on pages 40 to 55 of the annual financial statements.

Business segments	Shipping		Trading		Freight Services		Financial Services		Total Group	
	2008	2007*	2008	2007	2008	2007*	2008	2007	2008	2007*
	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000
Revenue – External	7 069 204	4 373 572	24 022 393	11 334 072	2 551 792	2 164 255	93 521	74 828	33 736 910	17 946 727
Revenue – Internal	485 490	831 841	2 558 690	2 272 088	67 469	21 994			3 111 649	3 125 923
Trading profit (excluding amortisation)	2 366 873	1 135 143	230 177	119 223	382 557	290 544	46 410	38 797	3 026 017	1 583 707
Depreciation and amortisation	(94 871)	(100 714)	(8 257)	(6 891)	(136 010)	(109 073)	(1 804)	(1 242)	(240 942)	(217 920)
Operating profit	2 272 002	1 034 429	221 920	112 332	246 547	181 471	44 606	37 555	2 785 075	1 365 787
Non-trading items	(195 511)	836	170	(1 123)	31 774	(2 185)	–	5 980	(163 567)	3 508
Share of associate companies' profit					65 951	61 808	125	1 145	66 076	62 953
Segment result excluding net interest and taxation	2 076 491	1 035 265	222 090	111 209	344 272	241 094	44 731	44 680	2 687 584	1 432 248
Interest received	22 253	74 034	59 398	3 963	57 060	31 327			138 711	109 324
Interest paid	(114 235)	(123 531)	(110 291)	(42 286)	(89 545)	(74 032)			(314 071)	(239 849)
Taxation	(124 312)	51 218	(27 561)	(9 548)	(88 615)	(52 602)	(2 542)	(4 871)	(243 030)	(15 803)
Profit for the year	1 860 197	1 036 986	143 636	63 338	223 172	145 787	42 189	39 809	2 269 194	1 285 920
Minority interest	(4 129)	81	102	(61)	(8 810)	(10 188)	(7 575)	(3 587)	(20 412)	(13 755)
Profit attributable to shareholders	1 856 068	1 037 067	143 738	63 277	214 362	135 599	34 614	36 222	2 248 782	1 272 165
Preference dividends	(61 310)	(54 579)	(15 066)	–	(16 229)	(22 293)	1 713	–	(90 892)	(76 872)
Profit attributable to ordinary shareholders	1 794 758	982 488	128 672	63 277	198 133	113 306	36 327	36 222	2 157 890	1 195 293
Capital expenditure	1 352 781	1 035 548	279 118	4 817	518 593	429 564	8 008	4 584	2 158 501	1 474 513
Total segment assets	5 994 460	3 425 099	2 845 446	2 183 017	3 248 265	2 693 860	1 895 404	1 626 084	13 983 575	9 928 060
Segment assets excluding investments in associates	5 994 460	3 425 099	2 845 446	2 183 017	2 931 519	2 457 440	1 895 404	1 626 084	13 666 829	9 691 640
Investments in associates					316 746	236 420			316 746	236 420
Segment liabilities	(1 534 374)	(1 291 161)	(2 067 445)	(1 758 775)	(1 997 630)	(2 119 658)	(1 609 115)	(1 319 491)	(7 208 564)	(6 489 085)

The group's four divisions operate in six principle geographical areas – USA/Bermuda, South America, the Middle East, United Kingdom/Europe/Isle of Man, Singapore/Asia/Far East and Southern Africa. Refer to the divisional report for detail on the various regions.

Geographic segments	USA/Bermuda		South America		Middle East	
	2008	2007	2008	2007	2008	2007
	R000	R000	R000	R000	R000	R000
Revenue – External	527 386	3 971 202	851 872	430 673	5 989 429	236 255
Capital expenditure	–	37	39	–	167	36
Segment assets	–	896 602	216 533	157 230	1 254 380	1 411

Geographic segments	United Kingdom/Europe/Isle of Man		Singapore/Asia/Far East		Southern Africa		Group	
	2008	2007*	2008	2007	2008	2007*	2008	2007*
	R000	R000	R000	R000	R000	R000	R000	R000
Revenue – External	9 008 149	3 062 859	8 261 351	3 435 283	9 098 723	6 810 455	33 736 910	17 946 727
Capital expenditure	978 220	968 746	481 074	59 680	699 001	446 014	2 158 501	1 474 513
Segment assets	3 954 677	2 847 513	1 855 383	899 721	6 702 602	5 125 583	13 983 575	9 928 060

Assumptions used to apportion group cost

- Specifically identifiable costs have been allocated to the relevant segments.
- Costs relating to group borrowings, current taxation and STC, excluding preference dividend related costs, have been allocated to the Shipping segment only.
- The preference dividend and related costs have been allocated to the Shipping, Trading and Freight Services segments based on their opening equity value (2007: allocated to Shipping and Freight Services only).
- The balance of the group costs have been allocated on a 40:20:40 basis to Shipping, Trading and Freight Services respectively (2007: 50:50 between Shipping and Freight Services).

* Restated

NOTES TO THE FINANCIAL STATEMENTS

1 NEW STANDARDS AND INTERPRETATIONS

1.1 New standards and interpretations adopted

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board on a basis consistent with the prior year except for the adoption of the following new and amended standards and new interpretations:

IAS 16 Property, Plant and Equipment (PPE) and IAS 7 Cash Flow Statements

In certain industries, it is common to initially hold an asset for rental, and subsequently to sell the asset. This is particularly prevalent in the motor retail and shipping industries. The amendments to IAS 16 clarify the treatment of such assets, whereby the asset is initially classified as PPE and when the asset ceases to be rented, it is either immediately sold or the carrying amount is transferred to current assets (inventories) as held for sale. When an entity sells assets in the course of the entity's routine activities and such sales recur on a regular basis, the entity should record gross revenue from the sale. These amendments are effective for the group from the year ending 31 December 2009, however it was early adopted by the group and the impact of this adoption is detailed in note 2.

1.2 New standards and interpretations not yet adopted

The following standards and interpretations are not yet effective and will be adopted in future years:

IFRS 8 Operating Segments

This standard is effective for the group from the year ending 31 December 2009. It replaces IAS 14 Segment Reporting and requires an entity to adopt a "management approach" to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The standard therefore, requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. The group is in the process of evaluating the effects of this standard.

IAS 1 Presentation of Financial Statements (Revised)

This revised standard is effective for the group from the year ending 31 December 2009 and requires the preparation of a "statement of comprehensive income" which replaces the income statement. All non-owner changes in equity (that is, "comprehensive income") must be recognised either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Comprehensive income for a period includes profit or loss for that period plus other comprehensive income recognised which includes revaluation surpluses, actuarial gains and losses, foreign currency translation reserves and hedge accounting reserves. The group is in the process of evaluating the effects of this standard.

IFRS 3 Business Combinations (Revised)

The revised IFRS 3 is effective for the group for the year ending 31 December 2009. Consequential amendments were also made to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. The changes mainly relate to the treatment of acquisition costs (now to be expensed), contingent considerations, goodwill where minorities are involved, step acquisitions and partial disposals. The group is in the process of evaluating the effects of this standard.

Amendments to IAS 23 Borrowing Costs

The amendments to IAS 23 eliminate the option available under the previous version of the standard to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, the revised standard requires that they be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred. The amendment is effective from the year ending 31 December 2009 and the group is in the process of evaluating the effects of this standard.

Amendments to IFRS 2 Vesting Conditions and Cancellations

The amendments to IFRS 2 clarify the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement. The amendment is effective from the year ending 31 December 2009 and the group is in the process of evaluating the effects of this standard.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments to IAS 32 address the classification of puttable financial instruments and obligations arising only on liquidation. The amendment is effective from the year ending 31 December 2009 and the group is in the process of evaluating the effects of this standard.

Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time, and they address concerns that the previous requirement to retrospectively determine cost and to apply the cost method in accordance with IAS 27 could not, in some circumstances, be achieved without undue cost or effort for first-time adopters. The amendment is effective from the year ending 31 December 2009 and the group anticipates that the standard will not have any impact on results reported previously.

Annual improvements project

The International Accounting Standards Board recently issued improvements to IFRS – a collection of amendments to IFRS. These amendments consist of various necessary, but non-urgent, amendments to IFRS that will not be part of another major project of the board. These amendments are effective from the year ending 31 December 2009. The group is in the process of evaluating the detailed effects of these amendments.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Reclassification

An option to acquire a ship has been reclassified from other investments to derivative financial assets.

IAS 16 Property, Plant and Equipment and IAS 7 Cash Flow Statements

Comparative information has been restated for the treatment of assets held for rental, "dual-purpose" assets, as described in note 1.1.

The effect of the above changes on the annual financial statements for the year ended 31 December 2007 is disclosure only and has no impact on earnings.

BALANCE SHEET AS AT 31 DECEMBER 2007

	As previously stated R000	Reclassification R000	IAS 7 and 16 R000	Restated R000
ASSETS				
Non-current assets				
Ships, property, terminals, vehicles and equipment	3 046 945			3 046 945
Intangible assets	521 063			521 063
Investments in associates	236 420			236 420
Other investments	140 646	(70 272)		70 374
Derivative financial assets	21 604	70 272		91 876
Deferred taxation assets	138 069			138 069
Total non-current assets	4 104 747	-	-	4 104 747
Loans and advances to bank customers	965 964			965 964
Current assets				
Inventories	532 690		151 939	684 629
Trade and other receivables	2 543 336			2 543 336
Taxation	4 227			4 227
Liquid assets and short-term negotiable securities	228 938			228 938
Cash and cash equivalents	1 254 611			1 254 611
	4 563 802	-	151 939	4 715 741
Non-current assets classified as held for sale	293 547		(151 939)	141 608
Total current assets	4 857 349	-	-	4 857 349
Total assets	9 928 060	-	-	9 928 060
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and premium	189 072			189 072
Equity compensation reserve	9 868			9 868
Non-distributable reserves	(339 286)			(339 286)
Accumulated profit	3 518 678			3 518 678
Interest of shareholders of Grindrod Limited	3 378 332	-	-	3 378 332
Minority interest	60 643			60 643
Interest of all shareholders	3 438 975	-	-	3 438 975
Non-current liabilities				
Long-term borrowings	718 661			718 661
Provision for post-retirement medical aid	72 819			72 819
Provisions	40 893			40 893
Derivative financial liabilities	48 562			48 562
Deferred taxation liabilities	33 224			33 224
Total non-current liabilities	914 159	-	-	914 159
Deposits from bank customers	1 397 073			1 397 073
Current liabilities				
Trade and other payables	2 417 934			2 417 934
Provisions	17 743			17 743
Short-term borrowings and overdraft	1 349 280			1 349 280
Current portion of long-term liabilities	238 246			238 246
Taxation	64 077			64 077
	4 087 280	-	-	4 087 280
Non-current liabilities associated with assets classified as held for sale	90 573			90 573
Total current liabilities	4 177 853	-	-	4 177 853
Total equity and liabilities	9 928 060	-	-	9 928 060

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	As previously stated R000	Reclassification R000	IAS 7 and 16 R000	Restated R000
Revenue	17 077 359		869 368	17 946 727
Other income	385 037		(227 530)	157 507
Operating expenses	(15 913 986)		(641 838)	(16 555 824)
Trading profit	1 548 410	–	–	1 548 410
Depreciation	(182 623)			(182 623)
Operating profit before interest and taxation	1 365 787	–	–	1 365 787
Non-trading items	3 508			3 508
Interest received	109 324			109 324
Interest paid	(239 849)			(239 849)
Profit before share of associates' profit	1 238 770	–	–	1 238 770
Share of associate companies' profit before taxation	62 953			62 953
Profit before taxation	1 301 723	–	–	1 301 723
Taxation	(15 803)			(15 803)
Profit for the year	1 285 920	–	–	1 285 920
Attributable to:				
Grindrod Limited shareholders	1 272 165			1 272 165
Minority shareholders	13 755			13 755
	1 285 920	–	–	1 285 920
Earnings per share (cents)				
Basic	263,9			263,9
Diluted	258,5			258,5

[business
overview](#)

[commentaries](#)

[sustainability](#)

[annual financial
statements](#)

[shareholder
information](#)

NOTES TO THE FINANCIAL STATEMENTS

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued) CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	As previously stated R000	Reclassification R000	IAS 7 and 16 R000	Restated R000
OPERATING ACTIVITIES				
Cash receipts from charter hire	1 963 566			1 963 566
Cash receipts from freight	1 843 571			1 843 571
Cash receipts from invoiced sales	1 798 220			1 798 220
Cash receipts from commodity sales	10 612 674			10 612 674
Proceeds from disposal of ships and locomotives	–		869 368	869 368
Interest income from financial institution	114 074			114 074
Interest expense from financial institution	(85 499)			(85 499)
Dividend income from financial institution	4 579			4 579
Corporate and structured fee income and other income	46 253			46 253
Handling fees and other revenue	143 372			143 372
Cash receipts on sale of ships and locomotives	227 530		(227 530)	–
Cash receipts from customers	16 668 340	–	641 838	17 310 178
Cash payments to suppliers and employees	(15 400 468)			(15 400 468)
Cash generated from operations	1 267 872	–	641 838	1 909 710
Interest received	109 324			109 324
Interest paid	(239 849)			(239 849)
Dividends received	66 640			66 640
Dividends paid	(397 347)			(397 347)
Taxation paid	(46 721)			(46 721)
Cash flows from operating activities of financial institution				
Advances to customers	(459 530)			(459 530)
Liquid assets and short-term negotiable securities	(55 338)			(55 338)
Deposits from customers	686 169			686 169
Net cash flows from operating activities	931 220	–	641 838	1 573 058
INVESTING ACTIVITIES				
Ships, property, terminals, vehicles and equipment acquired	(1 486 457)	–	–	(1 486 457)
Replacement of ships, property, terminals, vehicles and equipment	(1 848)			(1 848)
Additions to ships, property, terminals, vehicles and equipment	(1 484 609)			(1 484 609)
Acquisition of associate and other investments	(37 699)			(37 699)
Acquisition of subsidiaries and joint ventures	(298 638)			(298 638)
Net proceeds on disposal of property, terminals, vehicles and equipment	660 742	–	(641 838)	18 904
Proceeds from disposal of property, terminals, vehicles and equipment	888 272		(869 368)	18 904
Less proceeds included in operating activities	(227 530)		227 530	–
Proceeds from disposal of investments	53 731			53 731
Acquisition of intangible assets	(5 491)			(5 491)
Net cash flows used in investing activities	(1 113 812)	–	(641 838)	(1 755 650)
FINANCING ACTIVITIES				
Proceeds from issue of ordinary share capital	6 509			6 509
Long-term borrowings raised	484 111			484 111
Payment of capital portion of long-term borrowings	(411 519)			(411 519)
Short-term loan raised	92 563			92 563
Net cash flows from financing activities	171 664	–	–	171 664
Net decrease in cash and cash equivalents	(10 928)	–	–	(10 928)
Cash and cash equivalents at beginning of period	732 055			732 055
Difference arising on translation	(9 388)			(9 388)
Cash and cash equivalents at end of period	711 739	–	–	711 739

	Cost/ valuation	Accumulated depreciation	Group	
			2008 R000 Carrying value	2007* R000 Carrying value
3 SHIPS, PROPERTY, TERMINALS, VEHICLES AND EQUIPMENT				
Freehold and leasehold properties				
Opening balance	328 005	(33 502)	294 503	257 545
Translation gain/(loss)	8 547	166	8 713	(801)
Reclassification	8 440	1 060	9 500	(939)
Reversal of impairment	–	–	–	3 287
Additions and improvements	13 499	–	13 499	38 390
Acquisition of businesses	368	(15)	353	13 297
Finance costs capitalised	7 766	–	7 766	–
Financial instrument fair value adjustment	–	–	–	77
Disposals	(855)	855	–	(4 195)
Depreciation and amortisation	–	(17 271)	(17 271)	(13 793)
Transferred from non-current assets classified as held for sale	–	115	115	3 000
Transferred to non-current assets classified as held for sale	–	–	–	(1 365)
Closing balance	365 770	(48 592)	317 178	294 503
Ships				
Opening balance	1 166 331	(208 093)	958 238	999 604
Translation gain/(loss)	329 991	(46 853)	283 138	(7 525)
Additions	162 497	–	162 497	173 472
Finance costs capitalised	1 623	–	1 623	–
Disposals	–	–	–	(143 851)
Depreciation and amortisation	–	(59 780)	(59 780)	(67 378)
Reclassification	745 274	(77 796)	667 478	3 916
Transferred to inventory as held for sale assets	(498 712)	59 904	(438 808)	–
Closing balance	1 907 004	(332 618)	1 574 386	958 238
Ships under construction				
Opening balance	917 332	–	917 332	404 752
Translation gain/(loss)	396 341	–	396 341	(22 162)
Additions	1 147 922	–	1 147 922	847 120
Finance costs capitalised	(8 185)	–	(8 185)	8 462
Disposals	(136 708)	–	(136 708)	(168 901)
Reclassification	(606 990)	–	(606 990)	–
Impairment	(94 500)	–	(94 500)	–
Transferred to inventory as held for sale assets	–	–	–	(151 939)
Closing balance	1 615 212	–	1 615 212	917 332
Property under construction				
Opening balance	74 243	–	74 243	–
Translation gain	12 011	–	12 011	–
Additions	238 436	–	238 436	67 271
Disposals	(24)	–	(24)	–
Reclassification	11 496	–	11 496	6 972
Closing balance	336 162	–	336 162	74 243
Leased ships				
Opening balance	115 085	(60 169)	54 916	61 854
Translation gain/(loss)	23 605	(12 606)	10 999	(817)
Depreciation	–	(5 021)	(5 021)	(6 121)
Reclassification	(138 690)	77 796	(60 894)	–
Closing balance	–	–	–	54 916

* Restated

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Cost/ valuation	Accumulated depreciation	2008 R000 Carrying value	Group 2007* R000 Carrying value
3 SHIPS, PROPERTY, TERMINALS, VEHICLES AND EQUIPMENT				
(continued)				
Terminals, vehicles and equipment				
Opening balance	775 478	(256 827)	518 651	509 032
Translation gain/(loss)	31 078	(5 211)	25 867	(696)
Reclassification	(14 648)	(5 320)	(19 968)	(58 604)
Additions	243 139	15	243 154	155 476
Acquisition of businesses	41 041	(1 205)	39 836	60 379
Impairment	–	–	–	(9 882)
Disposals	(52 494)	20 819	(31 675)	(10 444)
Disposal of businesses	(11 826)	4 078	(7 748)	–
Depreciation	–	(110 497)	(110 497)	(83 474)
Transfer to intangible assets	(1 933)	–	(1 933)	–
Transferred to non-current assets classified as held for sale	–	1 294	1 294	(43 136)
Closing balance	1 009 835	(352 854)	656 981	518 651
Leased terminals, vehicles and equipment				
Opening balance	254 737	(25 675)	229 062	104 118
Reclassification	(4 883)	4 261	(622)	50 980
Additions	17 721	–	17 721	184 327
Acquisition of businesses	6 795	–	6 795	85 506
Disposals	(202 997)	1 032	(201 965)	(152 293)
Depreciation	–	(10 660)	(10 660)	(11 858)
Transferred to non-current assets classified as held for sale	–	263	263	(31 718)
Closing balance	71 374	(30 779)	40 595	229 062
Aggregate	5 305 357	(764 844)	4 540 514	3 046 945

2007* Group	Cost/ valuation	Accumulated depreciation	Carrying value
Freehold and leasehold properties	328 005	(33 502)	294 503
Ships	1 166 331	(208 093)	958 237
Ships under construction	917 332	–	917 332
Property under construction	74 243	–	74 243
Leased ships	115 085	(60 169)	54 916
Terminals, vehicles and equipment	775 478	(256 827)	518 651
Leased terminals, vehicles and equipment	254 737	(25 675)	229 062
	3 631 211	(584 267)	3 046 945

Details of the freehold and leasehold properties are recorded in a register available for inspection at the registered office of the company or its subsidiaries.

Certain assets are encumbered in respect of capitalised lease and loan liabilities, details of which are shown under loan funds on page 166.

Hull and machinery insurance in respect of loss or damage to owned and bareboat chartered ships is insured at replacement value and the sum insured is US\$366,3 million (2007: US\$283,5 million).

It is the policy of Grindrod and its subsidiaries to insure their property, terminals, vehicles and equipment at replacement value, however in certain circumstances asset cover is limited to market value. The sum insured is R1 613,6 million (2007: R1 815,9 million).

Impairment

During the current year, Shipping impaired three ships. An over-age bulker was written down to its net realisable value and two newbuilding dry bulk ships were written down to their long-term value in use.

The major portion of the prior year's impairment of terminals, vehicles and equipment related to PicPack Grindrod (Proprietary) Limited. During the prior year, the group assessed the recoverable amount of these assets and determined that they were impaired. The recoverable amount of the entity was assessed by reference to their estimated sale proceeds. The main factor contributing to the impairment was the decision of the board to cease operating, following a re-assessment of the entity's ability to generate income.

* Restated

	Cost/ valuation	Accumulated amortisation and impairment losses	Group	
			2008 R000 Carrying value	2007 R000 Carrying value
4 INTANGIBLE ASSETS				
4.1 Goodwill				
Opening balance	332 688	(7 854)	324 834	182 981
Translation gain/(loss)	65 367	–	65 367	(3 531)
Recognised on acquisition of businesses	182 839	–	182 839	151 892
Disposals	(580)	–	(580)	108
Impairment	–	(12 987)	(12 987)	(2 716)
Transferred to non-current assets classified as held for sale	–	–	–	(3 900)
Closing balance	580 314	(20 841)	559 473	324 834
Impairment testing of goodwill				
The major portion of impairment losses relates to goodwill of R8 032 000 associated with LCL Grindrod (Pty) Limited and R2 976 000 associated with King and Sons Mozambique Limited. During the year, the group assessed the recoverable amount of goodwill, and determined that the goodwill associated with LCL Grindrod and King and Sons Mozambique was impaired as both entities are currently making losses.				
The remaining goodwill was assessed by reference to the value-in-use of the cash-generating units. Discount factors ranging between 10% to 16% p.a. (2007: 10% to 12% p.a.) were applied in the value-in-use model.				
Allocation of goodwill to cash-generating units				
Goodwill has been allocated for impairment testing purposes to the underlying discreet businesses as they represent separately identifiable cash-generating units. The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the group's total goodwill balance:				
Shipping			37 169	13 042
Trading			192 353	32 597
Freight Services				
Grindrod Terminals			16 421	18 325
Grindrod Intermodal			25 080	25 079
Grindrod Logistics			79 761	73 870
Grindrod Rail			–	583
Grindrod Port Holdings			191 969	139 612
Ships Agencies			–	11 009
Financial Services			16 720	10 717
			559 473	324 834

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

			Group		
			2008	2007	
			R000	R000	
4	INTANGIBLE ASSETS (continued)				
4.2	Other intangible assets				
	Opening balance	281 364	(85 135)	196 229	167 775
	Translation gain/(loss)	51 818	(21 710)	30 108	(1 217)
	Reclassification from ships, property, terminals, vehicles and equipment	1 933	–	1 933	612
	Additions	916	–	916	5 491
	Recognised on acquisition of businesses	25 436	(665)	24 771	61 717
	Disposals	(7 236)	7 225	(11)	(1 142)
	Impairment	(62 660)	–	(62 660)	(1 712)
	Amortisation	–	(37 713)	(37 713)	(35 295)
	Closing balance	291 571	(137 998)	153 573	196 229
	Aggregate	871 885	(158 839)	713 046	521 063

Significant intangible assets

Charter party agreements

The net present value of charter party agreements acquired from a third party in 2005.

29 281 95 275

Leases

Intangible asset raised on acquisition of businesses in prior years in respect of the inherent value attached to beneficial lease agreements.

58 341 64 106

Impairment testing of other intangible assets

The impairment loss relates to the charter party agreements acquired from a third party in 2005 and which has been impaired by R62 660 000 in the current year as a result of a decline in the shipping market rates. The remaining intangible assets were tested by reference to market values.

			Company	
			2008	2007
			R000	R000
5	INVESTMENTS IN SUBSIDIARIES			
	Investments in subsidiaries		3 501 539	1 631 957
	Share-based payments		12 832	9 868
			3 514 371	1 641 825

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 167.

6 INVESTMENTS IN JOINT VENTURES

	Shares at cost		–	40 252
			–	40 252

Details of the investments in joint ventures are shown on page 161.

	Effective holding %	2008 R000	Group 2007 R000
7 INVESTMENTS IN ASSOCIATES			
Unlisted			
Ocean Africa Container Lines (Pty) Limited		165 651	165 651
Cost of investment	49	191 757	191 757
Distribution out of share premium		(6 859)	(6 859)
Distribution out of pre-acquisition reserves		(19 247)	(19 247)
Moneyline 992 (Pty) Limited		9 846	9 846
Cost of investment	47	4 775	4 775
Loan account		5 071	5 071
Sociedade de Desenvolvimento de Porto de Maputo, SARL		88 598	51 750
Cost of investment	25	–	–
Loan account		88 598	51 750
Erundu Stevedoring (Pty) Limited – cost of investment	49	2 249	2 046
Other investments		272	272
Translation adjustment		–	(15)
Attributable share of accumulated profit at the end of the year		52 048	6 870
Attributable share of accumulated profit before disposal		52 048	8 013
Attributable share of accumulated profit disposed		–	(1 143)
Transferred to non-current assets held for sale		(1 918)	–
		316 746	236 420
Directors' valuation		432 897	262 515
Ocean Africa Container Lines (Pty) Limited is incorporated in the Republic of South Africa and provides shipping and logistical services.			
The following financial information is pertinent to the company:			
Total assets		247 675	112 281
Total liabilities		(105 049)	(62 764)
Share of current year's profits		46 093	37 450
Moneyline 992 (Pty) Limited is incorporated in the Republic of South Africa and is an investment company.			
The following financial information is pertinent to the company:			
Total assets		77 688	74 952
Total liabilities		(60 770)	(61 648)
Share of current year's profits		1 407	1 145
Sociedade de Desenvolvimento de Porto de Maputo, SARL is incorporated in Mozambique and owns the Maputo Port concession. The company is in an accumulated loss position.			
The following financial information is pertinent to the company:			
Total assets		410 177	283 029
Total liabilities		(665 025)	(464 544)
Share of current year's profits		–	–
Erundu Stevedoring (Pty) Limited is incorporated in Namibia and provides stevedoring services.			
The following financial information is pertinent to the company:			
Total assets		1 145	1 776
Total liabilities		(446)	(685)
Share of current year's profits		49	134

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	2008 R000	Group 2007* R000
8 OTHER INVESTMENTS		
Investment banking portfolio		
Listed		
Held for trading		
Listed equities at fair value	19 185	40 655
The register of listed investments is available for inspection at the registered office of Grindrod Bank Limited.		
Financial investments		
Pension fund surplus recognised	29 357	29 357
Loans and receivables at amortised cost	1 609	362
	50 151	70 374
Directors' valuation	50 151	70 374
Details of the pension fund are detailed in note 18.		
9 FINANCIAL INSTRUMENTS		
The group's financial instruments consist mainly of cash deposits with banks, investments, trade and other receivables and payables and bank borrowings. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange contracts, cross currency swaps, forward freight agreements and interest rate swap agreements.		
FINANCIAL INSTRUMENTS BY CATEGORY		
The carrying value of the group's financial instruments by category are as follows:		
Financial assets		
Loans and receivables	6 517 972	4 698 766
Held for trading	200 203	168 749
Derivative financial instruments recognised in profit and loss	441 366	287 584
Derivative financial instruments designated as cash flow hedges	152 608	–
Total financial assets	7 312 149	5 155 099
Total non-financial assets	6 671 426	4 772 961
Total assets	13 983 575	9 928 059
Financial liabilities		
Held at amortised cost	6 707 936	5 739 996
Derivative financial instruments recognised in profit and loss	300 863	561 215
Total financial liabilities	7 008 799	6 301 211
Total non-financial liabilities and equity	6 974 776	3 626 849
Total liabilities and equity	13 983 575	9 928 060

The carrying value of the group financial instruments approximate fair value.

9.1 Risk management objectives and policies

The principal risks to which the group is exposed through financial instruments are:

- foreign currency risk;
- commodity risk;
- shipping market risk;
- interest rate risk;
- credit risk;
- counterparty risk;
- liquidity risk;
- solvency risk; and
- capital risk.

The main financial risk management objective is to provide liquidity for the group and to identify, monitor and manage risks.

The group's overall strategy with regard to liquidity and financial risk is guided by the corporate objective to maximise the group's cash flow, actively manage its risk and reduce earnings volatility in a cost effective manner.

Group treasury aims to negotiate finer rates for borrowings and avoid restrictive covenants, which limit the board's flexibility to act. The group also aims to minimise transaction charges from the company's banks, maximise interest income and minimise interest cost through efficient cash management practices.

Commodity price exposure is managed by the Trading division. Main risk exposures are yellow maize, corn, soya bean meal, wheat, bunker fuel, iron ore and chrome.

* Restated

9 FINANCIAL INSTRUMENTS (continued)

9.1 Risk management objectives and policies (continued)

Treasury policy

The treasury function incorporates the following main sections:

- foreign exchange management;
- cash management;
- funding and liquidity management;
- counterparty and credit risk management;
- interest rate exposure management;
- bank relationship management; and
- dealing/operational risk.

Financial director

The financial director together with the divisional executives are responsible for the ultimate approval of day-to-day treasury activities, and reporting on treasury matters.

Executive committee

The executive committee reviews all treasury related proposals and strategies that require board approval prior to submission.

Board of directors

The board of directors is the highest approval authority for all treasury matters. A formal treasury review performed by the treasury department is tabled quarterly. Material changes to the policies and urgent treasury matters as determined by the group's limits of authority are required to be submitted to the board.

9.1.1 Foreign currency risk

The objective of the foreign exchange exposure management policy is to ensure that all foreign exchange exposures are identified as early as possible and that the identified exposures are actively managed to reduce risk. All exposures are to reflect underlying foreign currency commitments arising from trade and/or foreign currency finance. Under no circumstances are speculative positions, not supported by normal trade flows, permitted.

The group is subject to economic exposure, transaction exposure and translation exposure.

- Economic exposure consists of planned net foreign currency trade in goods and services not yet manifested in the form of actual invoices and orders. Economic exposure is initially identified at the time of budget preparation and is progressively reviewed on a quarterly basis at the time of each budget revision.
- Transaction exposure consists of all transactions entered into which will result in a flow of cash in foreign currency at a future time, such as payments under foreign currency, long and short-term loan liabilities, purchases and sales of goods and services (from invoice date to cash payment or receipt), capital expenditure (from approval date until cash payment) and dividends (from declaration date to payment date). Commercial transactions shall only be entered in currencies that are readily convertible by means of formal external forward contracts.
- Translation exposure relates to the group's investments and earnings in non-rand currencies which are translated in the South African Rand reporting currency. Translation exposure is not hedged.

Transaction and translation exposures are identified as they occur and are reported by the various entities to group treasury.

In terms of group policy, foreign loan liabilities are not covered using forward exchange contracts as these are covered by a natural hedge against the underlying assets.

The group's policy is to cover forward all trade commitments that are not hedged by a foreign currency revenue stream and to cover the Rand funded element of capital commitments.

Monetary items are converted to Rands at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year-end to settlement date, as provided by independent financial institutions.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group			
	2008 US\$000	2008 R000	2007 US\$000	2007 R000
9 FINANCIAL INSTRUMENTS (continued)				
9.1 Risk management objectives and policies (continued)				
9.1.1 Foreign currency risk (continued)				
<i>Foreign currency balances</i>				
The uncovered foreign currency denominated balances at 31 December were as follows:				
Ship purchase option	10 910	103 100	10 199	70 272
Loans	(37 459)	(353 988)	(22 967)	(158 243)
Trade and other receivables	3 597	33 996	165 075	1 137 367
Trade and other payables	(6 008)	(56 772)	(83 510)	(575 384)
Bank balances	17 379	164 236	115 245	794 038
	(11 581)	(109 428)	184 042	1 268 050

Sensitivity analysis

At year-end the sensitivity of the net open exposure on the operating profit is as follows:

Net exposure	Group	
	2008 R000	2007 R000
+50% (2007: +10%)	(93 623)	(49 372)
-50% (2007: -10%)	120 522	49 585

	Group			
	2008 US\$000	2008 R000	2007 US\$000	2007 R000
In addition, a proportionally consolidated US Dollar joint venture has uncovered Rand liabilities as follows:				
Capitalised finance leases secured by ships	-	-	5 850	40 308

9.1.2 Commodity risk

The group uses commodity futures and options to manage exposure to commodity price risk where the positions are not naturally economically hedged through the combination of holding inventory, forward sales contracts and forward purchase contracts. In instances where the commodity prices are traded in foreign currency, the foreign exchange exposure is covered by forward exchange contracts.

Sensitivity analysis

At year-end the sensitivity of the net open exposure on the operating profit is as follows:

Net exposure	Group	
	2008 R000	2007 R000
+10%	56 729	66 232
-10%	(56 729)	(66 232)

9.1.3 Shipping market risk

The group is exposed to the fluctuations in market conditions in the shipping industry. Management continually assesses shipping markets using their experience and detailed research. Risks are managed by fixing tonnage on long-term charters, contracts of affreightment and entering into forward freight agreements.

9.1.4 Interest rate risk

9.1.4.1 Interest rate risk of the group (excluding financial institution)

The group monitors its exposure to fluctuating interest rates and generally enters into contracts that are linked to market rates relative to the currency of the asset or liability. The group makes use of derivative instruments, such as interest rate swaps to manage this exposure, from time to time.

	2008 R000	2007 R000
9 FINANCIAL INSTRUMENTS (continued)		
9.1 Risk management objectives and policies (continued)		
9.1.4 Interest rate risk (continued)		
9.1.4.1 Interest rate risk of the group (excluding financial institution) (continued)		
The interest rate profile of the group is summarised as follows:		
Loans linked to LIBOR	346 891	158 243
Loans linked to SA money market	677 746	791 746
Short-term borrowings linked to LIBOR	42 336	–
Short-term borrowings linked to SA money market	896 591	1 349 280
Loans with a fixed interest rate	–	16 248
	1 963 564	2 315 517

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 166.

The range of interest rates in respect of all non-current borrowings, comprising both fixed and floating rate obligations at 31 December 2008, is between 2,2% and 16,0% (2007: 5,8% and 14,5%), depending on currency. At 31 December 2008, none (2007: 1%) of the group's non-current borrowings were at fixed rates of interest and 100% (2007: 99%) were at floating rates. Floating rates of interest are based on LIBOR (London Interbank Offered Rate – for US Dollar borrowings) and on JIBAR (Johannesburg inter-bank agreed rate – for SA borrowings). Fixed rates of interest are based on contract rates.

Sensitivity analysis

At year-end the sensitivity of the net open exposure of floating interest rates on the operating profit is as follows:

Net exposure	Group	
	2008 R000	2007 R000
+10%	(50 404)	(17 602)
–10%	50 126	15 505

9.1.4.2 Interest rate risk of the financial institution

The risk that fluctuating interest rates will unfavourably affect a financial institution's earnings and the value of its assets, liabilities and capital. The risk is due to assets and liabilities maturing or repricing at different times, or against differing base rates. The amount at risk is a function of the magnitude and direction of interest rate changes, and the size and maturity structure of the mismatch position.

Traditional gap analysis is used to measure interest rate exposure. The bank has a conservative policy on interest rate risk arising from gapping and the duration of this exposure is limited to three months for material aggregated positions or hedged using derivative instruments.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

- 9 FINANCIAL INSTRUMENTS (continued)
 9.1 Risk management objectives and policies (continued)
 9.1.4 Interest rate risk (continued)
 9.1.4.2 Interest rate risk of the financial institution (continued)

Interest rate repricing gap	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-rate sensitive	Total
2008							
Assets	1 655 622	–	–	53 703	82 378	89 401	1 881 104
Equity and liabilities	(1 285 991)	(15 994)	(242 224)	(28 346)	–	(308 549)	(1 881 104)
Interest rate hedging activities	133 307	–	(7 245)	(47 964)	(78 098)	–	–
Repricing profile	502 937	(15 994)	(249 469)	(22 607)	4 280	(219 147)	–
Cumulative repricing profile	502 937	486 942	237 472	214 866	219 146	–	–
Expressed as a percentage of total assets of the financial institution (%)	26,7	25,9	12,6	11,4	11,6		
2007							
Assets	1 556 271	–	–	25 935	43 890	100 252	1 726 348
Equity and liabilities	(1 311 043)	(6 009)	(11 556)	(100 000)	–	(297 740)	(1 726 348)
Interest rate hedging activities	68 123	–	–	(35 567)	(32 556)	–	–
Repricing profile	313 351	(6 009)	(11 556)	(109 632)	11 334	(197 488)	–
Cumulative repricing profile	313 351	307 343	295 786	186 154	197 488	–	–
Expressed as a percentage of total assets of the financial institution (%)	18,2	17,8	17,1	10,8	11,4		
Interest income sensitivity							
				< 3 months	> 3 months < 6 months	> 6 months < 1 year	Total
2008							
2% interest rate increase				(2 325)	(1 664)	(3 439)	(7 428)
2% interest rate decrease				2 341	1 703	3 589	7 633
2007							
2% interest rate increase				1 348	1 112	2 533	4 993
2% interest rate decrease				(1 339)	(1 090)	(2 442)	(4 871)

9 FINANCIAL INSTRUMENTS (continued)

9.1 Risk management objectives and policies (continued)

9.1.5 Credit risk

Credit risk refers to the risk of financial loss resulting from failure of a counterparty to an asset, for any reason, to fully honour its financial and contractual obligations. Potential areas of credit risk consist of cash and cash equivalents, bank advances, trade debtors and other receivables. The group limits its exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. Credit risk management applied by the group involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. These procedures help to ensure the credit quality of the group's financial assets. The spread of risk in relation to trade and other debtors is summarised as follows:

2008	Shipping		Freight Services		Trading		Group	
	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000
Trade debtors	51	141 732	5 271	658 867	517	1 414 910	5 839	2 215 509
2007								
Trade debtors	73	116 434	4 714	606 767	235	1 172 523	5 022	1 895 724

CREDIT RISK MANAGEMENT

Trade debtors

The group aims to minimise loss caused by default of our customers through specific group-wide policies and procedures. Compliance with these policies and procedures are the responsibility of the divisional and other financial managers. Monitoring of compliance with these policies is done by internal audit. All known risks are required to be fully disclosed and accounted for and are provided against as doubtful debts.

Granting credit

The group assesses the creditworthiness of potential and existing customers by obtaining trade references, credit references and evaluating the business acumen of the client. Once this review has been performed, the applied credit limit is reviewed and approved.

Loans and advances

The credit committee is responsible for ensuring that credit approval processes are stringent and for monitoring large exposures, associated exposures, sectoral exposure and any irregular or problem loans.

Monitoring exposure

The group monitors exposures on an ongoing basis utilising the various reporting tools and flagging potential risks. The following reports are used to monitor credit risk: overdue report; age analysis and late payment history.

	Group	
	2008 R000	2007 R000
Carrying amount of financial assets past due or impaired and whose terms have been renegotiated	3 217	–
Carrying amount of financial assets impaired during the year	29 562	18 839
Maximum credit risk exposure to the group:		
Other investments	50 151	140 646
Loans and advances	1 049 761	969 880
Trade and other receivables before allowance for doubtful debts	3 567 442	2 566 170
Liquid assets and short-term negotiable securities	138 553	228 938
Cash and cash equivalents	2 403 087	1 254 611
	7 208 994	5 160 245
Analysis of the ageing of financial assets which are past due but have not been impaired:		
Current	189 864	10 680
30 days	179 752	44 947
60 days	77 706	41 176
90 days	26 266	22 742
120+ days	106 266	20 447
Total	579 854	139 992

Refer to note 11 for analysis of ageing of loans and advances.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCIAL INSTRUMENTS (continued)

9.1 Risk management objectives and policies (continued)

9.1.6 Counterparty risk

The risk that a counterparty to a transaction fails to perform in terms of the contract resulting in a potential cost to replace the cash flows or the risk that a counterparty fails to honour an undertaking for payment or delivery in terms of unsettled transactions.

The group is extremely cautious when selecting counterparties to transactions and formal limits are established for counterparties to asset or hedging transactions.

9.1.7 Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. The directors may from time to time at their discretion raise or borrow monies for the purpose of the group as they deem fit. Short-term borrowings includes a committed facility which has a six-month notice period. There are no borrowing limits in the articles of association of the company or its subsidiaries.

In the banking environment liquidity risk may be defined as the risk of a bank not being able to repay its maturing deposits or meet its obligations under a loan agreement. Liquidity risk in a bank includes the risk of incurring excessively high interest costs or being forced to sell assets at a loss in order to meet its obligations.

Grindrod Bank has a prudent liquidity management policy and the asset and liability committee is responsible for monitoring the stability of funding, surplus cash or near cash assets, anticipated cash outflows, exposure to large depositors and exposure to connected parties. The Bank is exposed to a maturity mismatch due to the duration of the lending book when compared against the duration of the funding book. To date the Bank has been well served by its prudent liquidity management policy, the stability of its deposit base and the high quality of the advances book. The Bank intends to continue to adopt a conservative liquidity policy in the future.

Group liquidity analysis

The contractual maturities of the group's financial liabilities are as follows:

2008	<3 months	>3 months < 6 months	>6 months <1 year	>1 year <5 years	>5 years	Non- contractual	Total
Liabilities							
Provisions	17 010	–	84 038	98 508	–	–	199 556
Income received in advance	–	–	37 800	–	151 200	–	189 000
Trade and other payables	2 474 647	58 342	183 320	1 818	–	22 442	2 740 569
Financial liabilities	203 343	3 390	5 585	86 300	2 245	–	300 863
Deposits	1 254 996	14 365	247 931	29 441	–	–	1 546 733
	3 949 996	76 097	558 674	216 067	153 445	22 442	4 976 721
2007							
Liabilities							
Provisions	1 046	703	15 994	40 893	–	–	58 636
Income received in advance	–	–	–	–	–	–	–
Trade and other payables	1 881 474	22 284	49 185	–	–	–	1 952 943
Financial liabilities	265 429	84 086	163 137	51 593	2 479	–	566 725
Deposits	1 308 279	6 009	11 556	100 000	–	–	1 425 844
	3 456 228	113 082	239 872	192 486	2 479	–	4 004 148
Bank liquidity analysis							
2008							
Liabilities							
Financial liabilities	–	–	–	6 155	–	3 955	10 110
Deposits	1 254 996	14 365	247 931	29 441	–	–	1 546 733
	1 254 996	14 365	247 931	35 596	–	3 955	1 556 843
2007							
Liabilities							
Financial liabilities	(13)	–	–	298	2 479	–	2 764
Deposits	1 308 279	6 009	11 556	100 000	–	–	1 425 844
	1 308 266	6 009	11 556	100 298	2 479	–	1 428 608

The holding company has guaranteed a facility of R200 million to the Bank as additional liquidity.

9 FINANCIAL INSTRUMENTS (continued)

9.1 Risk management objectives and policies (continued)

9.1.8 Solvency risk

Capital adequacy refers to the risk that a bank will not have adequate capital and reserve funds to absorb losses, resulting in depositors having to absorb these losses and losing confidence in the Bank and/or the banking sector.

The capital adequacy risk asset ratio of the Bank at 31 December 2008 was 16,50% (2007: 16,67%). The Bank will raise additional capital as and when capital is required to support asset growth and to ensure that a prudent risk asset ratio is maintained.

9.1.9 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The group's overall strategy remains unchanged from 2007.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of Grindrod Limited, comprising ordinary and preference share capital, reserves and accumulated profit as disclosed in the statement of changes in equity.

Gearing ratio

The group reviews the capital structure on a quarterly basis. As part of the review the group considers the cost of capital and the risks associated with each class of capital. The group has a target gearing ratio of 100% determined as the proportion of net debt to equity.

The group defines net debt as being comprised of borrowings, less cash and cash equivalents and assets classified as held for sale. The gearing ratio at year-end was:

	Group	
	2008	2007
	R000	R000
Debt	1 963 564	2 306 187
Deposits from bank customers	1 507 046	1 397 073
Cash and cash equivalent	(2 403 087)	(1 254 611)
Other cash equivalents included in financial assets	(103 100)	(70 272)
Loans and advances to bank customers	(1 049 761)	(965 964)
Liquid assets and short-term negotiable securities	(138 553)	(228 938)
Net non-current assets classified as held for sale	(100 955)	(202 974)
Net (cash)/debt	(324 846)	980 501
Equity (including minority interest)	6 775 011	3 438 975
Net debt to equity ratio	(5%)	29%

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCIAL INSTRUMENTS (continued)

9.2 Derivative financial instruments

9.2.1 Forward exchange contracts

The company (*) and group had entered into the following forward exchange contracts which are accounted for as fair value hedges with gains/losses thereon taken to the income statement. The amounts represent the net Rand equivalents of commitments to purchase and sell foreign currencies. The average rates shown include the cost of forward cover.

Valuation technique

Quoted forward points to the contract date are allocated to the spot rate at year-end and this rate is applied to the foreign currency amount in order to determine the fair value of the derivative.

	Group	
	2008	2007
	R000	R000
Total change in fair value recognised in operating profit	6 231	4 932

Details of these forward exchange contracts are as follows:

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value		Asset/ (liability)	Average rate	Contract value		Asset/ (liability)
		US\$000	R000	R000		US\$000	R000	R000
Purchase US Dollars	9,67	3 534	34 174	2 641	6,91	24 107	166 552	2 876
Purchase US Dollars	10,00	310 466	3 105 603	(17 496)	7,09	49 496	350 831	(10 002)
Sell US Dollars	10,24	195 528	2 001 485	16 845	7,14	9 593	68 465	2 408
Sell US Dollars*	10,41	10 000	104 100	4 185	-	-	-	-
Sell US Dollars	-	-	-	-	6,84	6 116	41 843	(284)
		519 528	5 245 362	6 175		89 312	627 691	(5 002)

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value		Asset/ (liability)	Average rate	Contract value		Asset/ (liability)
		SEK000	R000	R000		SEK000	R000	R000
Purchase Swedish Kroner	-	-	-	-	0,94	262	246	(2)

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value		Asset/ (liability)	Average rate	Contract value		Asset/ (liability)
		GBP000	R000	R000		GBP000	R000	R000
Purchase British Pound	15,49	87 579	1 356 321	(168)	13,94	7 315	101 971	103

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value		Asset/ (liability)	Average rate	Contract value		Asset/ (liability)
		JPY000	R000	R000		JPY000	R000	R000
Purchase Japanese Yen	-	-	-	-	16,47	124	2 042	-

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value		Asset/ (liability)	Average rate	Contract value		Asset/ (liability)
		EUR000	R000	R000		EUR000	R000	R000
Purchase Euro	12,98	16 599	215 411	2	-	-	-	-
Purchase Euro	13,39	5 953	79 699	(74)	-	-	-	-

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value		Asset/ (liability)	Average rate	Contract value		Asset/ (liability)
		HKD000	R000	R000		HKD000	R000	R000
Purchase Hong Kong Dollar	0,78	100	78	(9)	-	-	-	-

The group entered into forward exchange contracts to hedge future commitments which included the purchase of certain ships which delivered in 2008 and the purchase of certain commodities in 2008. The exposure to Rand/US Dollar exchange rate fluctuations has been designated and qualifies as a hedge in line with the group's accounting policy thereon.

9 FINANCIAL INSTRUMENTS (continued)

9.2 Derivative financial instruments (continued)

9.2.1 Forward exchange contracts (continued)

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value US\$000	R000	Asset/(liability) R000	Average rate	Contract value US\$000	R000	Asset/(liability) R000
Purchase US Dollars	–	–	–	–	7,07	10 000	70 726	(607)

FOREIGN CURRENCY	2008				2007			
	Average rate	Contract value EUR000	R000	Asset/(liability) R000	Average rate	Contract value EUR000	R000	Asset/(liability) R000
Purchase US Dollars, sell Euros	–	–	–	–	10,06	813	8 178	44

9.2.2 Cross currency swaps

The group has entered into cross currency swaps to manage currency risk.

MATURITY DATE	Currency	Currency swapped with	2008		Asset/(liability) R000	2007
			Nominal value	Nominal value		
			Nominal value	Nominal value	Asset/(liability) R000	Asset/(liability) R000
June 2014	USD	ZAR	10 000	61 346	21 792	4 890
December 2014	USD	ZAR	10 000	57 725	26 158	8 824
November 2009	GBP	USD	3 903	6 723	(6 921)	–
January 2009	USD	EUR	1 337	1 046	74	–
January 2009	USD	EUR	591	471	(77)	–
January 2009	USD	GBP	5 365	3 326	2 570	–
January 2009	USD	GBP	2 322	1 551	(502)	–
January 2009	ZAR	USD	408	39	10	–
January 2009	ZAR	USD	168	17	(3)	–
			34 094	132 244	43 101	13 714

9.2.3 Forward freight agreements

The group has entered into a number of forward freight agreements (FFAs) which are designated as cash flow hedges, covering their capesize and handysize ships to hedge against shipping market price risk. These are entered into in the normal course of business in order to hedge against open positions in the fleet from contracts of affreightment (these FFAs' hedge sales based on volumes shipped) and exposure on earnings for the handysize ships trading in a pool on the spot market. The basis for valuation of the FFAs is set out in managements critical judgements. At 31 December 2008, there were 3 (2007: 9) open forward freight agreements, designated as cash flow hedges, maturing as follows:

SETTLEMENT PERIODS	Type of ship	Strike price US\$	2008		Asset/(liability) R000	2007
			Quantity/ duration	Nominal value US\$000		
1 January 2008 to 31 December 2008	Handysize	16 000	365 days	5 840	–	(55 819)
1 January 2008 to 31 December 2008	Handysize	24 000	365 days	8 760	–	(36 100)
1 January 2008 to 31 December 2008	Handysize	23 500	365 days	8 578	–	(37 337)
1 January 2008 to 31 December 2008	Handysize	21 800	365 days	7 957	–	(41 526)
1 January 2008 to 31 December 2008	Handysize	22 000	365 days	8 030	–	(41 030)
1 January 2008 to 31 December 2008	Handysize	28 000	365 days	10 220	–	(26 244)
1 January 2009 to 31 December 2009	Handysize	19 750	365 days	7 209	41 183	(15 902)
1 January 2009 to 31 December 2009	Handysize	20 000	365 days	7 300	42 043	(15 316)
1 January 2008 to 31 October 2008	Capesize	16	60 000 mt	–	–	(87 283)
1 January 2009 to 31 December 2009	Handysize	28 000	365 days	10 220	69 382	–
				74 114	152 608	(356 556)

business overview

commentaries

sustainability

annual financial statements

shareholder information

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCIAL INSTRUMENTS (continued)

9.2 Derivative financial instruments (continued)

9.2.3 Forward freight agreements (continued)

In addition to the forward freight agreements the group has entered into additional forward freight agreements which are not treated as hedges:

SETTLEMENT PERIODS	Type of ship	Strike price US\$	Quantity/ duration	2008	2007	
				Nominal value US\$000	Asset/ (liability) R000	Asset/ (liability) R000
1 January 2008 to 31 May 2008		458	8 500 mt	3 893	–	2 322
1 January 2008 to 30 June 2008		12 750	130 days	1 658	–	25 782
1 January 2008 to 31 December 2008		38 000	370 days	14 060	–	20 126
1 January 2008 to 31 December 2008		69	80 799 mt	5 575	–	14 779
1 January 2008 to 31 December 2008		71	117 261 mt	8 326	–	12 361
1 January 2008 to 31 December 2008		53 055	54 days	2 865	–	(8 144)
1 January 2008 to 31 December 2008		543	371 672 mt	201 818	–	(30 571)
1 October 2008 to 30 June 2009		2 470	5 500 mt	13 585	(6 350)	–
1 October 2008 to 31 December 2009		89 406	450 days	40 233	(19 728)	–
1 January 2009 to March 2009	Handysize	19 000	90 days	1 710	(10 636)	–
1 January 2009 to 31 December 2009	Handysize	10 100	365 days	3 687	(2 544)	–
1 January 2009 to 31 December 2009	Handysize	10 100	365 days	3 687	2 226	–
				301 103	(37 032)	36 655

At 31 December 2008, the sensitivity of the forward freight agreements to a US\$1 000 movement in the shipping market prices would have the following effect:

	Group	
	2008 R000	2007 R000
<i>US\$1 000 increase</i>		
Increase in FFA liability	(16 404)	(35 725)
(Increase)/decrease in hedging reserve deficit	(1 538)	35 725
Decrease in profit	17 942	–
<i>US\$1 000 decrease</i>		
Decrease in FFA liability	16 404	35 725
Decrease/(increase) in hedging reserve deficit	1 538	(35 725)
Increase in profit	(17 942)	–

9.2.4 Futures and options

The group has entered into certain futures in order to commercially hedge the price risk in respect of commodity contracts which mature between 1 January 2009 and 30 September 2009.

These contracts are not accounted for using hedge accounting and all fair value (gains)/losses are recognised in the income statement. Commodity inventory is valued at fair value less costs to sell with the fair value (gains)/losses also recognised in the income statement. Forward purchase and sales contracts are fair valued through the income statement.

9 FINANCIAL INSTRUMENTS (continued)
 9.2 Derivative financial instruments (continued)
 9.2.4 Futures and options (continued)

Details of the group's dealings in open futures and forward contracts at year-end are as follows:

COMMODITY	Tonnage	2008 Contract value R000	(Gain)/loss recognised R000	2007 (Gain)/loss recognised R000
White maize	1 812	896	295	332
White maize	16 000	33 759	(4 361)	–
Yellow maize	471	286	177	–
Yellow maize	2 100	4 371	(612)	1 501
Corn	56 701	95 558	(9 422)	(806)
Soya bean meal	115 765	(325 364)	35 496	(8 633)
Soya bean	28 060	58 357	428	–
Soya bean	3 699	–	(2 116)	(52)
Sunflower	–	108	(108)	(204)
Wheat	7 440	7 982	2 702	–
Wheat	6 256	(10 518)	(907)	(34 322)
Mark to market settled through margin account			21 572	(42 184)
Asset/(liability)			3 200	(1 285)
Contracted firm commitment/highly probable underlying transactions at fair value			–	–

9.2.5 Forward contracts

COMMODITY		Tonnage	2008 Contract value R000	Asset/ (liability) R000	2007 Asset/ (liability) R000
Wheat	Purchase	60 000	140 091	9 762	(1 294)
Wheat	Sales	73 490	(167 754)	11 484	(51 583)
Corn	Sales	39 086	(633)	1 540	(11 121)
Soya bean	Sales	132	489	31	(61)
Soya bean meal	Sales	720 190	(604 881)	(40 455)	(39 499)
White maize	Sales	33 190	60 669	1 160	(550)
Yellow maize	Sales	26 505	45 757	156	(1 155)
Sunflower	Sales	32	152	36	18
Sunflower	Purchase	8	30	29	204
Corn	Purchase	32 420	(94 812)	(11 236)	2 012
Soya bean	Purchase	1 002	3 561	(72)	162
Soya bean meal	Purchase	298 699	17 605	140 509	8 550
Yellow maize	Sales	22 750	42 175	–	6 045
Wheat	Purchase	312 624	529 923	(66 663)	73 647
Wheat	Sales	177 000	177 603	(7 447)	2 481
Yellow maize	Purchase	5 358	8 779	(142)	–
Soya bean meal	Sales	36 653	(139 486)	21 509	–
White maize	Purchase	5 646	10 455	(549)	–
Other	Sales	93 532	(100 833)	(39 416)	3 519
Other	Sales	343 775	103 476	30 136	–
Other	Purchase	16 203	134 316	(5 441)	–
			44 931	(8 625)	

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCIAL INSTRUMENTS (continued)

9.2 Derivative financial instruments (continued)

9.2.6 Interest rate swaps

The company (*) and group have entered into the following interest rate swaps on Rand-denominated loans, whereby variable interest rates have been fixed as indicated below. In addition, the group's subsidiary, Grindrod Bank Limited (#), enters into various interest rate swaps in the normal course of business. Grindrod Bank's interest rate swaps fix interest rates which are linked to JIBAR to rates between 13,72% p.a. (2007: 7,85% p.a.) and 14,54% p.a. (2007: 15,29% p.a.) and mature over the periods as indicated below:

MATURITY DATE	Interest rate (%)	2008		2007
		Nominal value R000	Asset/(liability) R000	Asset/(liability) R000
31 December 2008 *	Variable to 8,9	–	–	12 853
30 June 2009 *	Variable to 8,7	250 000	2 048	9 600
30 June 2010	Variable to 9,9	500 000	(10 329)	509
30 June 2010	Variable to 9,8	250 000	(5 520)	(187)
30 September 2010	Variable to 9,8	–	–	1 894
31 December 2011	Variable to 10,4	172 000	(3 206)	–
31 December 2011	Variable to 9,9	250 000	(3 042)	–
31 December 2011	Variable to 10,0	172 000	(9 191)	–
Between January 2007 and February 2017 #	Various	111 609	(16 120)	1 303
Between January 2007 and February 2017 #	Various	21 698	1 065	(6 130)
			(44 295)	19 841

		Group	
		2008	2007
		R000	R000

9.2.7 Hedging details

The above mentioned derivative's hedging details are as follows:

Ineffectiveness recognised in profit and loss:

Cash flow hedge	1 378	12 488
-----------------	-------	--------

Details of cash flow hedges:

	2008				2007			
	<3 months	3 – 6 months	6 – 12 months	>12 months	<3 months	3 – 6 months	6 – 12 months	>12 months
Financial asset	36 984	44 723	90 972	–	–	–	–	–
Financial liability	(7 799)	(3 919)	(3 850)	(3 255)	(101 138)	(73 487)	(143 222)	(47 741)

Reconciliation of cash flow hedge recognised in equity	2008			2007		
	Amount recognised in equity	Amount recycled from equity into		Amount recognised in equity	Amount recycled from equity into	
	Hedging reserve R000	Income statement R000	Asset/(liability) R000	Hedging reserve R000	Income statement R000	Asset/(liability) R000
Opening balance	365 587	–	–	72 920	–	–
Amount recognised in equity in the current year	(572 704)	–	572 704	610 733	–	(301 273)
Amount removed from equity to income statement	–	–	–	(318 066)	318 066	–
Deferred taxation arising on interest rate swap	2 328	–	–	–	–	–
Translation	50 934	–	–	–	–	–
Closing balance	(153 855)	–	572 704	365 587	318 066	(301 273)

9 FINANCIAL INSTRUMENTS (continued)

9.2 Derivative financial instruments (continued)

9.2.8 Ship purchase option

The group has the option to purchase a ship in 2011 at an agreed price of US\$2 million. If the counterparty to the option elects not to transfer the ship to the group upon exercise of the option, the group is entitled to receive a cash payment of US\$13 million. As the estimated market price of the ship is in excess of US\$15 million (the point at which it would become beneficial to transfer the ship rather than settle in cash) at 31 December 2008, the fair value of the option has been calculated by discounting the expected cash receipt by the group. No allowance has been made for any volatility in the market value of the ship. If the estimated market price of the ship at 31 December 2008 were to fall by 20%, it would exceed the US\$15 million, and the fair value of the option would continue to be recognised at the values shown below on the basis of the discounted forecast cash flows:

	Group	
	2008 R000	2007* R000
Ship purchase option	103 100	70 272

The derivative financial instruments have been disclosed in the balance sheet as follows:

	2008			2007		
	Hedging reserve R000	Financial assets R000	Financial liabilities R000	Hedging reserve R000	Financial assets R000	Financial liabilities R000
Forward exchange contracts on ships and other trading commitments	(7 239)	23 673	(17 747)	(9 031)	5 431	(10 895)
Cross currency swap	–	50 604	(7 503)	–	13 714	–
Forward freight agreements	152 608	154 834	(39 258)	(356 556)	75 370	(395 271)
Futures and options	–	42 297	(17 526)	–	–	(43 469)
Forward contracts	–	216 353	(171 421)	–	96 638	(105 263)
Interest rate swaps	8 486	3 113	(47 408)	–	26 159	(6 317)
Ship purchase option	–	103 100	–	–	70 272	–
	153 855	593 974	(300 863)	(365 587)	287 584	(561 215)
Less portion due within one year included in trade and other (receivables)/payables	–	(452 887)	264 335	–	(195 708)	512 653
Long-term portion	153 855	141 087	(36 528)	(365 587)	91 876	(48 562)

	Group		Company	
	2008 R000	2007 R000	2008 R000	2007 R000
10 DEFERRED TAXATION				
Deferred taxation analysed by major category:				
Capital allowances	(89 771)	(59 699)		
Other timing differences	106 681	41 036	(317)	(6 312)
STC credits	9 752	8 484	7 376	–
Estimated taxation losses	114 163	115 024		
	140 825	104 845	7 059	(6 312)
Reconciliation of deferred taxation:				
Opening balance	104 845	45 930	(6 312)	(4 327)
Income statement effect	33 213	61 695	13 371	(1 985)
Transfer from non-distributable reserve	939	–		
Foreign currency translation effect	1 604	(53)		
Transferred to non-current liabilities associated with assets classified as held for sale	–	368		
Acquisition of businesses	224	(3 095)		
Balance at 31 December	140 825	104 845	7 059	(6 312)
Comprising:				
Deferred taxation assets	159 352	138 069	7 059	–
Deferred taxation liabilities	(18 527)	(33 224)	–	(6 312)
	140 825	104 845	7 059	(6 312)

* Restated

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2008 R000	2007 R000
11 LOANS AND ADVANCES TO BANK CUSTOMERS		
Loans and receivables	898 100	867 227
Held at fair value through profit or loss using year-end market related interest rate yield curves to discount expected future cash flows	151 661	98 737
	1 049 761	965 964
Loans and advances – companies and close corporations	758 174	734 918
Loans and advances – unincorporated businesses	61 207	80 334
Loans and advances – individuals	98 096	45 872
Property in possession	2 997	3 287
Preference shares	101 477	92 533
Interest accrued	12 230	9 447
Revaluation of loans held at fair value through profit and loss	15 580	3 489
Less impairments against advances	–	(3 916)
	1 049 761	965 964
Advances are made at market related rates of interest and are secured with various types of collateral such as cash, mortgage bonds, shares, discounted invoices, guarantees and suretyships. This book is considered to be well secured and impairments have been raised where impairment indicators exist.		
Contractual maturity analysis:		
Maturity on demand	143 939	93 106
Maturing within one month	35 916	65 381
Maturing after one month but within three months	124 961	111 886
Maturing after three months but within six months	32 308	5 287
Maturing after six months but within one year	35 532	40 518
Maturing after one year but within three years	332 188	214 780
Maturing after three years but within five years	157 709	253 319
Maturing after five years but within 10 years	157 197	169 154
Maturing after 10 years	2 201	3 513
Interest accrued	12 230	9 447
Revaluation of loans held at fair value through profit and loss	15 580	3 489
Less impairment against advances	–	(3 916)
	1 049 761	965 964
Maximum exposure to credit risk	1 049 761	969 880
Exposures with renegotiated terms	–	–
The maturity analysis of advances is based on the remaining contractual periods to maturity from the balance sheet date and does not take repayment profiles into account.		
Sectoral analysis:		
Agriculture, hunting, forestry and fishing	1 459	–
Mining and quarrying	17 669	161
Manufacturing	105 853	103 571
Construction	7 804	474
Wholesale and retail trade, repair of specified items, hotels and restaurants	2 174	12 461
Transport, storage and communication	72 165	59 881
Financial intermediation and insurance	47 148	4 000
Real estate	505 880	611 030
Business services	123 533	–
Community, social and personal services	17 339	19 976
Private households	72 194	46 051
Other	76 543	108 359
	1 049 761	965 964

	Group	
	2008 R000	2007 R000
11 LOANS AND ADVANCES TO BANK CUSTOMERS (continued)		
Geographical analysis:		
South Africa	1 049 761	965 964
Included in loans and advances are fixed rate loans designated as held at fair value through profit and loss:		
Net book value of loans and advances held at fair value through profit and loss	136 081	98 729
Revaluation of loans and advances held at fair value through profit and loss	15 580	3 489
Less impairment of loans and advances held at fair value through profit and loss	–	(3 481)
Fair value of loans and advances held at fair value through profit and loss	151 661	98 737
Included in loans and advances are loans made to related parties at market related rates of interest:		
Grindrod group companies – guarantees	2 895	2 895
Directors (directly and indirectly)	40 647	37 062
	43 542	39 957
Analysis of impairments:		
Impairments at the beginning of the year	3 916	(14 820)
Net increase in impairments	(428)	(1 511)
Written off against impairments	(3 488)	12 415
Impairments at the end of the year	–	(3 916)
Analysis of impaired loans and advances:		
Loans and advances classified as special mention	39 544	28 714
Loans and advances displaying significant weakness	1 796	3 631
Carrying amount of impaired loans and advances	41 340	32 345
Collateral held against impaired loans and advances	16 433	7 126
Sectoral analysis of impaired loans and advances:		
Construction	71	484
Manufacturing	2 024	–
Community, social and personal services	1 517	10 901
Real estate	20 348	10 607
Private households	10 416	10 353
Business services	6 964	–
	41 340	32 345

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2008 R000	2007* R000
12 INVENTORIES		
Bunkers and other consumables	31 124	54 583
Commodities		
Agricultural	680 647	398 049
Other	42 394	6 734
Merchandise and containers	52 967	90 909
Held-for-sale assets	98 710	151 939
Transferred to non-current assets classified as held for sale	–	(17 585)
	905 842	684 629
<i>Reconciliation of held-for-sale assets</i>	98 710	151 939
Opening balance	151 939	167 160
Transferred from ships, property, plant and equipment	438 808	151 939
Write-down to net realisable value	(65 406)	–
Translation gain	38 976	–
Disposals	(465 607)	(167 160)

The fair value less costs to sell of the commodities inventory amounts to R682 738 000 (2007: R420 679 000).

Agricultural and other commodities, amounting to R651 317 000 (2007: R293 425 000) have been ceded to financial institutions in order to secure available borrowing facilities of R1 224 002 000 (2007: R1 029 208 000).

* Restated

	Group		Company	
	2008 R000	2007 R000	2008 R000	2007 R000
13 TRADE AND OTHER RECEIVABLES				
Trade debtors	2 253 441	1 918 558		
Less allowances for doubtful debts	(37 932)	(22 834)		
Net trade debtors	2 215 509	1 895 724		
Prepayments	92 680	74 686	527	97
Amounts due from subsidiaries			1 636 379	801 618
Loans to joint ventures				
Shareholders' loans	46 896	51 991		
Current portion of derivative financial assets (note 9.2)	452 887	195 708	6 233	12 853
Other receivables	721 538	369 131		
Transferred to non-current assets classified as held for sale (note 15)	–	(43 904)		
	3 529 510	2 543 336	1 643 139	814 568
Trade and other receivables, other than the current portion of financial assets, are classified as loans and receivables at amortised cost and their carrying amount approximates fair value. Trade and other receivables are predominately non-interest-bearing.				
Included in the current portion of financial assets are the following:				
Forward exchange contracts on ships and other trading commitments	27 858	5 343	4 185	–
Futures and options	39 097	537		
Forward contracts	217 694	134 648		
Interest rate swaps	2 048	12 853	2 048	12 853
Forward freight agreements	109 175	42 327		
Other	57 015	–		
	452 887	195 708	6 233	12 853
Reconciliation of allowances for doubtful debts				
Opening balance	22 834	13 336		
Acquisition of businesses	4 348	646		
Increase in allowance	15 266	8 852		
Allowance utilised	(4 516)	–		
Closing balance	37 932	22 834	–	–
Concentrations of credit risk are limited due to the group's customer base being large and unrelated. Due to this the directors believe there is no further credit risk provision required in excess of the allowance for doubtful debts.				
Trade debtors have been ceded to financial institutions in order to secure overdraft facilities as follows:				
	1 598 757	1 236 135		
Trading	1 355 696	311 883		
Freight Services	243 061	924 252		
The shareholders' loans to joint ventures have no fixed repayment terms.				

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

		Group	
		2008	2007*
		R000	R000
14	LIQUID ASSETS AND SHORT-TERM NEGOTIABLE SECURITIES		
	Measured at amortised cost		
	Preference shares	73 683	76 930
	Statutory liquid assets		
	Treasury bills	4 492	49 871
	Negotiable certificates of deposit	60 378	102 137
		138 553	228 938
15	NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		
	Ships, property, terminals, vehicles and equipment		
	Freehold and leasehold properties	–	1 365
	Terminals, vehicles and equipment	–	43 136
	Leased terminals, vehicles and equipment	–	31 718
	Goodwill	–	3 900
	Other investments	2 245	–
	Inventory	–	17 585
	Trade and other receivables	–	43 904
		2 245	141 608
	Non-current liabilities associated with assets classified as held for sale		
	Bank and cash	–	(36)
	Taxation	–	(302)
	Deferred taxation	–	(368)
	Interest-bearing debt	–	(9 330)
	Trade and other liabilities	–	(80 537)
		–	(90 573)

Business disposals

The group has taken a decision to dispose of two of its investments. It is anticipated that the disposals will be completed before the end of the 2009 financial year.

In the prior year the group disposed of two of its Freight Services businesses. The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date have been set out above net of impairments recognised.

* Restated

	Group		Company	
	2008 R000	2007 R000	2008 R000	2007 R000
16 SHARE CAPITAL AND PREMIUM				
AUTHORISED				
2 750 000 000 ordinary shares of 0,002 cent each (2007: 2 750 000 000 ordinary shares of 0,002 cent each)	55	55	55	55
20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each (2007: 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each)	6	6	6	6
	61	61	61	61
ISSUED				
478 476 210 ordinary shares of 0,002 cent each (2007: 474 956 210 shares of 0,002 cent each)	9	9	9	9
7 500 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each (2007: 7 500 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each)	2	2	2	2
SHARE PREMIUM		189 061	495 158	492 113
Balance at beginning of year	189 061	508 475	492 113	825 571
Premium on shares issued	3 045	6 509	3 045	6 509
Distribution of share premium	–	(325 923)	–	(339 967)
Net premium on shares acquired during the year by group companies	(192 106)	–		
Total issued share capital and premium	11	189 072	495 169	492 124

3 520 000 ordinary shares (2007: 6 330 000 ordinary shares) with a nominal value of R71,00 (2007: R126,00) were issued for R3 045 700 (2007: R6 508 200).

In the current year, 8 776 542 (2007: nil) ordinary shares with a nominal value of R175,53 (2007: nil) and a share premium of R206 248 561 (2007: nil) were purchased by a subsidiary of the group.

In the current year, 100 000 (2007: nil) preference shares with a nominal value of R31,00 (2007: nil) and a share premium of R9 533 474 (2007: nil) were purchased by a subsidiary of the group.

137 256 (2007: 164 475) cumulative, non-redeemable, non-participating and non-convertible preference shares with a nominal value of R42,55 (2007: R50,99) are held by a subsidiary of the group.

The unissued shares, to the extent of a maximum of 10% of the issued shares, are under the control of the directors until the forthcoming annual general meeting.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2008 R000	2007 R000
17 INTEREST-BEARING DEBT		
Secured		
Aggregate loans	1 024 637	966 237
Aggregate amounts repayable within one year	(227 679)	(238 246)
Long and medium-term financing	796 958	727 991
Short-term borrowings and overdraft	938 927	1 349 280
Transferred to non-current liabilities associated with assets held for sale	–	(9 330)
	1 735 885	2 067 941
Interest-bearing debt is classified as financial liabilities measured at amortised cost and its carrying value approximates fair value	1 735 885	2 067 941

Group assets of R3 163 595 000 (2007: R3 058 710 000) are pledged as security for loans of R1 963 564 000 (2007: R2 306 187 000).

The group determines its availability of funds and assesses its cash requirements on a weekly basis. Consideration is given to the most appropriate form of funding prior to any acquisitions. Group treasury determines the amount of unutilised facilities in assessing the funds available to the group. The net cash balances included in current assets and current liabilities are included in the determination of the headroom available.

Full details of the long and medium-term financing, their fair values and interest rate profiles are detailed on the schedule of loan funds on page 166.

Available facilities

Interest-bearing debt is raised to fund ships, property, terminals, vehicles and equipment. The facilities are fixed, based on specific loan agreements and the specific assets against which the loans are secured.

The group has undrawn committed facilities as at 31 December 2008, as follows:

	Expiry date	Currency	Interest rate	2008 R000	2007 R000
Long-term debt facilities	12/2012	USD	2,28	29 646	–
	12/2012	USD	2,28	29 646	–
	06/2014	USD	2,60	94 500	68 900
	12/2014	USD	2,60	94 500	68 900
	01/2017	USD	2,64	236 250	–
	06/2013	USD	7,00	7 450	16 396
	08/2015	USD	7,00	13 233	44 785
	08/2013	NAD	15,00	9 649	–
	02/2013	USD	3,43	3 035	10 487
	11/2014	ZAR	13,22	12 185	–
	12/2017	ZAR	13,22	–	164 864
	09/2009	ZAR	13,00	–	29 532
	12/2009	ZAR	13,00	–	23 674
various	ZAR	13,00	33 956	–	
Short-term borrowing facilities	06/2009	ZAR	13,50	150 000	–
	06/2009	ZAR	12,90	97 207	52 693
	02/2009	ZAR	12,75	300 000	116 090
	02/2009	ZAR	13,35	100 000	–
				1 211 258	596 321

The maturity profile of the group's borrowings is as follows:

	1 year R000	2 – 5 years R000	>5 years R000	Total R000
2008				
Interest-bearing debt repayable as follows	1 190 214	665 618	107 732	1 963 564
2007				
Interest-bearing debt repayable as follows	1 585 533	525 964	194 690	2 306 187

	Group	
	2008	2007
	R000	R000

18 EMPLOYEE BENEFIT OBLIGATIONS

18.1 Provision for post-retirement medical aid

The group subsidises the medical aid contributions of certain retired employees and has an obligation to subsidise contributions of certain current employees when they reach retirement.

The amounts recognised in the financial statements in this respect are as follows:

Recognised liability at beginning of the year	72 819	62 834
Recognised as an expense in the current year	7 405	9 200
Interest on obligation	4 721	4 569
Current service cost	1 134	589
Actuarial gain recognised	2 070	4 422
Other	(520)	(380)
Contributions paid	(3 822)	(3 848)
Acquisition on purchase of business	1 498	4 633
Present value of unfunded obligations recognised as a liability at end of the year	77 900	72 819

There are no unrecognised actuarial gains or losses.

The principal actuarial assumptions applied in the determination of fair values include:

Health care cost inflation	(%)	7,8	7,3
Discount rate	(%)	8,8	8,3
Continuation at retirement	(%)	75	75

An actuarial valuation was undertaken during 2007.

The effect of an increase or decrease of 1% in the assumed medical cost trend rates are as follows:

		2008		2007	
		Increase	(Decrease)	Increase	(Decrease)
Aggregate of the current service cost and interest cost	(%)	14,6	(12,0)	12,7	(14,4)
Accrued liability at year-end	(%)	13,6	(11,3)	14,1	(11,7)

The history of experience adjustments is as follows:

	2008	2007	2006	2005	2004	2003
Present value of obligations	77 900	72 819	62 834	64 944	52 355	50 414
Fair value of plan assets	-	-	-	-	-	-
Present value of obligations in excess of plan assets	77 900	72 819	62 834	64 944	52 355	50 414
Experience adjustments on obligations	1 567	5 075	30 925	(5 547)	-	-

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

18 EMPLOYEE BENEFIT OBLIGATIONS (continued)

18.2 Retirement benefit plans

The group provides privately administered pension and provident funds for all permanent employees except those who belong to an external fund, industry pension fund or provident scheme. All eligible employees are members of either defined benefit or defined contribution plans which are governed by the South African Pensions Fund Act, 1956.

An actuarial valuation was completed of the privately administered pension fund at 31 March 2007, taking into account the approval received from the Financial Services Board of the surplus apportionment process in terms of Section 15B(9) of the Pension Funds Act, No. 24 of 1956. Accordingly, the group has recognised the fund's surplus in the prior year.

	Group	
	2008	2007
	R000	R000
The funded status of the pension fund is as follows:		
Actuarial value of assets	70 594	70 594
Present value of liabilities	(41 237)	(41 237)
Actuarial surplus	29 357	29 357
The next actuarial valuations will be performed on 31 December 2009. The employer's contribution to all retirement benefit plans are charged against income when incurred.		
The principal actuarial assumptions applied in the determination of fair values include:		
Discount rate	(%) 9,6	9,6
Salary increase	(%) 6,2	6,2
Pension increase	(%) 4,4	4,4

19 PROVISIONS

Provision for onerous contracts

Opening balance	54 613	38 765
Charged to income statement	273 876	65 038
Foreign exchange gain	9 961	8 408
Expenses charged against provisions	(138 894)	(57 598)
Balance at 31 December	199 556	54 613
Current portion included under current liabilities	(101 048)	(17 743)
Non-current portion of onerous contract provisions	98 508	36 870

Provision for phantom share scheme

Opening balance	4 023	-
Charged to income statement	12 438	4 023
Expenses charged against provisions	(16 461)	-
Non-current portion of phantom share scheme provisions	-	4 023
Aggregate	98 508	40 893

Onerous contracts

Cash outflows in respect of the onerous contract provision are expected to arise over the course of the relevant charter period based on current estimates of the loss arising from the contracts. The provision is classified as a financial liability measured at amortised cost and relates to the following specific items:

Product tanker charter

This represents payments that the company is obliged to make under non-cancellable onerous operating ship charter agreements less revenue expected to be earned on the ship charter.

11 619 13 746

Contracts of affreightment and charters (Capes)

This represents scheduled contracts of affreightment on owned or long-term vessels, where the expected costs exceed the expected revenue and the estimated costs of exiting certain future onerous charters.

39 945 11 527

Charters

This represents charter contracts where expected revenue exceeds the contracted cost of chartering in certain vessels.

147 992 29 340

199 556 54 613

Provision for phantom share scheme

The phantom share scheme provision relates to a remuneration scheme whereby certain employees of Grindrod Limited are entitled to receive a cash settlement based on the excess of the market price of shares and an agreed upon strike price. Refer to note 29.

		Group	
		2008	2007
		R000	R000
20	INCOME RECEIVED IN ADVANCE		
	Deposit received	189 000	–
	Current portion included under current liabilities	(37 800)	–
		151 200	–
	The income received in advance is classified as a financial liability measured at amortised cost.		
21	DEPOSITS FROM BANK CUSTOMERS		
	Measured at amortised cost		
	Call deposits	901 173	680 374
	Notice and fixed deposits	540 920	641 986
	Prime linked notice deposits	46 483	62 069
	Interest accrued	18 470	12 644
		1 507 046	1 397 073
	Amounts owed to depositors	1 225 460	1 256 136
	Amounts owed to banks	281 586	140 937
		1 507 046	1 397 073
	Contractual maturity analysis		
	Withdrawable on demand	901 173	680 374
	Maturing within one month	147 527	371 538
	Maturing after one month but within six months	169 306	220 961
	Maturing after six months	270 570	111 556
	Interest accrued	18 470	12 644
		1 507 046	1 397 073
	The maturity analysis of deposits is based on their remaining contractual periods to maturity from the balance sheet date.		
	Sectoral analysis:		
	Banks	281 586	140 937
	Government and public sector	28 802	73 323
	Individuals	240 942	192 135
	Business sector	955 716	990 678
		1 507 046	1 397 073
	Geographical analysis:		
	South Africa	1 507 046	1 397 073
	Included in deposits are funds from related parties earning interest at market related rates:		
	Directors (directly or indirectly)	91 737	74 944

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2008 R000	2007 R000	2008 R000	2007 R000
22 TRADE AND OTHER PAYABLES				
Trade creditors	1 604 213	1 109 057	32	312
Accrued expenses	774 190	551 074	5 059	8 690
Operating lease accrual	30 295	32 875		
Loans from joint ventures				
Shareholder loans	57 109	45 071		
Other payables	252 247	206 495	1 099	–
Shareholders' for dividends	52 816	41 246	46 910	41 246
Amounts due to subsidiaries			1 309 211	698 637
Current portion of derivative financial liabilities (note 9.2.7)	264 335	512 653		
Transferred to non-current liabilities associated with assets classified as held for sale	–	(80 537)		
	3 035 205	2 417 934	1 362 311	748 885
Trade and other payables, other than the current portion of derivative financial liabilities, are measured at amortised cost and their carrying amount approximates fair value. Trade and other payables are predominately non-interest-bearing.				
Included in the current portion of financial liabilities are the following:				
Forward exchange contracts on ships and other trading commitments	(21 782)	(10 884)		
Cross currency swaps	(4 848)	–		
Futures and options	(15 049)	(44 006)		
Forward contracts	(172 763)	(173 843)		
Forward freight agreements	(13 180)	(283 920)		
Other	(36 713)	–		
	(264 335)	(512 653)	–	–

Shareholders' loans comprising amounts due from joint venture parties have no fixed repayment terms.

	Group		Company	
	2008 R000	2007* R000	2008 R000	2007 R000
23 REVENUE				
Revenue comprises net invoiced value of clearing and forwarding, shipping and transport services, gross revenue earned from ship and locomotive sales, sea freight, chartering, warehousing, depot operations, net interest and fee income of the financial institution, ancillary services and investment income and is analysed as follows:				
Charter hire	3 082 749	1 963 566		
Freight revenue	2 590 718	1 843 571		
Net invoiced sales	2 208 591	1 798 220		
Sale of commodities	24 397 014	11 249 223		
Ship and locomotive sales	1 070 101	869 368		
Net interest income of the financial institution	33 224	28 575		
Fee income of the financial institution	50 772	46 253		
Dividends received	9 524	4 579	2 735 806	552 967
Handling fee and other revenue	294 217	143 372	19 113	20 584
	33 736 910	17 946 727	2 754 919	573 551
Analysis of the financial institution's net interest income included in above:				
Interest income	202 660	114 074		
Advances	120 651	81 118		
Preference share dividends, advances portfolio	11 253	4 964		
Balances at banks and short-term funds	47 626	21 163		
Preference share dividends, negotiable securities portfolio	7 410	4 056		
Other short-term securities	13 973	4 536		
Received/(paid) on derivative instruments	1 747	(1 763)		
Interest expense	169 436	85 499		
Call deposits	96 840	45 999		
Notice and fixed deposits	60 910	35 671		
Prime linked notice deposits	11 686	3 829		
Net interest income	33 224	28 575		
Interest income calculated using the effective interest method	4 133	14 099		
Interest income at fair value through profit and loss	29 091	14 476		
	33 224	28 575		

* Restated

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2008 R000	2007* R000	2008 R000	2007 R000
24 OPERATING INCOME BEFORE INTEREST AND TAXATION				
Other income				
Ship option writeup	3 517	10 614		
Foreign exchange gains	344 137	22 748	23 296	-
On foreign currency exposure	336 506	22 748	23 296	-
On commodity trading	7 631	-		
Pension fund surplus recognised	-	6 374		
Other sundry income	28 564	15 812		
Net gains/(loss) on financial instruments	182 852	101 959	(2 412)	19 400
	559 070	157 507	20 884	19 400
Operating expenses				
Voyage expenses	3 432 308	2 549 408		
Charter hire	2 165 845	1 832 560		
Fuel	413 515	355 081		
Port expenses	206 559	179 105		
Provision for onerous voyage contracts	273 876	65 038		
Reversal of provisions no longer required	-	(57 598)		
Other voyage expenses	372 513	175 222		
Cost of sales	25 840 857	12 554 507		
Agricultural commodities	7 914 411	5 309 448		
Bunker fuels	14 011 778	3 883 177		
Container handling and logistics	2 152 649	2 221 213		
Merchandise	194 621	90 629		
Ships	713 181	641 838		
Other commodities	854 217	408 202		
Distribution and selling costs	44 380	55 242	3 353	2 551
Staff costs	1 054 028	826 557	16 777	15 387
Foreign exchange losses	183 819	49 946		
Other operating expenses	752 284	520 164	35 689	8 954
	31 307 676	16 555 824	55 819	26 892
Depreciation and amortisation				
Leasehold properties	5 654	5 197		
Ships	7 461	6 261		
Depreciation – owned assets				
Ships	52 319	61 116		
Other	122 114	92 070		
Depreciation – capitalised leased assets				
Ships	5 021	6 121		
Other	10 660	11 858		
	203 229	182 623	-	-
The above costs are arrived at after including:				
Auditors' remuneration				
Audit fees – current year provision	20 703	15 275	2 138	1 601
Prior year underprovision	1 682	1 551	275	356
Fees for other services	5 374	3 437	146	371
Expenses	382	134		
	28 141	20 397	2 559	2 328
Operating lease rentals				
Land and buildings	146 514	131 125		
Ships	2 203 127	1 832 560		
Other	17 708	13 471		
	2 367 349	1 977 156	-	-
Professional fees				
Administrative and managerial	38 499	10 758		
Technical/projects	25 292	3 410		
	63 791	14 168	-	-
Amortisation of intangible assets	37 713	35 295		
Amortisation of residual beneficiary stream	960	-		
Provision for credit losses/impairment against advances	(428)	932		

* Restated

	Group		Company	
	2008 R000	2007 R000	2008 R000	2007 R000
25 NON-TRADING ITEMS				
Impairment of ships, property, terminals, vehicles and equipment	(93 772)	(3 420)		
Impairment of goodwill	(12 987)	(2 716)		
Impairment of intangible assets	(62 660)	(2 843)		
Negative goodwill released	216	7 026		
Profit/(loss) on disposal of investments	43 179	(2 058)	11 671	(7 100)
(Loss)/profit on disposal of property, terminals, vehicles and equipment	(1 631)	7 519		
Foreign exchange losses realised from non-distributable reserves	(35 912)	–		
	(163 567)	3 508	11 671	(7 100)
26 NET FINANCE COSTS				
Interest received	138 711	109 324	1 484	254
Net interest paid	(314 071)	(239 849)	(37)	–
Interest paid	(315 275)	(249 144)	(37)	–
Interest capitalised	1 204	9 295		
	(175 360)	(130 525)	1 447	254
Interest received is classified as follows:				
Loans and receivables at amortised cost	122 446	109 324	1 484	254
Fair value through profit and loss	16 265	–		
	138 711	109 324	1 484	254
Interest paid is classified as follows:				
Financial liabilities held at amortised cost	(280 761)	(202 681)	(37)	–
Finance leases	(33 310)	(37 168)		
	(314 071)	(239 849)	(37)	–

Net finance costs excludes interest from the financial institution of the group.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2008 R000	2007 R000	2008 R000	2007 R000
27 TAXATION				
SOUTH AFRICAN NORMAL TAX				
Current				
On income for the year	(162 615)	(40 677)	(9 649)	(3 963)
Prior year	(11 928)	7 740	–	4 366
STC	(62 764)	(10 118)	(52 537)	(7 309)
Deferred				
On income for the year	3 303	30 844	5 884	(1 985)
Prior year	19 269	21 988	(106)	–
On change of rate	(3 216)	–	218	–
On STC credits	1 257	8 494	7 376	–
FOREIGN				
Current				
On income for the year	(20 009)	(10 903)		
Prior year	(1 077)	759		
Deferred				
On income for the year	11 342	392		
Prior year	1 258	(23)		
ASSOCIATE COMPANIES				
Current				
On income for the year	(17 850)	(24 348)		
Deferred				
On income for the year	–	49		
	(243 030)	(15 803)	(48 814)	(8 891)
EFFECTIVE RATE OF TAXATION	%	%	%	%
Normal rate of taxation	28,0	29,0	28,0	29,0
Adjusted for:				
Current year tax losses (utilised)/not utilised	(0,5)	2,3		
Exempt income	(6,5)	(2,4)	(28,0)	(29,0)
Non-taxable foreign items	(24,9)	(27,2)		
Non-allowable items	10,8	1,2	–	1,0
CGT	0,3	0,6		
STC	2,5	0,8	1,8	1,4
Deferred taxation on STC credits	(0,1)	(0,7)		
Change of rate	0,1	–		
Prior year	–	(2,4)	–	(0,8)
Effective rate of tax	9,7	1,2	1,8	1,6

Subsidiary companies have estimated tax losses of R543 619 000 (2007: R455 936 000) of which R353 152 000 (2007: R391 097 000) has been utilised in the calculation of deferred taxation.

The Shipping entities within the group operate under the United Kingdom tonnage tax regime, and the Singapore Approved International Shipping Enterprise Incentive (AIS) rules, for corporation tax purposes. Under the UK regime, tax is paid on the tonnage earned by the fleet rather than on corporate income earned from shipping operations. The Singapore AIS regime exempts from corporate income taxes the profits of qualifying shipping activities. Non-qualifying activities are taxed at normal corporate income tax rates.

	Group	
	2008 R000	2007* R000
28 EARNINGS PER SHARE		
Basic earnings reconciliation		
Profit attributable to Grindrod Limited shareholders	2 248 782	1 272 165
Less preference dividends	(90 892)	(76 872)
Profit attributable to ordinary shareholders	2 157 890	1 195 293
Basic earnings per share is based on earnings of and on the weighted average number of shares in issue for the year (000s)	2 157 890	1 195 293
Diluted earnings per share is based on earnings of and on the diluted weighted average number of shares in issue for the year (000s)	453 640	452 934
Reconciliation of weighted average number of shares (000s)	2 157 890	1 195 293
Basic average number of shares in issue	459 930	462 417
Shares that will be issued for no value in terms of share option scheme	453 640	452 934
Diluted average number of shares in issue	6 290	9 483
Earnings per share (cents)	459 930	462 417
Basic	475,7	263,9
Diluted	469,2	258,5
Headline earnings per share is based on headline earnings of and on the weighted average number of shares in issue for the year (000s)	2 321 457	1 191 777
Diluted headline earnings per share is based on headline earnings of and on the weighted average number of shares in issue for the year (000s)	453 640	452 934
Headline earnings per share (cents)	2 321 457	1 191 777
Basic	459 930	462 417
Diluted	511,7	263,1
	504,7	257,7

	2008	
	Gross R000	Net R000
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		2 157 890
Adjusted for:		
IAS 16 Impairment of Ships, Property, Terminals, Vehicles and Equipment	93 772	93 772
IAS 16 Impairment of Goodwill	12 987	12 987
IAS 16 Impairment of Intangible Assets	62 660	62 660
IFRS 3 Negative Goodwill Released	(216)	(216)
IFRS 3 Profit on Disposal of Investments	(43 179)	(43 179)
IAS 16 Loss on Disposal of Property, Terminals, Vehicles and Equipment	1 386	1 631
IAS 21 The Effect of Changes in Foreign Exchange Rates	35 912	35 912
Headline earnings		2 321 457

	2007	
	Gross R000	Net R000
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		1 195 293
Adjusted for:		
IAS 16 Impairment of Property, Terminals, Vehicles and Equipment	3 343	3 420
IAS 16 Impairment of Goodwill	2 716	2 716
IAS 16 Impairment of Intangible Assets	2 854	2 843
IFRS 3 Negative Goodwill Released	(7 026)	(7 026)
IFRS 3 Profit on Disposal of Investments	2 058	2 058
IAS 16 Profit on Disposal of Property Terminals, Vehicles and Equipment	(7 519)	(7 527)
Headline earnings		1 191 777

* Restated

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

29 SHARE-BASED PAYMENTS

Equity-settled share option plan

The company has a share option scheme for certain employees of the group. The options vest over a total period of seven years from the option date as follows:

- a fifth of the options granted vest after three years;
- a further fifth of the options vest after four years;
- a further fifth of the options vest after five years;
- a further fifth of the options vest after six years; and
- a further fifth of the options vest after seven years.

Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. All options expire 10 years after grant.

Options are forfeited if the employee leaves the group before the options vest.

	2008		Group	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Outstanding at the beginning of the year	12 970 000	369	19 300 000	369
Exercised during the year	(3 520 000)	57	(6 330 000)	46
Outstanding at the end of the year	9 450 000	653	12 970 000	369
Exercisable at the end of the year	2 050 000		100 000	

The weighted average share price at the date of exercise for the share options exercised during the year was R0,57 (2007: R0,46). Details of the options outstanding at the end of the year are disclosed in the remuneration report on page 66.

The fair values were calculated using a stochastic model based on the standard binomial options pricing model. This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour. The valuation was performed by independent actuaries. The inputs into the model were as follows:

		Group	
		2008	2007
Weighted average share price	cents	1 253	1 253
Weighted average exercise price	cents	1 253	1 253
Expected rolling volatility			
five-year expected option lifetime	%	43,64	35,27
six-year expected option lifetime	%	39,45	37,65
seven-year expected option lifetime	%	34,82	45,18
Expected option lifetime			
vesting periods three and four	years	5	5
vesting periods five and six	years	6	6
vesting period seven	years	7	7
Risk-free rate based on zero-coupon government bond yield			
five-year expected option lifetime	%	7,41	7,41
six-year expected option lifetime	%	7,47	7,47
seven-year expected option lifetime	%	7,52	7,52
Expected dividend yield	%	3,38	3,38
Forfeiture rate per annum compound	%	10,00	10,00

Expected volatility was determined by calculating an annualised standard deviation of the continuously compounded rates of return of the company's share. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of employee turnover and exercise behaviour.

The group recognised total expenses of R2 865 000 (2007: R3 360 000) related to these equity-settled share-based payment transactions during the year.

29 SHARE-BASED PAYMENTS (continued)

Cash-settled share-based payments

The group issues to certain employees share appreciation rights (SARs) that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise. The group has recorded liabilities of nil (2007: R4 023 000).

The group recorded total expenses of R12 438 000 (2007: R4 023 000).

The fair values were calculated using a stochastic model based on the standard binomial options pricing model. This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour.

The valuation was performed by independent actuaries. The inputs into the model were as follows:

		Group	
		2008	2007
Share price	cents	1 530	2 205
Expected rolling volatility			
three-year expected option lifetime	%	43,64	27,20
four-year expected option lifetime	%	39,45	31,39
five-year expected option lifetime	%	34,82	30,22
Expected option lifetime			
vesting periods three	years	3	3
vesting periods four	years	4	4
vesting periods five	years	5	5
Risk-free rate based on zero-coupon government bond yield			
three-year expected option lifetime	%	9,47	8,89
four-year expected option lifetime	%	9,50	8,63
five-year expected option lifetime	%	9,56	8,41
Expected dividend yield	%	9,50	3,85
Forfeiture rate per annum compound	%	10,00	10,00

[business
overview](#)

[commentaries](#)

[sustainability](#)

[annual financial
statements](#)

[shareholder
information](#)

NOTES TO THE FINANCIAL STATEMENTS

	Group	
	2008 R000	2007 R000
30 CAPITAL COMMITMENTS		
Authorised and contracted for	3 245 998	2 283 959
Due within one year	1 647 309	1 081 564
Due between years one and two	1 026 383	414 454
Due thereafter	572 306	787 941
Authorised and not contracted for	277 000	715 178
	3 522 998	2 999 137
Financing guarantees	39 655	94 927
Financing guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.		
Irrevocable unutilised facilities to be advanced to Bank customers	25 937	47 186

Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by the Bank.

The group's total capital commitments per category of significant assets are as follows:

2008

	2009 R000	2010 R000	Thereafter R000	Total R000
Ships	1 376 985	914 023	571 877	2 862 885
Property, terminals, vehicles and equipment	486 324	112 360	429	599 113
Investment in businesses	61 000	-	-	61 000
	1 924 309	1 026 383	572 306	3 522 998

2007

	2008 R000	2009 R000	Thereafter R000	Total R000
Ships	1 023 852	414 454	787 941	2 226 247
Property, terminals, vehicles and equipment	449 793	20 126	13 971	483 890
Investments in new businesses	289 000	-	-	289 000
	1 762 645	434 580	801 912	2 999 137

These commitments will be funded by cash resources, cash generated from operations and bank financing facilities. The group has carried out a detailed liquidity planning exercise and is confident that it has the necessary resources to comfortably meet its capital and other commitments.

The group's share of the capital commitments (included in above) of its jointly controlled entities referred to in note 34, is as follows:

	2008 R000	2007 R000
Ships	665 000	241 282
Property, terminals, vehicles and equipment	-	17 379
	665 000	258 661

31 CONTINGENT LIABILITIES

The company has guaranteed loans and facilities of subsidiaries and joint ventures amounting to R3 989 900 000 (2007: R2 731 118 000) of which R962 073 000 (2007: R1 448 678 000) had been utilised at year-end.

The company has guaranteed charter hire payments of subsidiaries amounting to R3 283 800 000 (2007: R1 296 900 000). The charter hire payments are due by the subsidiaries in varying amounts from years 2008 to 2015.

In addition the company has guaranteed the liabilities of two subsidiaries amounting to R550 000 000 (2007: R550 000 000).

The company, Grindrod Limited and certain of its associated companies have been served a petition with respect to a business acquired in 2005. The claim has not yet been quantified. Legal counsel has advised that the claim is unlikely to succeed.

The total contingent liabilities incurred by the group arising from interests in joint ventures is R32 103 000 (2007: R26 592 000).

	Group			
	2008 Year-end rates	2008 Average rates	2007 Year-end rates	2007 Average rates
32 FOREIGN CURRENCY DENOMINATED ITEMS				
All foreign currency denominated items are translated in terms of the group's policies.				
At 31 December, exchange rates used on conversion were:				
US Dollar	9,45	8,27	6,89	7,07
Euro	12,94	12,07	10,03	9,71
Pound Sterling	13,59	15,15	13,59	14,16
Swedish Kroner	1,21	1,25	1,07	1,05
Singapore Dollar	6,67	5,79	4,78	4,69
Danish Kroner	1,79	1,62	1,35	1,30
Japanese Yen	0,11	0,08	0,06	0,06
Botswana Pula	1,28	1,22	1,16	1,16
Tanzanian Shilling	0,01	0,01	0,01	0,01
Mozambican Metical	0,38	0,34	0,29	0,28

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
33 LEASES AND SHIPCHARTERS				
33.1 Operating leases and shipcharters				
33.1.1 Receivables				
The minimum future lease and shipcharters receivable under non-cancellable operating leases and charter party agreements are as follows:				
2008				
Ships	680 487	811 062	–	1 491 549
Property	5 382	6 296	–	11 678
	685 869	817 358	–	1 503 227
2007				
Ships	487 958	559 261	70 774	1 117 993
Property	8 123	6 643	–	14 766
	496 081	565 904	70 774	1 132 759
33.1.2 Payables				
The minimum future lease and shipcharters payable under non-cancellable operating leases and charter party agreements are as follows:				
2008				
Ships	750 281	2 197 547	927 116	3 874 944
Property	66 198	155 163	129 544	350 905
Terminals, vehicles and equipment	870	2 620	–	3 490
	817 349	2 355 330	1 056 660	4 229 339
2007				
Ships	793 393	2 341 036	927 547	4 061 976
Property	108 591	330 422	144 476	583 489
Terminals, vehicles and equipment	7 128	15 028	10 549	32 705
	909 112	2 686 486	1 082 572	4 678 170
The group has the option to extend the ship charters at predetermined rates in respect of certain ships. In addition the group has the option to acquire certain ships at predetermined prices.				
33.2 Finance leases				
33.2.1 Liabilities				
Included in interest-bearing borrowings are capitalised finance lease liabilities in respect of ships, property, terminals, vehicles and equipment in favour of various local finance institutions, details of which are as follows:				
2008				
Future minimum lease payments	43 415	131 751	–	175 166
Future interest	(1 779)	(1 539)	–	(3 318)
Present value of future minimum lease payments	41 636	130 212	–	171 848
2007				
Future minimum lease payments	34 372	82 294	84 159	200 825
Future interest	(12 179)	(30 735)	(13 630)	(56 544)
Present value of future minimum lease payments	22 193	51 559	70 529	144 281
Details relating to redemption dates, interest rates and assets encumbered are set out in the schedule of loan funds on page 166.				

	Group		Company	
	2008 R000	2007 R000	2008 R000	2007 R000
34 JOINT VENTURE INTERESTS				
The group has joint venture interests in the following companies, which have the same year-end as the company unless otherwise stated:				
Equus Investments Limited*	Marine fuel and lubricants trading (%)	100	50	
Handyventure (Singapore) Pte Limited	Shipowning and operating (%)	50	50	
Island Trading and Shipping Pte Limited***	Bulk shipping (%)		50	
Petrochemical Shipping Limited	Shipowning (%)	50	50	
Röhlig-Grindrod (Pty) Limited	Clearing and forwarding (%)	50	50	
Oreport Holdings (Pty) Limited*	Industrial raw material trading (%)	100	50	100
Sheltam Grindrod Holdings (Pty) Limited**	Transport logistics (%)		50	50
Unicorn-Heidmar LLC	Ship operating (%)	50	50	
Tri-View Shipping Pte Limited	Shipowning and operating (%)	51	51	
LCL Grindrod (Pty) Limited	Seafreight perishable cargo agent (%)	50	50	
Vanguard Rigging (Pty) Limited	Machine handling, rigging and transport services (%)	50	50	
IM Shipping Pte Limited	Shipowning and operating (%)	51	51	
Portus Indico – Sociedade de Servicos				
Poruários SA	Port operations (%)	48,5	48,5	
* Additional investment acquired during the year and now fully consolidated as subsidiaries.				
** This investment was disposed of during the current year.				
*** The assets and liabilities of the business were acquired and the investment disposed of for a nominal fee.				
The proportionate interest in the joint ventures has been incorporated into the results, cash flow, assets and liabilities as follows:				
INCOME STATEMENT				
Revenue		749 146	5 082 785	
Operating income before interest and taxation		242 970	96 352	
Net interest paid		(6 143)	(2 784)	
Taxation		(22 265)	(15 192)	
Net income after taxation		214 562	78 376	
CASH FLOW				
Cash inflow/(outflow) from operating activities		80 583	(14 068)	
Cash outflow in investing activities		(59 559)	(28 520)	
Cash outflow in financing activities		(47 554)	(93 468)	
Net cash outflow		(26 530)	(136 056)	
BALANCE SHEET				
Non-current assets		844 703	481 554	
Current assets		378 919	1 223 770	
Non-current liabilities		(8 774)	(64 293)	
Current liabilities		(415 674)	(1 047 712)	
Net assets		799 174	593 319	
Total liabilities comprise:				
Interest-bearing liabilities		(238 061)	(351 296)	
Non-interest-bearing liabilities		(186 387)	(760 709)	
The proportionate share of the capital commitments of the joint ventures, which have been incorporated in the group's overall capital commitment detailed in note 31, are as follows:				
Authorised and contracted for		665 000	258 661	
Due within one year		275 000	31 398	
Due between years one and two		144 000	78 646	
Due between years two and three		246 000	2 273	
Due thereafter		–	146 344	

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2008 R000	2007* R000	2008 R000	2007 R000
35 CASH FLOW				
35.1 Reconciliation of operating profit before interest paid and taxation to cash generated from/(absorbed by) operations				
Operating profit before interest paid and taxation	2 785 075	1 365 787	2 719 984	566 059
Adjustments for:				
Depreciation	203 229	182 623		
Share option expense	2 865	3 360		
Dividends received			(2 735 806)	(552 967)
Amortisation of intangible assets and dry-docking	37 713	35 295		
Non-cash financial instruments and foreign exchange gains	(154 687)	(45 769)	2 412	(19 400)
Cost of assets held for sale disposed	136 708	641 838		
Impairment of held-for-sale assets	65 406	–		
Ship option writeup	(3 517)	(10 614)		
Non-cash provisions/other	3 583	(1 065)	13 811	12 702
Operating profit before working capital changes	3 076 375	2 171 455	401	6 394
Working capital changes				
Decrease/(increase) in inventories	290 468	(73 561)		
Decrease/(increase) in trade and other receivables	604 004	(636 549)	(430)	(97)
Increase/(decrease) in trade and other payables	341 374	448 365	(2 804)	4 451
Cash generated from/(absorbed by) operations	4 312 221	1 909 710	(2 833)	10 748
35.2 Dividends paid				
Dividends paid	(607 429)	(397 347)	(620 451)	(412 583)
35.3 Ships, property, plant and equipment acquired				
Additions – ships, property, terminals, vehicles and equipment	(1 824 416)	(1 474 513)		
Add settlement of forward exchange contracts for ships	–	(11 944)		
Cash flow on acquisition of ships, property, terminals, vehicles and equipment	(1 824 416)	(1 486 457)		
35.4 Acquisition of subsidiaries and joint ventures				
During the year the group acquired additional interests in subsidiaries and joint ventures as follows:				
Ships, property, terminals, vehicles and equipment	(46 998)	(159 149)		
Investments	–	(27 815)		
Non-current assets held for sale	(480)	–		
Financial assets	(1 374)	–		
Working capital	(152 534)	(8 114)		
Cash and bank	67 908	(14 683)		
Long-term liabilities	14 790	95 143		
Shareholder loan	–	2 702		
Post-retirement medical aid	1 498	4 633		
Minority interest	136	1 594		
Short-term borrowings	50 247	2 349		
Deferred taxation	(224)	3 095		
Tax liabilities	8 464	531		
Goodwill and intangible assets	(207 610)	(213 607)		
Total purchase price	(266 177)	(313 321)		
Less cash and cash equivalents	(67 908)	14 683		
Cash flow on acquisition net of cash acquired	(334 085)	(298 638)		

* Restated

	Group		Company	
	2008 R000	2007* R000	2008 R000	2007 R000
35 CASH FLOW (continued)				
35.5 Cash and cash equivalents				
Cash and cash equivalents included in the cash flow comprise the following balance sheet amounts:				
	2 403 087	1 254 611	804	-
Deposits with the SA Reserve Bank	27 247	23 877		
Interbank call deposits	508 410	249 599		
Bank balances and cash	1 867 430	981 135	804	-
Bank overdrafts	(427 981)	(542 872)		
	1 975 106	711 739	804	-

36 ACQUISITION OF SUBSIDIARIES AND JOINT VENTURES

During the year the group acquired the following additional interests:

Company	Percentage acquired	Date of acquisition incorporation
Equus Investments Limited	50	1 March 2008
Oreport Holdings (Pty) Limited	50	1 July 2008
Island Trading and Shipping Pte Limited*	50	20 June 2008
WM Translogistics (Pty) Limited	100	19 September 2008
Bay Stevedores (Pty) Limited	100	1 March 2008

* The assets and liabilities of the business were acquired and the investment disposed of.

The cash consideration for these businesses totalled R267 million and the incremental profit recognised was R36,6 million.

Net assets acquired in the transactions and the goodwill/intangible assets arising, are as follows:

	Acquirees' carrying amount before combination R000	Fair value adjustments R000	Fair value R000
Net assets acquired			
Ships, property, plant and equipment	46 998		46 998
Intangible assets	22 518		22 518
Non-current assets held for sale	480		480
Financial assets	1 374		1 374
Working capital	152 534		152 534
Cash and bank	(67 908)		(67 908)
Minority interest	(136)		(136)
Long-term liabilities	(14 790)		(14 790)
Post-retirement medical aid	(1 498)		(1 498)
Short-term borrowings	(50 247)		(50 247)
Deferred taxation	224		224
Tax liabilities	(8 464)		(8 464)
Total	81 085	-	81 085
Goodwill and intangible assets arising on acquisition			185 092
			266 177

The goodwill arising on the acquisition of these businesses is attributable to the anticipated profitability of these businesses.

* Restated

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTES TO THE FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS

During each period the group, in the ordinary course of business, enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

	Influence holders in the group R000	Group		Amounts due by/(to) related party R000
		Associates R000	Joint ventures R000	
2008				
Goods and services sold to:				
CMA CGM Shipping Agencies South Africa (Pty) Limited		187		23
Calulo Bunker Services (Pty) Limited				10 768
LCL Grindrod (Pty) Limited			1 457	
Ocean Africa Container Lines (Pty) Limited		4 929		387
IM Shipping Pte Limited			593	63 051
Tri-View Shipping Pte Limited			231	13 575
Petrochemical Shipping Limited			91	
Röhlig-Grindrod (Pty) Limited			3 047	2 346
Portus Indico - Sociedade de Servicos Poruarios SA			4 681	91 060
Spinnaker Shipping and Logistics (Pty) Limited		93		19
Vanguard Rigging (Pty) Limited			144	
Goods and services purchased from:				
Maputo Port Development Company		3 577		
Catfish Investments (Pty) Limited	632			
Nicolle Shipping (Pty) Limited	278			
	910	8 786	10 244	181 229
2007				
Goods and services sold to:				
CMA CGM Shipping Agencies South Africa (Pty) Limited		452		
Equus Investments Limited			47 475	1 062
LCL Grindrod (Pty) Limited			570	47
Ocean Africa Container Lines (Pty) Limited		19 288		1 528
IM Shipping Pte Limited			85	9 232
Tri-View Shipping Pte Limited			69	4 190
Petrochemical Shipping Limited			31	
Röhlig-Grindrod (Pty) Limited			6 361	79 467
Portus Indico - Sociedade de Servicos Poruarios SA			1 199	
Spinnaker Shipping and Logistics (Pty) Limited		736		
Goods and services purchased from:				
11 Auckland (Pty) Limited	377			
25 Auckland (Pty) Limited	343			
Boltim Properties (Pty) Limited	1 623			
Equus Investments Limited			53 949	(8 558)
Ocean Africa Container Lines (Pty) Limited		2 143		(1 729)
Grindrod Investments (Pty) Limited	1 399			(75 071)
Sheltam Properties (Pty) Limited	97			
Hyde Park (Pty) Limited	165			
Catfish Investments (Pty) Limited	1 094			
Nicolle Shipping (Pty) Limited	466			
	5 564	22 619	109 739	10 168

	Dividends received R000	Company		Amounts due by/(to) related party R000
		Other revenue received R000	Guarantee fees and other expenses paid R000	
37 RELATED PARTY TRANSACTIONS (continued)				
2008				
Subsidiaries				
Grindrod (South Africa) (Pty) Limited	64 919	8 773	(14 232)	210 808
Grindrod Financial Holdings Limited	19 696		(365)	25 874
Grindrod Freight Investments (Pty) Limited	1 029 789	468		181 360
Grindrod Management Services (Pty) Limited		809	(4 744)	(1 008 929)
Grindrod Shipping Limited	1 519 891	6 398	(9 803)	93 670
Island View Shipping (Pty) Limited	66 640	2 666		476 643
Unicorn Shipping Holdings Limited	7 107			72
Unicorn Shipping Operations (Pty) Limited	27 763			
	2 735 805	19 114	(29 144)	(20 502)
2007				
Subsidiaries				
Grindrod (South Africa) (Pty) Limited		12 028		(55 858)
Grindrod Financial Holdings Limited	15 600		(887)	
Grindrod Management Services (Pty) Limited			(669)	(8 249)
Grindrod Shipping Limited	528 857	8 556		68 014
Grindrod & Company (Pty) Limited	7 100			
Joint ventures				
Seascope Commodities (Pty) Limited	1 409			
	552 966	20 584	(1 556)	3 907

Associates

Details of material investments in associates are set out in note 7. Dividends received from associate companies amounted to R3 035 000 (2007: R66 640 000).

Joint ventures

Details of interests in joint ventures are set out in notes 6 and 34.

Subsidiaries

Details of investments in subsidiaries are set out in note 5 and in the schedule of interest in subsidiaries on page 167.

Directors

Details of directors' interests in the company and directors' emoluments are set out in the directors report.

Shareholders

The principal shareholders of the company are detailed in the share analysis schedule.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

LOAN FUNDS

	Date of redemption	Current rate of interest per annum %	2008		2007	
			Carrying Value R000	Carrying Value US\$000	Carrying Value R000	Carrying Value US\$000
SECURED						
Foreign currency financing						
<i>Financial liabilities measured at amortised cost</i>						
Loans secured by mortgage bonds over ships						
Repayable in quarterly instalments	05/2009		–	–	44 521	6 462
Repayable in quarterly instalments	08/2009		–	–	23 215	3 369
Repayable in quarterly instalments	12/2012	2,28	65 090	6 888	–	–
Repayable in quarterly instalments	12/2012	2,28	65 090	6 888	–	–
Repayable in quarterly instalments	06/2014	2,60	40 833	4 321	37 476	5 439
Repayable in quarterly instalments	12/2014	2,60	46 258	4 895	41 429	6 013
Loans secured by mortgage bonds over plant and equipment						
Repayable monthly	12/2008		–	–	1 457	211
Repayable monthly	12/2009	3,43	245	26	359	52
Repayable monthly	06/2013	7,00	28 460	3 012	9 786	1 420
Repayable monthly	08/2015	7,00	48 192	5 100	–	–
Repayable monthly	08/2013	15,00	7 095	751	–	–
Loans secured by guarantee						
Repayable in quarterly instalments	02/2013	3,43	30 995	3 280	14 317	2 078
Repayable monthly	04/2015	3,43	7 607	805	–	–
Repayable monthly	02/2013	3,43	14 133	1 496	12 374	1 796
Local financing						
<i>Financial liabilities measured at amortised cost</i>						
Loan secured by mortgage bond over ships						
Repayable in quarterly instalments	05/2009		–	–	69 807	–
Capitalised finance leases secured by ships						
Repayable in semi-annual instalments	06/2008		–	–	40 308	–
Loans secured by mortgage bond over property and terminals						
Repayable in quarterly instalments	11/2014	13,22	85 815	–	99 917	–
Repayable in quarterly instalments	12/2017	13,22	232 045	–	65 115	–
Capitalised finance leases secured by vehicles and equipment						
Repayable monthly	01/2016		–	–	35 136	–
Repayable monthly	03/2010	12,90	1 577	–	2 664	–
Repayable monthly	01/2009	16,00	14 795	–	–	–
Repayable monthly	11/2013	13,00	93 590	–	14 992	–
Repayable monthly	10/2013	13,00	28 627	–	–	–
Repayable monthly	various	13,00	106 652	–	130 401	–
Repayable in quarterly instalments	09/2009		–	–	16 248	–
Repayable in quarterly instalments	12/2009		–	–	16 326	–
Repayable in quarterly instalments	10/2017		–	–	176 423	–
Loans secured by guarantee						
Other capitalised finance leases and loans secured by plant and equipment			105 373	–	113 966	–
AGGREGATE SECURED LOANS			1 024 637	–	966 237	–
Transferred to non-current liabilities associated with assets held for sale			–	–	(9 330)	–
Amount repayable within one year			(227 679)	–	(238 246)	–
NET LONG-TERM BORROWINGS			796 958	–	718 661	–
SECURITY						
Net book values of assets encumbered to secure long-term loans are as follows:						
Ships			834 352	–	846 401	–
Property			113 139	–	55 395	–
Terminals, vehicles and equipment			257 622	–	627 364	–

INTERESTS IN SUBSIDIARIES

At 31 December 2008, the company had the following subsidiary undertakings carrying on business which principally affected the profits and assets of the group. They have the same year-end date as the company, unless otherwise stated, and have been included in the consolidated financial statements.

	Nature of business*	Share capital		Effective holding		Investments		Share-based payments		Loans to subsidiary							
		2008	2007	2008	2007	Shares at original cost		to employees		2008	2007						
		R	R	%	%	2008	2007	2008	2007	2008	2007						
												R000	R000	R000	R000	R000	R000
INCORPORATED IN SOUTH AFRICA																	
	F	1 158	1 158	100	100	175 900	35 900	345	345	181 360	387 067						
	G			100	100			1 514	1 142								
	T	43	43	100	100	600											
	G			100	100						1 552						
	G	23	23	100	100	144 451	144 451										
	S			100	100					21	21						
	S	5	5	100	100	5 000	5 000	297		476 643	31 850						
	F	10 000	10 000	100	100												
	D	100	100					455	455								
	F	10	10	100	100	7 521	7 521				3 085						
	S	204		100			82 050		7 806								
	S	1 500	1 500	100	100		146 895			72	2 803						
	S			100	100												
	S	1	1	100	100		1										
	B			81	81	183 793	183 793			25 874							
	T			100	50	544 405											
	F	1		100		1 414 123		10 015		506 818							
INCORPORATED IN BRITISH VIRGIN ISLANDS																	
	G	415	415	100	100	415	415			5 043	5 511						
INCORPORATED IN ISLE OF MAN																	
	S			100	100	1 025 331	1 025 331	661	575	93 670	60 445						
INTEREST IN SUBSIDIARIES (note 3)						3 501 539	1 631 357	12 832	9 868	1 289 956	492 789						

* Nature of business

B - Bank

D - Dormant

F - Freight Services

G - Group and Property Services

I - Insurance

S - Shipping

T - Travel

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information





Shareholder information

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

SHARE ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares	% of shares
SHAREHOLDER SPREAD				
1 – 5 000 shares	11 147	73,4	20 081 466	4,2
5 001 – 10 000 shares	1 797	11,8	14 093 887	3,0
10 001 – 50 000 shares	1 621	10,7	36 101 248	7,5
50 001 – 100 000 shares	256	1,7	19 047 477	4,0
Over 100 001 shares	369	2,4	389 152 132	81,3
	15 190	100,0	478 476 210	100,0
Non-public shareholders				
directors	8	0,1	22 261 345	4,7
directors' associates	2	0,0	331 400	0,1
treasury stock	1	0,0	28 223 578	5,9
Public shareholders	15 179	99,9	427 659 887	89,4
	15 190	100,0	478 476 210	100,0
INVESTOR PROFILE				
Individuals	11 436	75,3	103 774 489	21,7
Private companies	467	3,1	99 416 304	20,8
Mutual funds	160	1,1	62 576 315	13,1
Pension funds	195	1,3	59 369 952	12,4
Nominees and trusts	2 261	14,9	33 977 197	7,1
Insurance companies	43	0,3	32 648 891	6,8
Treasury stock	1	0,0	28 223 578	5,9
Banks	74	0,5	26 274 591	5,5
Investment companies	37	0,2	23 383 118	4,9
Close corporations	259	1,7	3 292 313	0,7
Endowment funds	110	0,7	2 373 149	0,5
Public companies	21	0,1	1 869 618	0,4
Other corporations	122	0,8	778 412	0,2
Medical aid schemes	4	0,0	518 283	0,1
	15 190	100,0	478 476 210	100,0
MAJOR SHAREHOLDERS				
Grindrod Investments (Pty) Limited			67 933 450	14,2
Public Investment Corporation			27 397 710	5,7
Metropolitan			21 447 569	4,5
Directors and management (excluding I A J Clark)			17 263 607	3,6
I A J Clark			12 369 900	2,6
			146 412 236	30,6
TOP FUND MANAGERS				
Foord Asset Management			27 887 883	5,8
Old Mutual Investment Group			13 922 783	2,9
Futuregrowth Asset Management			9 135 000	1,9
Oasis Asset Management			8 519 984	1,8
Metal and Engineering Industries			7 186 291	1,5
Polaris Capital			5 571 136	1,2
Argon Asset Management			5 301 607	1,1
			129 494 101	27,1
OFFSHORE INVESTORS				
J Lauritzen			7 000 000	1,5
Abu Dhabi Investment Authority			4 926 095	1,0
GMO Emerging Markets Fund			3 335 208	0,7
Aviva Group			2 214 804	0,5
Dimensional Fund Advisors			2 176 474	0,5
Teacher Retirement System of Texas			1 918 576	0,4
Pensioenfonds Zorg en Welzijn			1 897 054	0,4
Nomura African Stock Investment Mother Fund			1 896 830	0,4
Lawson A			1 400 570	0,3
Lawson IR and M			1 400 175	0,3
Other			28 165 786	5,9
			48 691 476	10,2

at 31 December 2008

SHARE ANALYSIS OF CUMULATIVE, NON-REDEEMABLE, NON-PARTICIPATING NON-CONVERTIBLE PREFERENCE SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares	% of shares
SHAREHOLDER SPREAD				
1 – 5 000 shares	1 892	87,2	3 023 769	40,3
5 001 – 10 000 shares	177	8,2	1 353 148	18,0
10 001 – 50 000 shares	86	4,0	1 679 994	22,4
50 001 – 100 000 shares	9	0,4	637 446	8,5
Over 100 001 shares	5	0,2	805 643	10,7
	2 169	100,0	7 500 000	100,0
Non-public shareholders				
directors	6	0,3	320 181	4,3
Public shareholders	2 163	99,7	7 179 819	95,7
	2 169	100,0	7 500 000	100,0
INVESTOR PROFILE				
Banks	2	0,1	138 656	1,8
Close corporations	26	1,2	78 872	1,1
Endowment funds	13	0,6	91 849	1,2
Individuals	1 454	67,0	3 403 448	45,4
Insurance companies	2	0,1	78 164	1,0
Investment companies	1	0,0	4 200	0,1
Medical aid schemes	1	0,0	9 046	0,1
Mutual funds	10	0,5	461 369	6,2
Nominees and trusts	540	24,9	1 928 093	25,7
Other corporations	18	0,8	123 165	1,6
Pension funds	1	0,0	1 000	0,0
Private companies	94	4,3	865 058	11,5
Public companies	6	0,3	217 080	2,9
Treasury stock	1	0,0	100 000	1,3
	2 169	100,0	7 500 000	100,0
MAJOR SHAREHOLDERS				
Coronation Fund Managers			290 066	3,9
Directors and Management			320 181	4,3
			610 247	8,2

business
overview

commentaries

sustainability

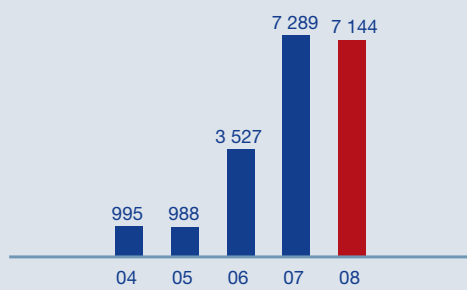
annual financial
statements

shareholder
information

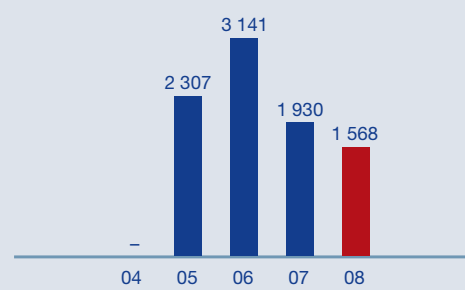
SHARE PERFORMANCE

	2008		2007		2006		2005		2004	
	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary "N"	Ordinary
Market price per share (cents)										
Opening	2 300	10 900	1 560	10 959	1 300	11 650	790	10 000	238	240
Year-end	1 530	8 600	2 342	10 300	2 578	10 300	1 300	11 650	790	-
Highest	2 886	10 900	2 740	11 000	1 570	11 599	1 315	11 650	800	-
Lowest	943	8 600	2 143	9 502	1 000	10 500	770	10 000	240	-
Number of shares(000)	450 253	7 500	455 509	7 500	449 179	7 500	461 626	5 000	454 610	-
- in issue	478 476	7 500	474 956	7 500	473 386	7 500	461 626	5 000	454 610	-
- treasury	(28 224)	-	(19 447)	-	(19 447)	-	-	-	-	-
Number of transactions recorded	98 692	1 381	55 642	1 599	40 099	2 165	28 654	788	10 973	-
Number of shares traded (000)	358 554	1 616	329 078	18 980	267 150	28 183	238 429	21 852	206 155	-
Volume of shares traded as % of total issued shares	74,9	2,2	69,3	25,3	56,4	37,6	51,6	43,7	45,3	-
Value of shares traded (R000)	7 144 093	156 833	7 289 001	193 031	3 527 355	314 132	988 417	230 706	995 310	-
Market capitalisation (Rm)	7 320,7	645,0	11 100,0	772,5	7 310,5	873,7	6 001,1	582,5	3 591,4	-
PE ratio (%)	3,2		8,9		11,7		7,0		6,4	
Dividend yield (%)	8,9		3,3		2,6		4,0		4,4	
Earnings yield (%)	31,1		11,3		14,2		14,3		15,7	

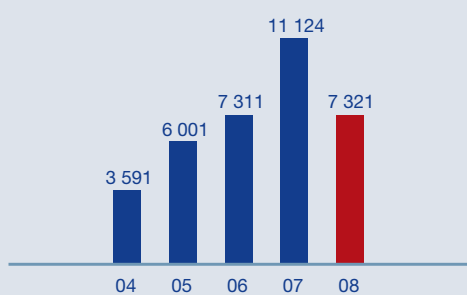
VALUE OF ORDINARY SHARES TRADED (Rm)



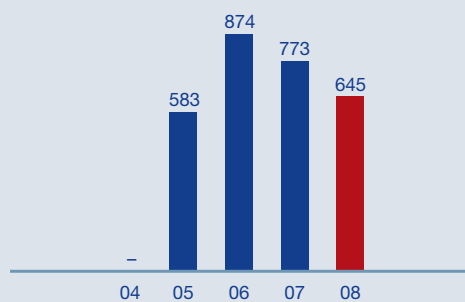
VALUE OF PREFERENCE SHARES TRADED (Rm)



MARKET CAPITALISATION ORDINARY SHARES (Rm)



MARKET CAPITALISATION PREFERENCE SHARES (Rm)



CORPORATE INFORMATION

GRINDROD LIMITED

Registration number 1966/009846/06

Company secretary

C A S Robertson FCIS

Registered office and business address

Quadrant House
115 Margaret Mncadi Avenue
Durban
4001

Postal address

PO Box 1
Durban
4000

Telecommunication/electronic addresses

Telephone +27 31 304 1451
Facsimile +27 31 305 2848
E-mail grindrod@grindrod.co.za
Website www.grindrod.co.za

Investor relations

Contact person Craig Robertson
Telephone +27 31 304 1451
Facsimile +27 31 305 2848
E-mail craigr@grindrod.co.za

GROUP AUDITORS

Deloitte & Touche

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

Postal address

PO Box 61051
Marshalltown
2107

Telecommunication

Telephone +27 11 370 5000
Facsimile +27 11 370 5271/2

BANKERS TO THE GROUP

Local

ABSA Bank Limited/Barclays
Citibank
Commerzbank
First National Bank of Southern Africa Limited
Investec Bank Limited
Nedbank Limited
Standard Chartered Merchant Bank (SA)
The Standard Bank of South Africa Limited
Societe Generale

Foreign

Calyon – S.A.
Bank of Bermuda
Fortis Bank
Hong Kong & Shanghai Banking Corporation (HSBC)
Nordea Bank
Royal Bank of Scotland
Standard Chartered Merchant Bank (UK)
Millennium dim Mozambique
Standard Bank Mozambique

ATTORNEYS TO GRINDROD LIMITED

Garlicke & Bousfield Incorporated

SPONSORS

Grindrod Bank Limited
First Floor, Building 3, North Wing Commerce Square
39 Rivonia Road
Sandhurst
Sandton

Postal address

PO Box 78011
Sandton
2146

Telecommunication

Telephone +27 11 459 1860
Facsimile +27 11 459 1872

[business
overview](#)

[commentaries](#)

[sustainability](#)

[annual financial
statements](#)

[shareholder
information](#)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE FORTY-SECOND ANNUAL GENERAL MEETING OF MEMBERS OF GRINDROD LIMITED WILL BE HELD IN THE BOARDROOM, 1ST FLOOR, QUADRANT HOUSE, 115 MARGARET MNCADI AVENUE, DURBAN ON WEDNESDAY, 20 MAY 2009 AT 14:30 FOR THE FOLLOWING PURPOSES:

1. To receive and adopt the audited financial statements for the year ended 31 December 2008 including the reports of the directors and the auditors.
2. To re-elect retiring directors in accordance with the articles of association. Motions for re-election will be moved individually.

In accordance with article 59 of the articles of association, Messrs I A J Clark, A K Olivier, D A Rennie and D A Polkinghorne retire by rotation and being eligible, offer themselves for re-election. The credentials of these directors are provided on pages 8, 10 and 11 of the annual report.

3. To confirm the appointment of N T Y Siwendu and W D Geach who were appointed as directors by the board of directors on 21 May 2008 and 28 July 2008, respectively. The credentials of these directors are set out on pages 8 and 9 of the annual report.
4. To consider and confirm the executive directors' remuneration for the year ended 31 December 2008 as set out on page 67 of the annual report.
5. To consider and approve the fees to the non-executive directors for the year 1 July 2009 to 30 June 2010, as set out below:

	Present R	Proposed R
Board		
Chairman	280 000	320 000
Director	120 000	135 000
Audit committee		
Chairman	40 000	50 000
Member	32 000	36 000
Remuneration committee		
Chairman	37 000	45 000
Member	31 000	35 000

6. To confirm the appointment of the auditors, Deloitte & Touche for the ensuing year and A G Waller as the responsible auditor.
7. To authorise the directors to determine the remuneration of the auditors for the past year's audit.

As special business, to consider and if deemed fit, pass with or without modification the following special and ordinary resolutions.

8. Special resolutions:

8.1 Special resolution 1

"Resolved that the directors of the company be and are hereby authorised, by way of a general approval, to repurchase on behalf of the company, ordinary shares of 0,002 cent each ("ordinary shares") issued by the company, in terms of sections 85 to 90 of the Companies Act, 1973 (Act 61 of 1973), as amended, and in terms of the Listings Requirements of JSE Limited ("JSE") being that:

- any such repurchase of ordinary shares shall be implemented on the open market of the JSE;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- an announcement will be published for every 3% of the ordinary shares in issue, in aggregate, repurchased by the company, containing full details of such acquisitions in accordance with section 5.79 of the Listings Requirements;
- in terms of this general approval, the acquisition of ordinary shares in any one financial year may not exceed, in aggregate, 20% of the company's issued share capital of that class, at the time that approval is granted, and the acquisition of shares by a subsidiary of the company may not exceed 10% in the aggregate, in any one financial year, of the number of issued shares of the company of that class;
- in determining the price at which ordinary shares issued by the company are repurchased by it in terms of this general approval, the maximum premium at which such ordinary shares may be repurchased is 10% of the weighted average of the market value at which such ordinary shares are traded, respectively, on the JSE as determined over the five trading days immediately preceding the day on which the transaction was agreed;
- the company may only undertake a repurchase of shares if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements; and
- unless prior notice is given in terms of JSE Listings Requirements the company or its subsidiary may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements."

8.2 Special resolution 2

“Resolved that the directors of the company be and are hereby authorised, by way of a general approval, to repurchase on behalf of the company, cumulative, non-redeemable, non-participating, non-convertible preference shares of 0,031 cent each (“preference shares”) issued by the company, in terms of sections 85 to 90 of the Companies Act, 1973 (Act 61 of 1973), as amended, and in terms of the Listings Requirements of JSE Limited (“JSE”), being that:

- any such repurchase of preference shares shall be implemented on the open market of the JSE;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- an announcement will be published for every 3% of the preference shares in issue, in aggregate, repurchased by the company, containing full details of such acquisitions in accordance with section 5.79 of the Listings Requirements;
- in terms of this general approval, the acquisition of preference shares in any one financial year may not exceed, in aggregate, 20% of the company's issued share capital of that class, at the time that approval is granted, and the acquisition of shares by a subsidiary of the company may not exceed 10% in the aggregate, in any one financial year, of the number of issued shares of the company of that class;
- in determining the price at which preference shares issued by the company are repurchased by it in terms of this general approval, the maximum premium at which such preference shares may be repurchased is 10% of the weighted average of the market value at which such preference shares are traded, respectively, on the JSE as determined over the five trading days immediately preceding the day on which the transaction was agreed;
- the company may only undertake a repurchase of shares if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements; and
- unless prior notice is given in terms of JSE Listings Requirements the company or its subsidiary may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements.”

Reason and effect of special resolutions 1 and 2

The reason for and the effect of special resolution 1 is that the general approval for the company to acquire its own ordinary shares which was renewed by special resolution at the annual general meeting of 21 May 2008 will lapse at this annual general meeting and special resolution 1 will renew that authority. The reason and effect of special resolution 2 is that the general approval for the company to repurchase the preference shares will lapse at this annual general meeting and special resolution 2 will renew that authority. The authority contemplated in both special resolutions 1 and 2 will remain in effect until the next succeeding annual general meeting, but in any event will not extend beyond 15 months from the date of each special resolution.

The directors, after considering the maximum number of shares which may be repurchased and the price at which such repurchases may take place pursuant to the general repurchase approval, are of the opinion that:

- the company and the group will be able to pay its debts in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards (“IFRS”), will be in excess of the consolidated liabilities of the company and the group after the repurchase for a period of 12 months after the date of the notice of the annual general meeting;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of notice of the annual general meeting; and
- the working capital available to the company and the group will be adequate for the purposes of the business of the company and the group for the period of 12 months after the date of notice of the annual general meeting.

9. Ordinary resolutions

9.1 Ordinary resolution 1

“Resolved that the unissued ordinary shares in the capital of the company reserved for the purpose of the company's share option scheme, representing 9 450 000 ordinary shares in total, continue to be placed under the control of the directors, who shall be authorised to issue these shares at such times and on such terms as they may determine.”

Shareholders are to note that this scheme has been closed and is replaced with a cash based phantom option scheme, the details of which are set out on pages 66 and 70 of the annual report.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

NOTICE OF MEETING

9.2 Ordinary resolution 2

“Resolved that 45 000 000 of the unissued ordinary shares in the capital of the company be placed under the control of the directors, who are hereby authorised, subject to the requirements of the the Companies Act, 1973, and the Listings Requirements of the JSE, to allot and issue these shares at such times, at such prices and for such purposes as they may determine, at their discretion, provided that any such general authority shall be valid only until the next annual general meeting of the company or fifteen months from the date of the passing of this resolution, whichever is the earlier.”

45 000 000 ordinary shares represents approximately 9% of the issued share capital of the company at the date of this notice.

9.3 Ordinary resolution 3

“Resolved that the cumulative, non-redeemable, non-participating, non-convertible preference shares in the authorised but unissued preference share capital of the company, be and are hereby placed under the control of the directors who are hereby authorised, subject to the provisions of the Companies Act, No. 61 of 1973, as amended, the Listings Requirements of the JSE and the company’s Articles of Association, to allot and issue these shares at such times and on such terms as they may determine until the company’s next annual general meeting; provided that it shall not extend beyond 15 months from the date of passing of this resolution”.

10. To transact such other business as may be transacted at an annual general meeting.

Information related to JSE Listings Requirement 11.26 can be found in the annual report on the page references below:

	Page number
Directors and management	8
Responsibility statement	98
Directors’ interests in securities	71
Material change	101
Share capital of the company	145
Litigation statement	159
Major shareholders	170

Preference shareholders

Preference shareholders are entitled to receive copies of correspondence related to all shareholder meetings. It is to be noted that in respect of the annual general meeting to be held on 20 May 2009, preference shareholders are entitled to attend the meeting and to vote together with ordinary shareholders in respect of special resolutions 1 and 2 relating to a general authority to repurchase ordinary and preference shares and ordinary resolution 3 to place the unissued preference shares under the control of the directors.

Proxies

A member registered as such (either as the holder of shares in certificated form and whose name is reflected in the register of company members, or as the holder of shares in dematerialised form and whose name is reflected in a sub-register maintained by a CSDP) is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his/her stead should he/she be unable to attend the annual general meeting, but wishes to be represented thereat. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the office of the Transfer Secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) at least 48 hours before the commencement of the meeting. Shareholders who have dematerialised their shares in Grindrod such that their holdings are no longer recorded in their own names, should arrange with their CSDP or broker for the necessary authority to attend the annual general meeting. Should they be unable, or do not wish to attend but wish to be represented at the meeting, they should provide their CSDP or broker with their voting instructions in terms of the agreements entered into between the shareholder and CSDP or broker concerned.

By order of the board

C A S Robertson
Group secretary

Durban
8 April 2009

FORM OF PROXY



GRINDROD LIMITED
 (Incorporated in the Republic of South Africa)
 (Registration number 1966/009846/06)
 (Share code: GND and GNDP ISIN: ZAE000072328 and ZAE 000071106)
 ("the company")

(To be used by certificated shareholders and dematerialised shareholders with own name registration)

For use at the annual general meeting of shareholders of the company to be held in the Boardroom, 1st Floor, Quadrant House, 115 Margaret Mncadi Avenue, Durban at 14:30 on Wednesday, 20 May 2009.

I/We (FULL NAMES IN BLOCK LETTERS)

of (ADDRESS)

being the registered holder/s of ordinary shares preference shares
 preference shares in the capital of the company hereby appoint:

1. of or failing him/her,

2. of or failing him/her,

3. the chairman of the annual general meeting,
 4. as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held in the Boardroom, 1st Floor, Quadrant House, 115 Margaret Mncadi Avenue, Durban at 14:30 on Wednesday, 20 May 2009 and at any adjournment thereof as follows:

RESOLUTION	IN FAVOUR OF	AGAINST	ABSTAIN
1. Approval of annual financial statements			
2. Re-election of directors retiring by rotation			
2.1 I A J Clark			
2.2 A K Olivier			
2.3 D A Rennie			
2.4 D A Polkinghorne			
3. Confirmation of the appointment of N T Y Siwendu and W D Geach as directors			
4. Consider and confirm the executive directors' remuneration for the year ended 31.12.2008			
5. Approve the fees to non-executive directors to 30.06.2010			
6. Confirmation of appointment of auditors and responsible auditor			
7. Remuneration of the auditors			
8.1 Renewal of authority to repurchase ordinary shares			
8.2 Renewal of authority to repurchase preference shares			
9.1 Directors' authority to issue shares reserved for the share option scheme			
9.2 Authority to place 45 000 000 unissued ordinary shares under the control of the directors			
9.3 General authority for directors to issue preference shares			

(Indicate instruction by a "X" in the space provided.)

Unless otherwise instructed, my proxy may vote as he/she thinks fit.

A member entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The proxy need not be a member of the company.

Signed this day of 2009

Signature/s

REGISTERED OFFICE
 Quadrant House
 115 Margaret Mncadi Avenue
 Durban, 4001
 (PO Box 1, Durban, 4000)

TRANSFER SECRETARIES
 Computershare Investor Services (Pty) Limited
 Ground Floor, 70 Marshall Street
 Johannesburg, 2001
 (PO Box 61051, Marshalltown, 2107)

NOTES

1. Only shareholders who are recorded in the register of members of the company who have not dematerialised their shares or who hold dematerialised shares in their own name must complete the form of proxy or alternatively attend the meeting.

Beneficial shareholders whose shares are not registered in their own name but in the name of another, e.g. a nominee, must not complete the form of proxy or attend the meeting unless a proxy is issued to them by the registered shareholder. Beneficial shareholders who are not also registered shareholders should contact the registered shareholder to issue instructions on voting or to obtain a proxy to attend the meeting.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. Any deletion, alteration or correction to this form of proxy must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.
5. Forms of proxy must be lodged at, or posted to, the registered office of the Transfer Secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by not later than 14:30 on Monday, 18 May 2009.
6. The completion and lodging of this form of proxy will not preclude the shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
7. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these notes.
8. A form of proxy shall be deemed to include the rights to demand or join in demanding a poll.
9. Shareholders, who have either dematerialised their company shareholdings (such that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDPs)), are not company members as defined. Such shareholders who wish to attend the company's annual general meeting should arrange with their CSDPs or brokers for the necessary authority to attend the annual general meeting. Such shareholders who are unable, or do not wish, to attend the annual general meeting, but wish to be represented thereat, should provide their CSDPs or brokers with their voting instructions in sufficient time to enable the CSDPs or brokers to lodge forms of proxy or appoint a representative for the meeting.

TERMS AND EXPRESSIONS

Back haul

Routes which are against the standard flow of traffic, i.e. loading in a port situated in what is usually a discharge area, and discharging in a port situated in what is usually a loading area.

Ballast

The period of time during which a ship performs a voyage without cargo on board.

Baltic Dry Index (BDI)

The BDI is published every London working day by the Baltic Exchange, who collate information for supramax, panamax and capesize vessels to create this lead freight market indicator.

Baltic Handysize Spot Index (BHSI)

The BHSI is published every London working day by the Baltic Exchange, who have collated information on fixtures for a number of routes in relation to a standard "28 000 dwt" vessel with 30 mt cranes and maximum 15 years of age. The index is also published on the basis of a time charter return, and is used to determine the value of the trading routes and settlement prices for FFAs.

Baltic Supramax Index (BSI)

The BSI is published every London working day by the Baltic Exchange, who have collated information on fixtures for a number of routes in relation to a standard "Tess 52" type vessel. This vessel is 52 454 dwt, with 4 x 30 mt cranes and grabs, and maximum 10 years of age. This index is also published on the basis of a time charter return, and is used to determine the value of trading routes and settlement prices for FFAs.

Bareboat or bareboat charter

Charter for an agreed period of time during which the shipowner provides only the ship while the charterer provides the crew together with all stores and bunkers and pays all vessel operating costs.

Beam

The greatest width of a ship.

Breakbulk

Dry, loose cargo.

Bulk carrier

Ship designed to carry dry, loose cargoes in bulk.

Barging

Transfer of cargo to/from a ship to a barge.

Bunker(s)

Fuel, consisting of fuel oil and diesel, burned in the vessel's engines.

Capesize bulk carrier

Drybulk carrier with a capacity of about 130 000 to 200 000 dwt which, due to its size, must transit when loaded, the Atlantic to the Pacific via Cape Horn or the Cape of Good Hope and is typically used for long voyages in the coal and iron ore trades.

Charter-hire

The revenue earned by a vessel pursuant to a bareboat charter or a time charter (see "Freight" for voyage charter revenue).

Charterer

A person, firm or company hiring a vessel for the carriage of goods or other purposes.

Charterparty

Document containing all the terms and conditions of the contract between the owner of a vessel and a charterer for the use of a vessel, signed by both parties or their agents, for the hire of a ship or the space in a ship.

Commercial management

Management of those aspects of shipowning and operation that relate to obtaining economic value from the vessel which includes ship financing, sale and purchase, chartering or vessel employment, voyage execution, insurance and claims handling, accounting and corporate administration.

Chemical tankers

A tanker, usually not larger than 40 000 dwt, designed to carry numerous bulk liquid chemical products, often in stainless steel tanks, in isolated compartments (also termed "parcels").

Containership

Ship designed to carry containerised cargo.

Contract of affreightment (COA)

Is similar to a Voyage Charter but covers two or more shipments over an agreed period of time (this could be over a number of months or years), and no particular vessel is specified.

Deadweight tonne (dwt)

Deadweight tonnes, the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew, etc, at a specified draft.

Demurrage

An agreed amount payable to the shipowner by the charterer when the agreed time allowed for loading or unloading cargo has been exceeded through no fault of the owner.

Draft

Vertical distance between the waterline and the bottom of the vessel's keel (i.e. the depth of the ship in the water).

Drydocking

The removal of a ship from the water for inspection, maintenance and/or repair of parts that are normally submerged.

Double hull

A ship which has an inner and an outer hull. The distance between these two can be up to 2 metres. Such construction increases the safety during a possible grounding or collision and in this way leakage may be avoided. The double hull is also used for ballast.

Flag state

The country where the vessel is registered.

Forward freight agreements (FFAs)

A derivative instrument that is a means of hedging exposure to freight market risk through the purchase or sale of specified time charter rates for forward positions. Settlement is in cash, against a daily market index published by the Baltic Exchange.

Freight

The revenue earned by a ship pursuant to a voyage charter or a contract of affreightment.

Front haul

Routes which follow the typical flow of the transportation of cargoes from the main loading areas to the main discharging areas.

Handysize

Drybulk carrier of about 10 000 to 40 000 dwt which is commonly equipped with cargo gear such as cranes. This type of vessel carries principally minor bulk cargoes and limited quantities of major bulk cargoes. It is well suited for transporting cargoes to ports that may have draft restrictions or are not equipped with gear for loading or discharging cargoes.

business
overview

commentaries

sustainability

annual financial
statements

shareholder
information

TERMS AND EXPRESSIONS

Handymax

Drybulk carriers of about 40 000 to 60 000 dwt which is commonly equipped with cargo gear such as cranes. This type of vessel carries a wide variety of cargoes including major bulk and minor bulk cargoes.

ISM Code

The international management code for the safe operation of ships and for pollution prevention adopted by the International Maritime Organisation.

IMO

International Maritime Organisation, the international United Nations advisory body on transport by sea.

Joint services agreement

An organised group of shipowners and/or charterers where there is a pooling of resources for the purpose of the flexible and commercial operation of ships. A pool manager is responsible for the commercial operation of the joint service.

Liner shipping operations

Operators who trade ships according to a schedule between specified ports.

Marpol

The international convention governing marine pollution prevention. It is part of IMO.

Major bulk

Dry bulk cargoes consisting of iron ore, coal and grain.

Minor bulk

Dry bulk cargoes such as forest products, iron and steel products, fertilisers, agricultural products, minerals and petcoke, bauxite and alumina, cement, other construction materials and salt.

Newbuilding

A vessel under construction or on order.

Off-hire

Period during which a vessel is temporarily unable to operate under the terms of its charter, resulting in loss of income under the charter.

Operator

An operator who trades in ships and cargo.

P & I

Protection and indemnity insurance coverage taken by a shipowner or charterer against third party liabilities such as oil pollution, cargo damage, crew injury or loss of life, etc.

Panamax bulk carrier

Drybulk carrier of about 60 000 to 80 000 dwt with beam not exceeding 32,2 meters, which permits it to transit, when fully loaded, through the Panama Canal. Panamax vessels are primarily used to transport major bulks, although they can be used to transport certain minor bulks such as fertilisers, ores, petcoke and salt.

Post panama

Drybulk carrier of about 80 000 to 130 000 dwt with beam exceeding 32,2 metres, which are mainly used to transport coal and grains.

Period market

The time charter market where a ship (or space on a ship) is chartered for a period of time (see time charter).

Petrochemicals

Chemicals containing carbon, often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.

Products tanker

A tanker designed to carry refined petroleum products in bulk, in multiple tanks.

Spot rate

Freight rate for a voyage agreed on the basis of current market level.

Spot market

The market for immediate chartering of a vessel, usually for a single cargo or short-term trading.

Supramax

Dry bulk carrier within the handymax sector of about 50 000 to 60 000 dwt, which is usually grab fitted and carries a wide variety of cargoes including major bulk and minor bulk cargoes.

Take-or-pay agreement

A contractual agreement in which one party agrees to utilise specific capacity of another party's total available capacity or to pay the equivalent cost even if the contracted capacity is not utilised.

Technical management

Management of those aspects of shipowning and operation that relate to the physical operation of a vessel, including the provision of crew, routine maintenance, repairs, drydocking, supplies of stores and spares, compliance with all applicable international regulations, safety and quality management, environment protection, newbuilding plan approval and newbuilding supervision, and related technical and financial reporting.

Time charter

Charter for an agreed period of time where the shipowner is paid on a per day basis and is responsible for operating the vessel and paying the vessel operating costs while the charterer is responsible for paying the voyage costs and bears the risk of any delays at port or during the voyage except where caused by a defect of the ship.

Time charter equivalent (TCE)

Freight and charter-hire less voyage costs incurred expressed as a daily rate over the duration of the voyage.

Tonnage

A generic term referring to any kind of ocean-going cargo vessel or vessels.

TEU (twenty foot equivalent unit)

The standard length of a container and the measurement used to determine the container carrying capacity of a ship.

Voyage charter

Charter under which a shipowner is paid freight on the basis of transporting cargo from a load port to a discharge port and is responsible for paying both vessel operating costs and voyage costs.

Vessel operating costs

These consist of crew expenses, insurance, spare parts, stores and lubricating oils, vessel repairs and surveys, commissions and other miscellaneous running costs.

Voyage costs

Bunker costs, port charges and canal dues (or tolls) incurred during the course of a voyage.